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

2024 ANNUAL REPORT

香港直邮-进口医药-品质好货

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Healthy Life with

KINGWORLD

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Corporate Information

DIRECTORS

Executive Directors

Mr. Zhao Li Sheng *(Chairman)*
Ms. Chan Lok San
Mr. Zhou Xuhua

Independent Non-executive Directors

Mr. Duan Jidong
Mr. Wong Cheuk Lam
Mr. Zhang Jianbin
Dr. Chu Xiaoping (appointed on 1 September 2024)

AUDIT COMMITTEE

Mr. Wong Cheuk Lam *(Chairman)*
Mr. Duan Jidong
Mr. Zhang Jianbin
Dr. Chu Xiaoping (appointed on 1 September 2024)

REMUNERATION COMMITTEE

Mr. Zhang Jianbin *(Chairman)*
Mr. Duan Jidong
Mr. Wong Cheuk Lam
Dr. Chu Xiaoping (appointed on 1 September 2024)

NOMINATION COMMITTEE

Mr. Duan Jidong *(Chairman)*
Mr. Wong Cheuk Lam
Mr. Zhang Jianbin
Dr. Chu Xiaoping (appointed on 1 September 2024)

COMPANY SECRETARY

Mr. Chan Hon Wan

AUTHORISED REPRESENTATIVES

Mr. Zhao Li Sheng
Mr. Chan Hon Wan

REGISTERED OFFICE

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STOCK CODE

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Financial Highlights

	For the year ended 31 December		Changes
	2024	2023	Increase/
	RMB'000	RMB'000	(Decrease)
Financial Highlights			
Revenue	**1,061,082**	1,078,659	(1.6)%
Cost of sales	**(790,636)**	(797,994)	(0.9)%
Gross profit	**270,446**	280,665	(3.6)%
Profit before taxation	**95,519**	93,886	1.7%
Profit for the year	**74,466**	61,594	20.9%
Profit attributable to owners of the Company	**41,557**	38,096	9.1%
Basic earnings per share (RMB cents)	**7.22**	6.44	12.1%
Proposed final dividends per share (HK cents)	**3.17**	3.38	(6.2)%

	As at 31 December		Changes Increase/
	2024	2023	(Decrease)
Liquidity and Asset-liability Ratio			
Current ratio (1)	**1.18**	1.27	(7.1)%
Quick ratio (2)	**0.95**	1.02	(6.9)%
Gearing ratio (3)	**21.6%**	24.1%	(10.4)%

Notes:

(1) Current ratio is calculated as total current assets divided by total current liabilities as at the relevant year end.

(2) Quick ratio is calculated as total current assets less inventories divided by total current liabilities as at the relevant year end.

(3) Gearing ratio is calculated as total interest-bearing bank borrowings, less cash and cash equivalents, divided by total equity as at the end of relevant year and multiplied by 100%.

Chairman's Statement

Dear Shareholders,

On behalf of Kingworld Medicines Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**"), I am pleased to report the annual results for the year ended 31 December 2024 (the "**Year Under Review**"). I want to express my sincere gratitude to all shareholders for their long-term support and trust in the Group. The year 2024 marked a year of accelerated transformation and upgrading for China's pharmaceutical industry amid profound changes in both internal and external environments, as well as a critical year for breakthroughs in the implementation of the 14th Five-Year Plan. Driven by the continued release of policy benefits and the rising demand for upgraded health consumption, the traditional Chinese medicine and health industries advance into a new phase of high-quality development.

Leveraging the advantages of the comprehensive upstream and downstream industrial chain and the brand reputation that the Group has built over the years, coupled with the efforts of our colleagues to expand the domestic and international business of our flagship product lines, the Group accurately identified market demands and aligned with policy directions during the Year Under Review. Through steadfast strategic focus and execution, the Group achieved steady growth while consolidating its market-leading position, laying a solid foundation for long-term development and further deepening the implementation of its Fifth Five-Year Plan.

Chairman's Statement

MARKET AND BUSINESS REVIEW

The synergetic development of the Guangdong-Hong Kong-Macao Greater Bay Area ("Greater Bay Area") shapes a new development pattern for Hong Kong's pharmaceutical industry

In 2024, China further advanced the strategy to innovate and preserve traditional Chinese medicine, creating unprecedented opportunities for the industry in the Greater Bay Area. In January 2025, the National Medical Products Administration streamlined the approval process for Chinese patent medicines from Hong Kong and Macao to be registered and launched in the mainland market. This further promoted the construction of a unified pharmaceutical market in the Greater Bay Area and aligned with the national strategy for the development of the region.

The implementation of this policy marked the official acceleration of the Group's long-promoted project to launch Hong Kong pharmaceutical products in the mainland market. With the deepening alignment of pharmaceutical market regulations between Hong Kong, Macao, and the mainland, the Group has positioned the Hong Kong and Macao markets as a gateway for high-quality global pharmaceutical products to enter the mainland market and as a window for premium traditional Chinese medicine products to go global. By enhancing interaction between domestic and international markets and achieving synergy of online and offline businesses as well as import and export activities, the Group has expanded its global presence and achieved high-quality growth. Looking ahead, the Group will fully leverage the advantages of its associated enterprises in Hong Kong to seize policy opportunities and introduce more high-quality Hong Kong pharmaceuticals into the mainland market, thereby enriching the Group's product portfolio. As a listed company, the Group will utilize resources in Hong Kong and Macao to reserve premium traditional Chinese medicine projects in the region, and initiate investments and acquisitions at opportune times to maximize project investment returns.

The "Major Product Strategy" focuses on core strengths to drive performance

The pharmaceutical industry is currently undergoing structural adjustments, with increased homogenized competition and stratified consumer demands. Focusing on and reshaping of a company's core competitiveness has become key to breaking through the challenges. Against this backdrop, the Group deepened the implementation of the "Major Product Strategy", aiming to concentrate resources on creating flagship products with strong market recognition and distinctive branding, while avoiding wasteful competition caused by overly diversified product portfolios.

After decades of market validation, the Group's flagship products, Nin Jiom Pei Pa Koa and Nin Jiom Herbal Candy, have established a differentiated competitive core. The innovative integration of the cultural heritage of traditional Chinese medicine with modern health concepts in these products aligns with the trend of consumption upgrading and gains strong consumer support, solidifying a leading position in the "lung-nourishing and cough-relieving" sector. These products are a key driver of the Group's performance. The Group's other flagship products, such as Taiko Seirogan and Kingworld Imada Red Flower Oil, have also become potential major products in the "digestive health" and "blood circulation and pain relief" sectors due to their outstanding quality and strong reputation.

Moving forward, the Group will strengthen the strategic position of the core products, improve the efficiency of resource integration, and establish unreplicable competitive barriers in niche markets. This will lay the groundwork for expanding the Group's product portfolio and enhancing its brand strength. By implementing the "Major Product Strategy" with a "point-to-surface" approach, which leverages key products to drive growth, the Group will effectively address the challenges of market fragmentation while capitalizing on opportunities arising from increasing industry concentration.

The "silver economy" and health consumption upgrade create a new blue ocean in the nutritional supplements sector

According to the National Bureau of Statistics, by the end of 2024, the population aged 60 and above accounted for 22.0% of the national population, with those aged 65 and above accounting for 15.6%. Despite the continued deepening of the aging population, the relatively high proportion of those aged 60-64 indicates a younger age structure within the elderly demographic. This demographic structure presents a favorable opportunity to advance the reform and development of elderly care services and actively implement the national strategy to address population aging. In January 2025, the "Opinions of the Central Committee of the Communist Party of China and the State Council on Deepening the Reform and Development of Elderly Care Services" proposed to "vigorously develop the silver economy, strengthen R&D and promotion of elderly products, enrich elderly care service scenarios, and release the potential of elderly care consumption". As population aging deepens and the silver economy receives strong policy support, preventive health management is shifting from a supplementary healthcare sector to the mainstream consumer market.

The Group accurately seized the opportunities presented by the silver economy, closely aligning with market demands to actively develop targeted products that meet the health management needs of different age groups. Leveraging international R&D resources, the Group prioritized strategic nutritional supplements such as glucosamine and premium fish oil, as well as An Gong Niu Huang Wan jointly launched with Foci during the Year Under Review. These products not only meet the refined health management needs of seniors, but also align with the upgraded consumption preferences of middle-aged and young customers for preventive health interventions. This successfully built cross-generational market influence, further strengthening the Group's brand position among consumers.

Digital transformation establishes a new framework of intelligent management

During the Year Under Review, the Group took digital transformation as a strategic choice to rebuild its competitive edge. By driving digital penetration across the entire value chain, the Group enhanced operational efficiency and advanced the strategic iteration of the Group's digital infrastructure.

Regarding the construction of the intelligent management platform, the Group optimized the architecture of its data cockpit and enhanced the DuPont analysis function. Meanwhile, the SMART information system developed by the Group introduced a market activity management module, achieving a full-module closed loop from budgeting to reporting. This not only significantly improved cross-departmental collaboration efficiency but also enabled precise prediction and flexible allocation of marketing budgets through intelligent algorithms, thereby ensuring strategic execution while boosting adaptability to market fluctuations. This system, embodying the collective wisdom of Kingworld Medicines, was put into use in January 2025.

Regarding the upgrading of digital marketing tools, the Group enhanced the application of mobile marketing tools, enabling the sales team to track product sales, account status, and distribution rankings in real time through a dynamic visual system. This effectively improved market responsiveness. From an operational perspective, these digital tools played a significant role in the Group's management, personnel incentives, customer service, and regional oversight, greatly enhancing decision-making quality and management efficiency.

Looking ahead, the Group will continue to promote the innovative integration of digital technologies with traditional businesses, driving the evolution of the management system from a traditional marketing model to an intelligent ecological platform. The Group aims to create a diversified business management model characterized by standardization of management processes, informatization of processes, and digitization of information.

Building a technological foundation in the Greater Bay Area to spearhead the internationalization of the biomedical platform

To continuously promote scientific research innovation and implement the key strategies of Kingworld Medicines' Fifth Five-Year Plan, the Group is committed to building the Kingworld+Longde Life and Health Industrial Park ("**Longde Health Industrial Park**"). As a platform that undertakes the mission of building an innovative ecosystem for traditional Chinese medicine and provides professional biomedical hardware and shared equipment, the Longde Health Industrial Park will play an important role in promoting the integration of Shenzhen-Hong Kong traditional Chinese medicine and in innovating the international presence, marking a significant milestone in the Group's development journey.

During the Year Under Review, the Longde Health Industrial Park was completed and officially put into use, making substantial progress in promoting industry-academia-research collaboration, facilitating upstream and downstream industry chain exchanges, and integrating industry resources. It attracted multiple high-growth enterprises to establish operations. As for scientific research transformation, being an important vehicle for the innovative development of the health industry in Shenzhen, the Longde Health Industrial Park partnered with universities and research institutions to create a life and health project incubation platform.

In the future, leveraging the Longde Health Industrial Park, the Group will promote park investment and operations, attract high-quality industrial projects, coordinate departments within Kingworld Group to achieve industrial transformation and upgrading, and position the Longde Health Industrial Park as an international biomedical hub for Guangdong, Hong Kong, and Macao.

During the Year Under Review, Shenzhen Dong Di Xin Technology Company Limited ("**Dong Di Xin**"), a non-wholly owned subsidiary of the Group and a national high-tech enterprise, steadily advanced the "Lean Production 6S" management model and continued to implement its "Going Global" strategy. In 2024, Dong Di Xin accelerated the exploration of new markets in South America and Africa, laying the foundation for future performance growth. After years of expansion and experience accumulation, its business in the Middle East market achieved initial success during the Year Under Review, making breakthroughs in sales. Looking ahead, Dong Di Xin will expand into different regions with its globally leading quality model to drive global sales performance.

In addition, to bolster the upstream product supplies, the Group continuously strengthened collaboration with overseas companies. Following the acquisition of the French company Innopharm S.A. ("**Innopharm**"), the Group launched two new Innopharm Heart Health Fish Oil products during the Year Under Review. This strategic move not only leveraged Innopharm's presence in the European market to efficiently introduce local premium products and establish a bridgehead for Kingworld's collaboration with European and American markets but also injected innovative momentum into the globalization of the Group's self-owned brands and accelerated the development of Kingworld Medicines' self-owned brands.

Caring for employees and achieving sustainable development co-exist and co-thrive

During the Year Under Review, the Group granted further awarded shares under its share award scheme, recognizing the contributions of the Group's key talents and providing incentives. A total of 6.648 million awarded shares were granted at nil consideration to 86 selected participants. The Group continuously advanced its collaborative relationship with the employee team through the share award scheme, enhancing the Group's cohesion and building a win-win situation to ensure steady and long-term development.

With a strong emphasis on employee growth and team construction, the Group conducted nearly 100 training sessions during the Year Under Review, attended by nearly 4,000 participants. These training activities covered diverse areas, such as product knowledge, intellectual property protection, marketing strategies, new employee onboarding, and leadership development for middle and senior management. These activities aimed to enhance employees' professional skills and market awareness while broadening their thinking and vision. Meanwhile, during the Year Under Review, the Group promoted a large number of young sales elites to core roles, injecting fresh energy into the management team. We are glad to see that these mechanisms, driven by a virtuous cycle, consistently transform into an internal driving force for the Group's high-quality development, fueling its expansion and strengthening its competitiveness.

Chairman's Statement

FUTURE OUTLOOK

According to the International Monetary Fund, global economic growth in 2025 is projected at 3.3%, with China's growth expected to reach 4.6%. The anticipated global interest rate cut cycle is expected to mitigate the impact of the economic slowdown, facilitating a soft landing. Domestically, the government will focus on boosting consumption to expand domestic demand, accelerate the cultivation of new productive forces, and stimulate the vitality and motivation of business entities, thereby injecting sustained momentum into economic development. The Group will continue to monitor macroeconomic conditions and industry transformation trends, remain guided by its mission and vision, adhere to the Fifth Five-Year Plan, and implement the 2025 annual plan in phases to ensure steady business growth.

Going forward, the Group will leverage efficiency improvements brought by technological advancements and, by optimizing its agency product portfolio and cultivating self-owned innovative brands, build a more competitive health product ecosystem. The Group plans to add Calculus Bovis Slice and PrecisionBiotics to its agency products, and Kingworld American Ginseng Capsule and Red Flower Dragon's Blood Health Patch to its self-owned products, which will create a synergistic model that spans treatment fields and extends health consumption scenarios, aligning with the health industry's upgrading trend.

The Longde Health Industrial Park, a milestone strategic project of the Group, was successfully completed and put into use during the Year Under Review. In the future, the Longde Health Industrial Park will fully leverage Kingworld's global pharmaceutical supply chain resources, mature sales network, and marketing strengths accumulated over the past 30 years to actively integrate upstream and downstream resources and broaden market channels for Park enterprises. Furthermore, the Park will offer professional support in financing, listing, policy, and legal areas, accelerate the incubation of pharmaceutical projects and brands that align with the Group's strategic direction, and promote the innovative development of the traditional Chinese medicine industry, contributing to the achievement of the Group's Fifth Five-Year Plan goals.

ACKNOWLEDGEMENTS

Facing the opportunities and challenges of the global pharmaceutical industry's profound transformation, the Group has focused on pursuing high-quality development, driven innovative breakthroughs through strategic focus, and successfully achieved steady improvement in operational quality and efficiency in 2024. I would like to take this opportunity to express my sincere gratitude to my fellow directors (the "**Directors**") of the board of the Company (the "**Board**"), the management and all employees for their valuable contributions to the development of the Group. In addition, I sincerely thank all shareholders, investors, and partners for their strong support and collaboration. In the future, the Group will respond to the demands of the times with innovative momentum and collaborate with partners from all sectors to forge a new chapter of synergistic success.

Mr. Zhao Li Sheng
Chairman of the Board

Hong Kong, 28 March 2025

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, 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.

Management Discussion and Analysis

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 nationwide 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 patent medicine and the popularity of sports lifestyles increased, another major agency product of the Group, 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 mainland China, 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, forming a dynamic communication matrix. 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" which 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*

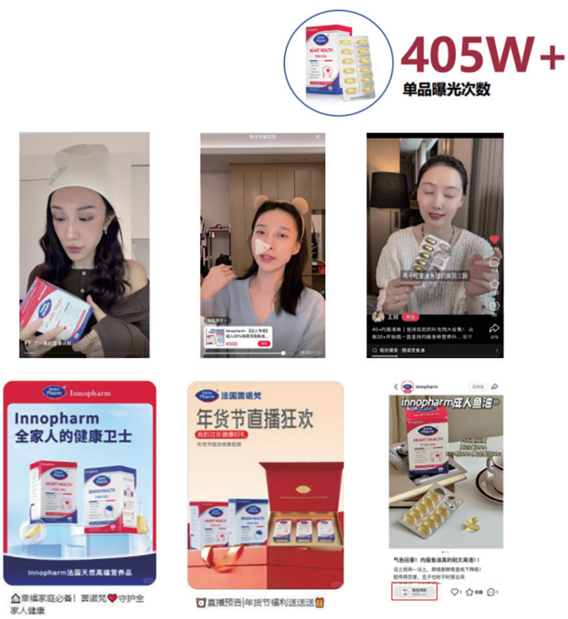
As the Group's second largest business segment, the healthcare and daily chemical products include the globally popular Carmex Lip Balm endorsed by the United States' No. 1 pharmacist and internet celebrities, the Goldpartner Glucosamine Radix Paeoniae Alba Calcium Capsule, and two newly launched Innopharm 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, product sales via a single stream link achieved 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 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 segment

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 RMB246,044,000, representing a year-on-year increase of 2.1%.

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, 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.

In terms of scientific research commercialization, as the important vehicle for the innovative development of the health industry in Shenzhen, 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 implementation of this policy guarantees the the rapid circulation and application of Hong Kong medicines in the Mainland market. 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 Group's listed entity made a total investment of approximately RMB585 million (HKD622 million) in various projects. During the Year Under Review, the team evaluated and analyzed over 128 projects, primarily in innovative medicines, traditional Chinese patent 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 granted awarded Shares under 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 award scheme adopted on 27 August 2019, granted a total of 6.648 million awarded shares at nil consideration to 86 selected participants. Among these, 2.692 million awarded shares were granted to 20 selected participants who are connected grantees, and 3.956 million awarded 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 award 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):

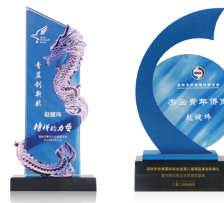
- "Most Graceful Woman Power" by Nanfang Daily;
- Vice President of the Federation of Shenzhen Industries.

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 8 to the consolidated financial statements in this report.

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 purchased goods in December 2024 when compared to the same period in 2023.

CASH FLOWS

The Group's cash is primarily used to meet the demand of financing its working capital requirement, repaying interest and principal of debts and providing funds for capital expenditures and expansion of the Group's operations.

During the Year Under Review, the Group's cash and cash equivalents increased by approximately RMB61,621,000, which mainly comprised the net cash inflow generated from operating activities with the amount of approximately RMB135,820,000, net cash outflow used in investing activities with the amount of approximately RMB27,636,000, net cash outflow used in financing activities with the amount of approximately RMB47,612,000 and the foreign exchange gain of approximately RMB1,049,000. Details of cash flows of the Group are set out in pages 93 and 94 of the "Consolidated Statement of Cash Flows" in this report.

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: RMB 150,467,000). 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%. Details on the effective interest rate and maturity profile of the Group's total borrowings are set out in Note 29 to the consolidated financial statements. 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 report.

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 RMB12,553,000 (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 report, 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 scientifically 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 Year Under Review, 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 RMB132,804,000 (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 45% 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.

Directors' and Senior Management's Biographies

The biographical details of the Directors and senior management of the Company as at the date of this report are set out below:

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Zhao Li Sheng (趙利生), aged 66, was appointed as an executive Director of the Company on 25 September 2008. He is the co-founder of the Group and the chairman of the Company. He is primarily responsible for the Group's overall strategic planning and business management. He has over 29 years of experience in business management and development in the distribution of pharmaceutical and healthcare products. He was also appointed as the chairman of Shenzhen Kingworld Industry Company Limited ("**SZ Industry**") in 1994 and the general manager and chairman of SZ Kingworld Medicine Company Limited ("**SZ Kingworld**") in 1996. Mr. Zhao was qualified as a senior business manager by the Business Management Qualification Accreditation Committee of Hubei Province in December 2002. Mr. Zhao was a member of the standing committee (常委) of the 4th, 5th and 6th Shenzhen Committee of the Chinese People's Political Consultative Conference (深圳市政協第四、第五及第六屆委員會). Mr. Zhao was the vice-president of The Fifth Council of the Shenzhen General Chamber of Commerce (深圳市總商會(工商聯)第五屆理事會) in 2005. He was the honorary president of the Federation of Hong Kong Chiu Chow Community Organisations, the permanent honorary president of International Teochew Youth Federation, a member of the Greater China Council of The Nature Conservancy (TNC), an honorary director of Friends of Hong Kong Association Limited, and a standing council member (常務理事) of the Third Session of China Overseas Friendship Association (第三屆中華海外聯誼會) in 2008 and a standing council member (常務理事) of the Third China Economic and Social Council (第三屆中國經濟社會理事會) in 2009. Currently, he is the vice president (副會長) of the Shenzhen Healthcare Association (深圳市保健協會) and the Fifth Council of the Pharmaceutical Profession Association (深圳市醫藥行業協會第五屆理事會). He is also the chairman of the Youth Chawnese Committee of Shenzhen (深圳潮人海外經濟促進會青年委員會). He is (i) the spouse of Ms. Chan Lok San, an executive Director of the Company; and (ii) the father of Mr. Zhao Kin Wai (趙鍵瑋), a member of the senior management of the Company.

Ms. Chan Lok San (陳樂燊), aged 61, was appointed as an executive Director of the Company on 25 September 2008. She is the co-founder of the Group. She is primarily responsible for the Group's financial planning and human resources management. She has over 27 years of experience in the pharmaceutical industry as well as over 15 years of experience in property management. Ms. Chan has been working for SZ Industry since 1994 and SZ Kingworld since 1996, respectively. She has been the vice chairlady of SZ Kingworld and SZ Industry since 2005 and 2006, respectively, and the vice chairlady of Shenzhen Kingworld Lifeshine Pharmaceutical Company Limited since 2005 and the legal representative of Shenzhen Kingworld Department Store Property Management Company Limited and Shenzhen King Gibson Golf Company Limited. In 2004, she received an EMBA master degree in integrated business administration from Sun Yat-Sen University, and was the culture and art consultant of Beijing Jingshan Central Axis, the vice-president of Federation of Shenzhen Industries, a visiting professor of Guangdong Food and Drug Vocational College (廣東省食品藥品職業學院), and a consultant of the Alumni Association of Lingnan College Sun Yat-sen University. In 2011, she was appointed as a committee of Shenzhen Golf Society and a vice-chairlady of Shenzhen Clothing Society. She served various roles in the society such as the vice program supervisor (副班長) and project consultant of the first Cross-Strait Exchange Program of Lingnan College Sun Yat-sen University, the executive vice-president, the president of Shenzhen Branch and the honorary president of the EMBA Alumni Association of Sun Yat-sen University (中山大學EMBA同學聯合會), the former president of the Couples' Club of Lingnan College Sun Yat-sen University (中大嶺院儷人行俱樂部), and a former consultant of the first session of the Development Advisory Committee of the EDP Education Center of Lingnan College Sun Yat-sen University (中大嶺院EDP教育中心第一屆發展顧問委員會). She was also a member of the Global Foundation of Distinguished Chinese (世界傑出華人基金會) in 2003. Since 25 December 2012, she has served as the chairlady of the EMBA Alumni Association of Sun Yat-Sen University. Currently, she is also the director (理事) of Sun Yat-Sen University Entrepreneur Alumni Association (Third Session) (第三屆中山大學企業家校友聯合會). She is (i) the spouse of Mr. Zhao Li Sheng, an executive Director of the Company; and (ii) the mother of Mr. Zhao Kin Wai (趙鍵瑋), a member of the senior management of the Company.

Mr. Zhou Xuhua (周旭華), aged 58, was appointed as an executive Director of the Company on 3 August 2009. He has been the general manager of SZ Kingworld since 2009. He is primarily responsible for the business development and operations of SZ Kingworld. He was the business manager of SZ Industry between 1994 and 1995 and was the regional manager and deputy general manager of SZ Kingworld after he joined SZ Kingworld in 1996. He has 27 years of experience in the pharmaceutical industry. Mr. Zhou has worked as a clerk and was later promoted to become a supervisor of Shenzhen International Arcade between 1987 and 1993. He completed his education at Shenzhen Finance School (深圳市財經學校) in 1987.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Duan Jidong (段繼東), aged 59, was appointed as an independent non-executive Director of the Company on 5 November 2010. He has approximately 34 years of experience in the pharmaceutical industry. Mr. Duan received a bachelor degree in medicine at The Shanghai Railway Medical Institute (上海鐵道醫學院) in 1989, and was a surgeon with the Central Hospital of Shenyang Railway Bureau (原瀋陽鐵路局中心醫院) from 1989 to 1994 and worked in the Beijing Mundipharma Pharmaceutical Company Limited (北京萌蒂製藥有限公司) from 1994 to 1998. Mr. Duan served as the chairman and legal representative of Kunming Baker Norton Pharmaceutical Company Limited from December 2002 to April 2006, a director of Holley Pharmaceutical (Chongqing) Co., Ltd. (重慶華立藥業股份有限公司, stock code : 000607), a company listed on the Shenzhen Stock Exchange, from 2005 to 2006, and a director of Wuhan Jianmin Pharmaceutical Groups Corp, Ltd. (武漢健民藥業集團股份有限公司, stock code: 600976), a company listed on the Shanghai Stock Exchange, from 2004 to 2006. He was a chief executive officer from 2002 to 2005, and a director from 2004 to 2006, of Kunming Pharmaceutical Group Corporation, Ltd. (昆明製藥集團股份有限公司, stock code: 600422), a company listed on the Shanghai Stock Exchange. From April 2008 to April 2011, he was an independent non-executive director of Zhejiang CONBA Pharmaceutical Company Limited (浙江康恩貝製藥股份有限公司, stock code: 600572), a company listed on the Shanghai Stock Exchange. Since February 2013, he has been an independent non-executive Director of Yan He Medicines Company Limited (仁和药業股份有限公司, stock code : 000650), a company listed on the Shenzhen Stock Exchange. Currently, he is the chairman of Beijing Strategy & Action Enterprise Management Consulting Company Limited (北京時代方略企業管理諮詢有限公司).

Mr. Wong Cheuk Lam (黃焯琳), aged 56, was appointed as an independent non-executive Director of the Company on 5 November 2010. He has over 29 years of experience in accounting and finance fields. Mr. Wong obtained a bachelor degree in arts from the University of Hong Kong in 1992 and a master degree in business from Victoria University of Technology, Australia in 1997. Mr. Wong is a member of the Hong Kong Institute of Certified Public Accountants, a member of CPA Australia and a Certified Taxpay Strategist (PRC). He is also an associate member of Hong Kong Chartered Governance Institute and an associate member of the Chartered Governance Institute. From 1994 to 2003, Mr. Wong worked in accounting positions in Sakura Finance Asia Limited, BOCI Securities Limited and Going Accounting Services Company. He worked at Zhengzhou China Resources Gas Company Limited (鄭州華潤燃氣股份有限公司), a company previously named Zhengzhou Gas Company Limited and was listed on the Stock Exchange as a company secretary from 2003 to January 2013, a chief financial officer from July 2005 to January 2013 and a financial controller from October 2007 to July 2010. From February 2015 to May 2015, Mr. Wong worked in Genvon Group Limited (currently named Beijing Enterprises Medical and Health Industry Group Limited), a company listed on the Main Board of the Stock Exchange (stock code: 2389), as financial controller and deputy company secretary. From May 2015 to June 2016, Mr. Wong was the CFO and company secretary of ASR Logistics Holdings Limited (currently named Beijing Sports and Entertainment Industry Group Limited), a company listed on the Main Board of the Stock Exchange (stock code: 1803). From August 2018 to October 2019, Mr.

Wong was employed as the deputy company secretary of China Shun Ke Long Holdings Limited（中國順客隆控股有限公司）, a company listed on the Main Board of the Stock Exchange (Stock code: 974). Since March 2020, Mr. Wong has worked in Megain Holding (Cayman) Co., Limited（美佳音控股有限公司）a company listed on the Main Board of the Stock Exchange (Stock code: 6939) as the company secretary.

Mr. Zhang Jianbin (張建斌), aged 64, was appointed as an independent non-executive Director of the Company on 1 August 2013. Mr. Zhang has over 32 years of experience in teaching and researching in the management aspect of marketing, services marketing and brand marketing, and in project consultation work. Mr. Zhang obtained a bachelor degree in engineering (industrial management engineering profession) from Wuhan University of Technology (formerly known as Wuhan Institute of Technology) in June 1982. Mr. Zhang completed a USA MBA program (organised by the graduate school of Columbia University and other universities) of Beijing Information Science & Technology University (formerly known as Beijing Institute of Machinery) in September 1986, and obtained a doctor's degree of economics (industrial economics profession) from the College of Economics, Jinan University in July 1999. Mr. Zhang worked in the Management Engineering Faculty of Wuhan University of Technology (formerly known as Wuhan Institute of Technology) as a teaching assistant and a lecturer from July 1982 to March 1989. He worked in the Management Engineering Faculty of Guangdong University of Technology (formerly known as Guangdong Institute of Technology) as a lecturer and an associate professor and served as the deputy director, director and deputy head of the Teaching and Research Department from March 1989 to June 1998. Mr. Zhang has been teaching at Jinan University since July 1998 and is an associate professor and a tutor to master's degree research students at the Management School of Jinan University. Mr. Zhang was also the director of the MBA Department and deputy director of the MBA education centre from 2003 to 2005. Mr. Zhang was a chief marketing consultant of the Fourth Shoe Factory (第四皮鞋廠) in Wuhan city from 1987 to 1989. He was a factory director of Zhongshan Precision Instrument Factory (中山先能精密儀器廠) from 1991 to 1992 and a manager of the Planning Department of Guangdong International Mass Advertising Media Company (廣東國際大眾廣告傳播公司) from 1992 to 1993. From 1993 to 1995, Mr. Zhang was a general manager of Guangdong Design and Planning Company (廣東創世紀設計策劃公司) and was a marketing consultant of Guangdong Construction Real Estate Company (廣東建業房地產公司) from 1995 to 1996. He was a marketing consultant of Guangdong Yihe Real Estate (Group) (廣東頤和地產(集團)有限公司) from 1997 to 2002 and a consultant of Guangdong Persian Technology Company Limited (廣東波斯科技股份有限公司) from 2002 to 2012.

Dr. Chu Xiaoping (儲小平), aged 69, was appointed as an independent non-executive Director of the Company on 1 September 2024. Dr. Chu has extensive experience in corporate advisory for listed companies with his main research fields including enterprise theory, private enterprise (including private family business), organizational behavior and human resource management.

From June 1986 to December 2003, Dr. Chu successively served as an associate professor, professor, associate dean and dean of Shantou University Business School (汕頭大學商學院) where he was primarily responsible for management related teaching and administrative work. Since December 2003, Dr. Chu has been serving as a professor presenting organization and management related courses of Lingnan College, Sun Yat-sen University (中山大學嶺南學院). From January 2014 to June 2020, Dr. Chu was appointed as an independent non-executive director of Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. (廣州白雲山醫藥集團股份有限公司), a company listed on the Stock Exchange (stock code: 0874). From February 2017 to July 2022, Dr. Chu was appointed as an independent non-executive director of Guangzhou Haoyang Electronics Holdings Co., Ltd. (廣州市浩洋電子股份有限公司), a company listed on the ChiNext board of the Shenzhen Stock Exchange (stock code: 300833). From May 2018 to September 2022, Dr. Chu was appointed as an independent non-executive director of Oppein Home Group Inc. (歐派家居集團股份有限公司), a customized home products manufacturer listed on the Shanghai Stock Exchange (stock code: 603833). From April 2017 to April 2023, Dr. Chu was an independent non-executive director of Guangdong Shengyi Technology Co. Ltd. (廣東生益科技股份有限公司), an electronic equipment manufacturer listed on the Shanghai Stock Exchange (stock code: 600183). Since December 2019, Dr. Chu has been serving as an independent non-executive director of Times Neighborhood Holdings Limited (時代鄰里控股有限公司) a company listed on the Stock Exchange (stock code: 9928).

Dr. Chu received his master's degree in philosophy from Huazhong University of Science and Technology (華中科技大學) (formerly known as Huazhong Institute of Technology (華中工學院)) in the PRC in June 1986 and his doctor's degree in management from Xi'an Jiaotong University (西安交通大學) in the PRC in December 2003. Dr. Chu obtained his senior professional and technical qualification certificate as an economics professor issued by Human Resources and Social Security Department of Guangdong Province (廣東省人力資源和社會保障廳) (formerly known as Human Resources Department of Guangdong Province (廣東省人事廳)) in January 2000.

SENIOR MANAGEMENT

Mr. Chan Hon Wan (陳漢雲), aged 64, was appointed as the financial controller and company secretary of the Company on 25 June 2009. Currently, he is also the authorised representative of the Company. He is responsible for the management of the Group's financial matters. Mr. Chan has over 39 years of experience in auditing and accounting fields. He served as a financial controller of Fairwood Fast Food Limited from 1995 to 1998. He also worked as a corporate finance director of Texwood Limited from 2000 to 2005 and a business director of Texwood Group from 2006 to 2008, respectively. Mr. Chan received a bachelor degree in economics from Macquarie University Australia in 1986. In 2005, he received a master degree in science (accountancy) from the Hong Kong Polytechnic University. He is an associate member of the Institute of Chartered Accountants in Australia and an associate member of the Hong Kong Institute of Certified Public Accountants.

Ms. Fang Danna (方丹娜), aged 59, has been the financial manager of SZ Kingworld since 1995. She is primarily responsible for the management of SZ Kingworld's financial policies. Ms. Fang has 33 years of experience in the accounting industry. She worked for the accounting department of Shenzhen Xinwei Electronics Company Limited (深圳新偉電子有限公司) in 1989 before she joined SZ Industry as a financial manager in 1995. Ms. Fang completed a course in accounting from Wuhan University (武漢大學) in 1991.

Directors' and Senior Management's Biographies

Mr. Zhao Kin Wai (趙鍵瑋), aged 34, joined the Group in 2017 as an assistant to the Chairman. He is mainly responsible for the informatization, product introduction and Longde business of the Group. Mr. Zhao obtained a master's degree from Columbia University in 2016. He is proficient in mathematics and business, and has working experience as a real estate financial analyst in the United States. He is the founding president of The Hong Kong Nanshan Federation of Youth Groups (香港南山青年協會), the president of Shenzhen Hong Kong Youth Association (深圳香港青年總會), and the executive vice chairman of Shenzhen Teochew Youth Association (深圳潮青會). He has been a CPPCC member in Nanshan District, Shenzhen since 2021. Mr. Zhao Kin Wai is the son of Mr. Zhao Li Sheng, the Chairman and an executive Director of the Company, and Ms. Chan Lok San, an executive Director of the Company.

Mr. Liu Jinwu (劉金武), aged 46, is the deputy controller of the pharmaceutical department of SZ Kingworld. He is mainly responsible for the market planning, promotion and market management of various products of the pharmaceutical department. Mr. Liu has over 18 years of experience in marketing and management operations. In 2005, he worked in the marketing department of Shenzhen Jie Nuo Import and Export Trading Company (深圳傑諾進出口貿易公司). Mr. Liu graduated from Hunan College of Traditional Chinese Medicine majoring in traditional Chinese medicine in 2002. He joined SZ Kingworld in 2007.

Mr. Xie Yaoliang (謝耀樑), aged 54, is the executive sales and marketing general manager of SZ Kingworld. He is mainly responsible for the sales of the pharmaceutical segment. Mr. Xie has over 25 years of experience in the pharmaceutical field. In 2014, he completed the relevant courses of the Zhongda Kingworld EMBA Seminar (中大金活EMBA課程研修班) of Sun Yat-sen University. Mr. Xie joined SZ Kingworld in 1999.

Ms. Zhang Yingxia (張迎霞), aged 49, is the controller of the operation management center SZ Kingworld. She is mainly responsible for the coordination and management of pharmaceutical business operations and the data construction of the Group. Ms. Zhang has over 23 years of experience in the pharmaceutical industry. She graduated from Nanjing University majoring in international affairs in 1995, and graduated from Nanjing Academy of Political Science majoring in law in 2004. Ms. Zhang joined SZ Kingworld in 2008.

Mr. Xing Guang Qian (邢光前), aged 44, is the controller of Zhejiang-Shanghai region of SZ Kingworld. He is primarily responsible for the sales and management in Beijing, Shanghai, Zhejiang, Jiangxi and Shandong. Mr. Xing has over 23 years of experience in the pharmaceutical industry. He was a lecturer at Zhejiang Dianzi University from 2014 to 2017. Mr. Xing completed the relevant courses of Innovative Development EMBA Advanced Seminar (創新發展EMBA高級研修班) of Shanghai Jiao Tong University in 2020. He joined SZ Kingworld in 2013.

Mr. Fang Jia Zhi (方嘉治), aged 42, is the manager of the investment center of Kingworld Medicines Group Limited. He is primarily responsible for affairs of the investment center of the Group. Mr. Fang has over 17 years of experience in corporate restructuring and investment related fields. From 2007 to 2010, he served as the head of the securities department of SZ Kingworld, where he participated in the preparation for the listing of the Company; from November 2010 to February 2015, he served as controller, deputy manager and manager of the investment center of SZ Kingworld successively, where he participated in and was responsible for project research, equity participation and acquisition matters. Since August 2015, he has successively served as the manager and deputy director of the investment development centre of the Group, and currently serves as the director, responsible for the investment business of the Group. Since 2021, he has served as a supervisor of Fat Chi Medicine Company Limited (佛慈藥廠有限公司), a Hong Kong company. Mr. Fang graduated from School of Law of Huaqiao University majoring in law in 2006. He joined SZ Kingworld in 2007.

Mr. Huang Zhihui (黃志輝), aged 33, is the manager of the audit and supervision center of the Group. He is primarily responsible for formulating, implementing and reviewing the internal control of SZ Kingworld. Mr. Huang completed accounting related courses at Central South University in 2019. He joined SZ Kingworld in 2016.

Ms. Wang Hui (王慧), aged 41, executive controller of Human Resource Center of SZ Kingworld. She is responsible for human resource management of the Group. Ms. Wang has over 18 years of experience in the human resource management field. She has been worked for Human Resource Center of Philips Respironics since 2007. She served as training manager of DOVINIE from 2010 to 2016 and training consultant of Shenzhen Jiufu Chaoneng (深圳玖富超能) from 2016 to 2018. Ms.Wang obtained Master degree in Human Resource Management from Keele University of UK in 2007. She joined SZ Kingworld in 2018.

Mr. Chen Yong (陳勇), aged 52, manager of the finance department of SZ Kingworld. He is primarily responsible for the finance work of SZ Kingworld Medicine (深圳金活醫藥) and Dong Di Xin. Mr. Chen has over 32 years of experience in the financial accounting industry. He worked for accounting department of Yuan Cheng CCB House Credit (源城建行房信) in 1994, accounting department of Zhuhai Red Flag CCB (珠海紅旗建行) in 1997 and finance department of Shenzhen Mumianhua Hotel (深圳市木棉花酒店) in 2001. Mr. Chen obtained financial practice qualification from Ministry of Personnel of the People's Republic of China in 2000. He obtained intermediate certificate in accounting from Ministry of Finance of the People's Republic of China in 2006. Mr. Chen graduated from Foshan Agricultural and Animal Husbandry College (佛山農牧高等專科學校) in 1994. He joined SZ Kingworld in 2004.

Mr. Chen Yueyue (陳躍躍), aged 43, controller of SZ Kingworld in East China. He is primarily responsible for the sales management. Mr. Chen has over 13 years of experience in the medicine sales industry. He graduated from Nanjing University of Chinese Medicine in 2005. Mr. Chen joined SZ Kingworld in 2011.

Mr. Ceng Yun (曾滇), aged 54, is the controller of the Hong Kong wholesale department of SZ Kingworld. He is primarily responsible for the cross-border e-commerce wholesale business of the Company. Mr. Ceng has 28 years of experience as a sales manager in the pharmaceutical industry. Mr. Ceng completed a master degree in industrial economics from Nanchang University (南昌大學) in 2001. He joined SZ Kingworld in 1996.

The emoluments of each of the above senior management of the Group fall within the band of Nil to HK$1,000,000. Details of the emoluments of each of the above senior management of the Group are set out in Notes 11 and 12 to the consolidated financial statements.

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

During the Year Under Review, the Company complied with the code provisions as set out in the CG Code, in force during the Year Under Review other than code provisions C.2.1 and B.2.4(b) of the CG Code.

According to code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Currently, Mr. Zhao 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.

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

In order to comply with code provision B.2.4(b) of the CG Code, the Company had appointed an additional independent non-executive Director with effect from 1 September 2024. Please refer to the announcement of the Company dated 30 August 2024 for details.

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.

BOARD OF DIRECTORS

The Board is the core of the Company's corporate governance framework and its role is clearly separated from that of senior management. The Board is responsible for providing guidance for senior management and maintaining effective supervision over senior management. Since the day-to-day running of the Company has been delegated by the Board to the senior management, the senior management is responsible for the implementation of the policies resolved. In general, the responsibilities of the Board include formulating operation plans and investment proposals of the Company, preparing the proposed and final annual budgets of the Company, assessing the performance of the Company and overseeing the work of senior management.

As at 31 December 2024, the Board comprises a total of seven Directors, being three executive Directors (the "**Executive Directors**"), and four independent non-executive Directors (the "**Independent Non-executive Directors**"). Mr. Zhao Li Sheng, Ms. Chan Lok San and Mr. Zhou Xuhua served as Executive Directors and Mr. Duan Jidong, Mr. Zhang Jianbin, Mr. Wong Cheuk Lam and Dr. Chu Xiaoping served as Independent Non-executive Directors. These Independent Non-executive Directors, who have different business and professional backgrounds, have brought valuable experience and expertise for the best interests of the Group and its Shareholders. Each Independent Non-executive Director, except Dr. Chu Xiaoping, has been appointed for a 3-years term of services. Dr. Chu Xiaoping has been appointed for a 1-year term of services. Biographical details of and the relationship between the Directors are set out in the paragraph headed "Directors' and Senior Management's Biographies" of this annual report.

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group, and to review and approve the Group's annual and interim results. During the Year Under Review, five Board meetings were held and attendance of each Director at the Board meetings is set out in the paragraph headed "Board/Committee Meetings and Individual Attendance" of this report.

All members of the Board fully understand their collective and individual responsibility to the Shareholders, and will try their best to carry out their duties to make contributions to the Group's results.

For the eight months ended 31 August 2024, the Company has complied with the requirements under Rules 3.10(1) and (2) and 3.10A of the Listing Rules and has appointed three Independent Non-executive Directors, representing more than one-third of the number of Directors at the Board, with at least one Independent Non-executive Director possessing the appropriate professional qualifications, or accounting or related financial management expertise. From 1 September 2024 and up to the date of this report, the Company has appointed Dr. Chu Xiaoping as an additional Independent Non-executive Director in order to fulfilling the requirements under Code Provision B.2.4(b), where all independent non-executive directors of an issuer have service more than nine years on the board, the issuer should appoint a new independent non-executive director on the board. For the new Independent Non-executive Director, Dr. Chu Xiaoping, who was appointed during the year, the Company provided him with briefings and a package of orientation materials on the operations and businesses of the Group, together with information relating to duties and responsibilities of directors under statutory regulations and the Listing Rules. Dr. Chu Xiaoping had obtained legal advice relating to director's duties and responsibilities under applicable laws and regulations from a law firm qualified to advise on Hong Kong law pursuant to Rule 3.09D of the Listing Rules, and had confirmed on 28 August 2024 that he understood his obligations as a Director of the Company.

To ensure Directors are able to provide independent view and input, each Director is entitled to have access to Board papers and related materials and has access to the advice and services of the Company Secretary. The Board and each Director also have separate and independent access to the Company's senior management. Each Director can exercise independent judgement and provide his/her views and input to the Board. The Board can therefore be informed of such views and input and act in the best interest of the Group and Shareholders as a whole.

Pursuant to article 112 of the articles of association of the Company (the "**Articles of Association**"), the Board shall have power to appoint a Director whose appointment shall only be until the first annual general meeting after his/her appointment but then be eligible for re-election. Besides, pursuant to article 108 of the Articles of Association, one-third of the Directors (or, if their number is not a multiple of three, the number nearest to but not less than one third) shall retire from office by rotation at each annual general meeting provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Further, any Director appointed by the Board pursuant to article 112 shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation. Accordingly, Ms. Chan Lok San and Mr. Zhou Xuhua being the Executive Directors, Mr. Wong Cheuk Lam and Dr. Chu Xiaoping being the Independent Non-executive Directors, shall hold office until the forthcoming annual general meeting of the Company and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company. Notwithstanding that Mr. Wong Cheuk Lam has served on the Board for more than nine years, the nomination committee of the Company and the Board are of the view that this would not affect the exercise of his independent judgement as he has been providing objective views and independent opinions to the Company over the years. In considering the re-election of Mr. Wong Cheuk Lam, with the assistance and recommendation from the nomination committee of the Company, the Board has reviewed the structure, size, composition and diversity of the Board from a number of aspects, including but not limited to the age, gender, nationality, length of service and the professional experience, skills and expertise of Mr. Wong Cheuk Lam. The Board is of the view that his education, background and experience practice allow him to provide valuable and relevant insights and contribute to the diversity of the Board. The Board is also of the view that during his tenure as Independent Non-executive Director, Mr. Wong Cheuk Lam has made positive contributions to the Group's development, strategy and performance with his independent advice and comments and his understanding of the business of the Group. The Board believes that Mr. Wong Cheuk Lam will bring his valuable experience to the Board for promoting the best interests of the Company and its Shareholders. Holding not more than six listed companies' directorship, Mr. Wong Cheuk Lam is able to devote sufficient time and attention to perform the duties as Independent Non-executive Directors. Alongside the other Independent Non-executive Directors, he will contribute to ensuring that the interests of all Shareholders are taken into account and that relevant issues are subject to objective and dispassionate consideration by the Board. The Company received written confirmation from Mr. Wong Cheuk Lam on his independence in accordance with the Listing Rules. In view of the aforesaid factors, the Board would recommend Mr. Wong Cheuk Lam for re-election at the forthcoming annual general meeting of the Company.

Accordingly, Ms. Chan Lok San, Mr. Zhou Xuhua, Mr. Wong Cheuk Lam and Dr. Chu Xiaoping shall retire at the forthcoming annual general meeting of the Company. The retiring Directors, all being eligible, offer themselves for re-election.

BOARD DIVERSITY POLICY

We have adopted the board diversity policy (the "**Board Diversity Policy**") with a view to achieving a sustainable and balanced development. Our Board has a balanced composition comprising seven Directors, including one female Director and six male Directors as at the date of this report. Our Directors aged between mid-fifty and late-sixty as at the date of this report, and were from different backgrounds. Our Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. Selection of candidates of our Directors will be based on a range of diversity perspectives, including but not limited to gender, age, cultural, race, educational background, professional experience, skills and knowledge. We aim to achieve a balanced composition of our Board by ensuring appropriate balance of diversity in various aspects, including gender diversity, so as to enable our Board to discharge its duties and responsibilities effectively. The Company will continue to take gender diversity into consideration during recruitment and increase the female proportion at all levels over time with the ultimate goal of achieving gender parity, such that there is a pipeline of female senior management and potential successors to the Board in the future. To develop a pipeline of potential successors of different genders to the Board, our Company will (i) ensure that there is emphasis on gender diversity when recruiting staff at all levels; and (ii) engage fair resources in training staff of different genders with the aim of promoting them to be members of senior management or the Board. Through this, the Company is committed to identifying suitable candidates of different genders both internally and externally in order to achieve the abovementioned target. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. We planned to identify female candidates and appoint at least one more female director on the Board by the end of 2027.

As at 31 December 2024, the Group employed a total of 972 employees, the overall gender ratio in the workforce for male to female was male 48.1% to female 51.9%.

In recognition of the importance of board diversity, we will continue to promote diversity of our Company at all levels, including at the Board and senior management level, to enhance the effectiveness of our corporate governance. We will continue to provide diversified career development opportunities to our staff and engage different training resources for our staff in order to develop future candidates for Director and senior management. Our nomination committee is responsible for the implementation of the Board Diversity Policy and compliance with relevant codes governing board diversity under the CG Code. Our nomination committee will review the board diversity policy and our diversity profile (including gender balance) on an annual basis to ensure its continued effectiveness.

BOARD COMMITTEES

The Board has formed three committees, namely the audit committee, the remuneration committee and the nomination committee, for overseeing particular aspects of the Company's affairs. All committees have been formed with specific written terms of reference in compliance with the Listing Rules which deal with their respective authorities and duties.

Copies of minutes of all meetings and resolutions of the committees, which are kept by the company secretary of the Company (the "**Company Secretary**"), are circulated to all Board members and the committees are required to report back to the Board on their decision and recommendations where appropriate. The procedures and arrangements for a Board meeting have been adopted for the committee meetings so far as practicable.

Members, duties and responsibilities of the committees are as follows:

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, the results announcement, this 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 annual report complies with the applicable accounting standards and the requirements under the Listing Rules and adequate disclosures have been made.

REMUNERATION COMMITTEE

The Company established a remuneration committee (the "**Remuneration 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 terms of reference were updated on 30 December 2022, in accordance with the prevailing provision of the CG Code. The Remuneration 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. Zhang has been appointed as the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee are (among other things) to review and approve the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management and to make recommendations to the Board on the Group's policy and structure for all remuneration of the Directors and senior management.

During the Year Under Review, in relation to the grant of share awards dated 30 April 2024 pursuant to the Share Award Scheme, the Remuneration Committee reviewed, approved and recommended the share awards granted to the Directors and senior managers of the Group to the Administration Committee of the Share Award Scheme and the Board, respectively. The Remuneration Committee considered appropriate for the Company to grant share awards to the the Directors and senior managers of the Group with a vesting period less than 12 months as set out in rule 17.03(F) and without performance targets and clawback mechanism applied to the share awards granted to the Directors and senior managers of the Group. The Remuneration Committee was aware that the purposes of the Share Award Scheme were, including but not limited to, to recognise the past contributions, to provide incentives in retaining talents and to attract suitable personnel for further development of the Group. Having considered that (i) the Directors and senior managers of the Group contributed directly to the overall business performance of the Group, and (ii) the grant of share awards was a recognition of their respective past contributions to the Group, the Remuneration Committee was of the view that the grant of share award to the Group's directors and senior managers on 30 April 2024 would be in line with the purposes of the Share Award Scheme.

During the Year Under Review, the Remuneration Committee held three meetings and all the members attended the meetings. The work performed by the Remuneration Committee during the Year Under Review included considering the policy for the remuneration of executive directors, the performance of executive directors, and the terms of executive directors' service contracts.

The Remuneration Committee adopted the approach under code provision E.1.2(c)(ii) of the CG Code to make recommendation to the Board on the remuneration packages of the individual Executive Directors and senior management of the Company.

NOMINATION COMMITTEE

The Company established a nomination committee (the "**Nomination 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 Nomination Committee has four members, namely Mr. Duan Jidong, Mr. Zhang Jianbin, Dr. Chu Xiaoping and Mr. Wong Cheuk Lam. Mr. Duan has been appointed as the chairman of the Nomination Committee.

The primary duties of the Nomination Committee are (among other things) reviewing the structure, size and diversity of the Board, making recommendations to the Board on appointment of Directors and succession planning for Directors and assessing independence of the Independent Non-executive Directors.

The Nomination Committee shall assess whether any vacancy on the Board has been created or is expected on a regular basis or as required. In the selection and nomination for new Directors, the Nomination Committee identifies the key attributes that an incoming Director should have, based on attributes of the existing Board and the requirements of the Group. The Nomination Committee utilises various methods for identifying potential candidates, including recommendations from the members of the Board, management and professional search firms. All potential candidates are evaluated by the Nomination Committee based on their qualifications. The potential candidates will go through a shortlisting process. Interviews are then set up with the shortlisted candidates for the Nomination Committee to assess them before a decision is made. New Directors are appointed by way of a board resolution, after the Nomination Committee has approved their nominations.

The Nomination Committee has adopted a policy concerning diversity of Board members, which is achieved through consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, industry experience, skills, knowledge and length of service in related business areas and will make recommendations on any proposed changes to the Board to complement the Company's corporate strategy.

The Nomination Committee reviews the Board's nomination policy and diversity policy on a regular basis and discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

During the Year Under Review, the Nomination Committee held three meetings and all the members attended the meetings. The work performed by the Nomination Committee during the Year Under Review included the nomination and recommendation to the Board of Dr. Chu Xiaoping as the Independent Non-executive Director, reviewing the established policy and procedure for the nomination and appointment of new Directors, reviewing the Board's nomination policy and diversity policy and the measurable objectives that the Board has set for implementing such policy and assessing the independence of the Independent Non-executive Directors. The Nomination Committee, having reviewed the structure, size, composition and diversity of the Board including the gender, age, culture and educational background, professional experience and industry experience of each Director vis-a-vis the Group's business strategy as well as the structure for the rotation of Directors, considered that the existing arrangements were appropriate.

BOARD/COMMITTEE MEETINGS AND INDIVIDUAL ATTENDANCE

It is proposed to hold Board meetings at least four times a year regularly. Notice is given to Directors at least fourteen days before a regular Board meeting. Directors will be given reasonable and practicable notification under relevant circumstance for any special Board meeting called.

Before each Board meeting, the Directors are provided with a detailed agenda and sufficient relevant information, so as to enable the Directors to make appropriate decisions in relation to the matters to be discussed therein. All Directors are given an opportunity to include matters of their concern in the agenda of the Board meeting. If any Director or any of his/her associates has material interests in any resolution of the Board meeting, such Director must abstain from voting and should not be counted in the quorum of the meeting.

Details of the attendance records of Directors on Board meetings and board committee meetings for the year ended 31 December 2024 are as follows:

Name of Directors	Board of Directors	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
Executive Directors					
Mr. Zhao Li Sheng *(Chairman)*	5/5	–	–	–	1/1
Ms. Chan Lok San	5/5	–	–	–	1/1
Mr. Zhou Xuhua	5/5	–	–	–	1/1
Independent Non-executive Directors					
Mr. Duan Jidong	5/5	2/2	3/3	3/3	1/1
Mr. Wong Cheuk Lam	5/5	2/2	3/3	3/3	1/1
Mr. Zhang Jianbin	5/5	2/2	3/3	3/3	1/1
Dr. Chu Xiaoping (appointed on 1 September 2024)	2/5	–	–	–	–

Subsequent to the year ended 31 December 2024 and up to the date of this report, the Board held another Board meeting in March 2025 for the main purposes of approving the annual results of the Group for the year ended 31 December 2024 and this annual report for publication and formulating business development strategies. All Directors attended such meeting.

TRAINING AND SUPPORT OF DIRECTORS

All Directors have been given relevant guideline materials regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors and duty of disclosure of interest and business of the Group. All Directors have been updated on the latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices. There is a procedure agreed by the Board to ensure the Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses.

The Directors confirmed that they have complied with code provision C.1.4 of the CG Code on Directors' training and have provided a record of the training they received to the Company. All Directors have participated in continuous professional development by the following means to develop and refresh their knowledge.

Name of Directors	Training received
Mr. Zhao Li Sheng	— Reading materials/attending external and in house seminars and programmes
Ms. Chan Lok San	— Reading materials/attending external and in house seminars and programmes
Mr. Zhou Xuhua	— Reading materials/attending external and in house seminars and programmes
Mr. Duan Jidong	— Reading materials/attending external and in house seminars and programmes
Mr. Wong Cheuk Lam	— Reading materials/attending external and in house seminars and programmes
Mr. Zhang Jianbin	— Reading materials/attending external and in house seminars and programmes
Dr. Chu Xiaoping (appointed on 1 September 2024)	— Reading materials/attending external and in house seminars and programmes

RESPONSIBILITIES OF THE DIRECTORS AND EXTERNAL AUDITORS

The Directors are responsible for the preparation of the consolidated financial statements of the Group in accordance with the relevant laws and disclosure stipulations of the Listing Rules and ensuring that these consolidated financial statements give a true and fair view of the state of affairs of the Group, its results and cash flows for the relevant period. The Board also ensures the timely publication of the consolidated financial statements of the Group. The Board confirms that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt about the Company's ability to continue as a going concern.

The responsibilities of the external auditors are to express an independent opinion on the consolidated financial statements prepared by the Directors based on their audit and to report their opinion solely to all the Shareholders, and for no other purpose. The statement of external auditor of the Company, Crowe (HK) CPA Limited, about their reporting responsibilities on the consolidated financial statements of the Group is set out in the "Independent Auditor's Report" of this report.

BUSINESS COMPLIANCE AND ANTI-CORRUPTION

We strive to maintain a high level of business integrity as it is vital to our reputation and the protection of our business partners and customers. To achieve so, the Group is in strict compliance with the Prevention of Bribery Ordinance (Cap. 201) in Hong Kong, and the Anti-Money Laundering Law and the Criminal Law of the PRC.

We do not, in any case, tolerate any business misconduct and malpractices, this includes any form of bribery, extortion, fraud and money laundering. As stated clearly in the Prevention of Bribery Ordinance incorporated in our Employee's Handbook, unethical business practices such as the offering and accepting of gifts are strictly prohibited. Once we discover any misconduct committed, the employees will be subject to termination of employment or disciplinary action.

Holding on to the values of openness, probity and accountability, we have formulated the Whistleblowing Policy which allows employees to voice their concerns or if they suspect any misconduct is being committed within the business. As the policy provides absolute anonymous reporting channels, it protects the whistleblowers from any unfair treatment and undesired consequences such as dismissal, victimization and disciplinary action, even for substantiated cases. At the same time, the Audit Committee has been tasked with handling the cases and delineating the investigation procedures. The Whistleblowing Policy not only apply to internal employees but also to our suppliers and contractors.

During the Year Under Review, there were no reported legal proceedings regarding any corrupt practices of our employees relating to bribery, extortion, fraud and/or money laundering other than the Company noted that the Independent Commission Against Corruption of the Hong Kong Special Administrative Region (the "**ICAC**") published a press release on 13 November 2024 (the "**Press Release**"), which mentioned that two former employees of the Group (the "**Accused Persons**") were charged by the ICAC (the "**Cases**"). The Accused Persons were charged for the alleged wrongdoing mentioned in the Press Release. The Accused Persons had resigned from all positions within the Group since mid July 2024 and mid August 2024, respectively. Please refer to the announcement of the Company dated 14 November 2024 for further details. Though the Group did not provide any internal anti-corruption training to Directors and employees during the Year Under Review, they are encouraged to attend anti-corruption training provided by external parties at the Company's expenses.

REMUNERATION OF EXTERNAL AUDITORS

For the year ended 31 December 2024, the remuneration paid to the external auditors in Hong Kong and the PRC, for audit services amounted to approximately RMB1,538,000 (equivalent to approximately HK$1,666,000).

For the year ended 31 December 2024, the total remuneration for the permissible non-audit services provided by the external auditors amounted to RMB124,000 (equivalent to approximately HK$134,000), mainly represents remuneration for interim review services.

INTERNAL CONTROL, RISK MANAGEMENT AND INTERNAL COMPLIANCE GUIDELINES

The Board has to be fully responsible for the stability and effectiveness of the systems of internal control and risk management of the Group. Such systems were set up by the Group to fulfill specific needs of the Group and the risks that its management faces and are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Group has set up rigorous procedures to avoid unauthorised use or disposal of the Group's assets, ensure proper maintenance of accounting records, and provide reliable financial information for internal and external uses.

The Board has assigned internal audit department to conduct a review on the internal control system, work flow and risk management system of the Group on an annual basis. The result for the year ended 31 December 2024 was satisfactory. Such systems and work flow are compliant with the internal compliance guidelines of the Group.

For the year ended 31 December 2024, through reviews conducted by the Audit Committee and study results from the internal audit department, the Board has conducted a review on the effectiveness of internal control system, the risk management system and the internal compliance guidelines, and has come to the conclusion that such systems and guidelines have been effectively and adequately executed and followed.

The Company has developed its disclosure policy which provides a general guide to the Directors, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

CORPORATE GOVERNANCE MEASURES

During the Year Under Review, since no new opportunities relating to the Restricted Activity (as defined in the Company's prospectus dated 12 November 2010, the "**Prospectus**") were referred to the Group, the Independent Non-executive Directors had not reviewed any decision in relation to new opportunities referred to the Group.

The Independent Non-executive Directors had, however, reviewed the compliance with the non-competition undertaking entered into by Golden Land International Limited ("**Golden Land**"), Mr. Zhao Li Sheng ("**Mr. Zhao**"), Golden Morning International Limited ("**Golden Morning**") and Ms. Chan Lok San ("**Ms. Chan**"), the controlling shareholders of the Company (the "**Controlling Shareholders**"), in favour of the Company under the Deed of Non-Competition (as defined in the Prospectus), the options, pre-emptive rights or first rights of refusals, if any, provided by the Controlling Shareholders on its existing or future competing businesses. The Independent Non-executive Directors confirmed that the terms of the Deed of Non-Competition were complied with by the Controlling Shareholders during the Year Under Review. The Independent Non-executive Directors are not aware of any breach of the terms of the Deed of Non-Competition by the Controlling Shareholders and therefore, no enforcement action was taken against the Controlling Shareholders by the Company during the Year Under Review.

Each of the Controlling Shareholders has confirmed that he/she/it has, during the Year Under Review, complied with the non-competition undertaking under the Deed of Non-Competition.

DIRECTORS' INSURANCE

The Company has arranged appropriate insurance cover in respect of the legal action against the Directors.

COMPANY SECRETARY

Mr. Chan Hon Wan was appointed as the Company Secretary on 25 June 2009. He is an employee of the Company and has day-to-day knowledge of the Company's affairs. He is responsible for ensuring a good information flow within the Board and the compliance of the board policy and procedures.

During the Year Under Review, Mr. Chan has confirmed that he has duly complied with the relevant requirement under Rule 3.29 of the Listing Rules and taken no less than 15 hours of relevant professional training. His biographical details are set out in the paragraph headed "Directors' and Senior Management's Biographies" in this report.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2024, there had been no significant change in the Company's constitutional documents, a copy of which is available on the websites of the Stock Exchange and the Company.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to convene and putting forward proposals at an extraordinary general meeting

Extraordinary general meetings shall be convened on the written requisition of any one or more Shareholder(s) holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company. Such requisition shall be made in writing to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. Shareholders may put forward proposals for consideration at a general meeting of the Company according to the Articles of Association. If within twenty-one days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself/herself/themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for directing Shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary of the Company by mail to Unit 613, 6th Floor, Goodluck Industrial Centre, 808 Lai Chi Kok Road, Kowloon, Hong Kong, or by e-mail to kingw@kingworld.com.cn.

Shareholders may also make enquiries with the Board at the general meetings of the Company.

INVESTOR RELATIONS

The Company believes that maintaining effective communication with the investors is crucial so as to let them have a deeper understanding of the Company's business and its development. To achieve this goal and increase transparency, the Company will continue to adopt proactive measures to foster better investor relations and communications. As such, the Company has formulated investor relations policies for the purpose of letting investors have access to information of the Group in a fair and timely manner, so that they can make an informed decision. For the Year Under Review, the Board considers the investor relations policies are effectively implemented and the current channel of communication with Shareholders and investors via the Company's website is an effective channel.

We welcome investors and Shareholders to write to the Company or send their inquiries to the Company's website www.kingworld.com.cn to share their opinions with the Board. The Company's website also discloses the latest business information of the Group to investors and the public.

On behalf of the Board
Kingworld Medicines Group Limited
Mr. Zhao Li Sheng
Chairman of the Board

Hong Kong, 28 March 2025

Report of the Directors

The Directors have pleasure in presenting the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2024 (the "**Financial Statements**").

PRINCIPAL BUSINESS

The Company is an investment holding company. The Group is principally engaged in (i) distribution of imported branded pharmaceutical and healthcare products in the PRC; and (ii) manufacturing and sales of electrotherapeutic, physiotherapeutic devices and general medical examination devices. As at 31 December 2024, the Group managed a portfolio of eleven categories with more than sixty products including pharmaceutical products, healthcare products, general foodstuffs and medical products from fourteen suppliers and/or manufacturers in Japan, the United States, Canada, Hong Kong, Taiwan, Thailand and the PRC. Many of the products distributed by the Group are established brand names including Nin Jiom Chuan Bei Pei Pa Koa, Taiko Seirogan, Kingworld Imada Red Flower Oil and Innopharm product series. Amongst these brands, Nin Jiom Chuan Bei Pei Pa Koa has always been the best-seller product of the Group and is also the best-selling Chinese medical cough relieving product in the PRC, which is the leading product with the largest market share.

RESULTS AND DIVIDENDS

Profit of the Group for the year ended 31 December 2024 and the state of affairs of the Company and the Group as at that date are set out in the Financial Statements on pages 88 to 199 of this report.

To extend the Company's gratitude for the support of the 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 45% 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.

POLICY ON PAYMENT OF DIVIDENDS

The Company has adopted a policy on payment of dividends (the "**Dividend Policy**"), which establishes an appropriate procedure on declaring and recommending the dividend payment of the Company.

The Company will declare and/or recommend the payment of dividends to the Shareholders after considering the Company's ability to pay dividends, which will depend upon, among other things, its actual and expected financial results, cash flow, general business conditions and strategies, current and future operations, statutory, contractual and regulatory restrictions. The Board has complete discretion on whether to pay a dividend, subject to the Shareholders' approval, where applicable. Even if the Board decides to recommend and pay dividends, the form, frequency and amount will depend upon the operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors affecting the Group. The Board may also consider declaring special dividends from time to time, in addition to the interim and/or final dividends.

The Company shall review and reassess the Dividend Policy and its effectiveness on a regular basis or as required.

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.

BUSINESS REVIEW

A review of the business of the Group for the Year Under Review and a discussion on the Group's future business development are provided in the "Management Discussion and Analysis" on pages 11 to 43. An analysis of the Group's performance during the Year Under Review using financial key performance indicators is provided in the five-year "Financial Summary" on page 200. No important event affecting the Group has occurred since the end of the Year Under Review.

ENVIRONMENTAL POLICY

The Group is committed to supporting the environmental sustainability. Our commitment to protect the environment is well reflected by our continuous efforts in promoting green measures and awareness in our daily business operations. The Group encourages environmental protection and promote awareness towards environmental protection to the employees. The Group adheres to the principle of recycling and reducing. It implements green office practices such as double-sided printing and copying, setting up recycling bins, promoting using recycled paper and reducing energy consumption by switching off idle lightings and electrical appliance.

The Group will review its environmental practices from time to time and will consider implementing further eco-friendly measures and practices in the operation of the Group's businesses to move towards adhering the 3Rs – Reduce, Recycle and Reuse and enhance environmental sustainability.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the Year Under Review, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

RELATIONSHIP WITH STAKEHOLDERS

The Company recognises that employees are the valuable assets. Thus the Group provides competitive remuneration package to attract and motivate the employees. The Group regularly reviews the remuneration package of employees and makes necessary adjustments to conform to the market standard.

The Group also understands that it is important to maintain good relationship with business partners and bank enterprises to achieve its long-term goals. Accordingly, our senior management have kept good communication, promptly exchanged ideas and shared business update with them when appropriate. During the Year Under Review, there was no material and significant dispute between the Group and its business partners or bank enterprises.

KEY RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to the Group's businesses. The followings are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

Market Risk

Market risk is the risk that deteriorates profitability or affects ability to meet business objectives arising from the movement in market prices. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Foreign exchange risk

RMB and HK$ are the functional and operational currencies of the Group. The Group faces foreign exchange risk arising from the fluctuations in RMB and HK$. The Group has no major risks in changes in other currency exchange rates.

Liquidity Risk

Liquidity risk is the potential that the Group will be unable to meet its obligations when they fall due because of an inability to obtain adequate funding or liquidate assets. In managing liquidity risk, the Group monitors cash flows and maintains an adequate level of cash and cash equivalents to ensure the ability to finance the Group's operations and reduce the effects of fluctuation in cash flows.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, personnel and systems or from external events. Responsibility for managing operational risks basically rests with every function at divisional and departmental levels.

Key functions in the Group are guided by their standard operating procedures, limits of authority and reporting framework. Our management will identify and assess key operational exposures regularly so that appropriate risk response can be taken.

LITIGATION AND CONTINGENT LIABILITIES

Save as disclosed in the paragraph headed "Litigation" on page 40 of this report, as at 31 December 2024, the Group did not have any material contingent liabilities, legal proceedings or potential proceedings.

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 report, 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 report.

(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. The New Share Option Scheme was terminated by the Board on 14 April 2025.

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 report (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 has complied 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.

Due to the expected expiry of the Share Award Scheme in August 2025, on 14 April 2025, the Board adopted a new share award scheme ("**2025 Share Award Scheme**") and terminated the Share Award Scheme for the purpose of, among other things, reflecting the latest changes to and requirements under Chapter 17 of the Listing Rules. Details of the 2025 Share Award Scheme are set out in the announcement of the Company dated 14 April 2025.

Up to the date of termination of the Share Award Scheme, (i) an aggregate of 11,708,000 awards have been granted under the Share Award Scheme and all of which have been vested and transferred to the selected participant thereunder; and (ii) there was no outstanding awarded shares granted but unvested under the Share Award Scheme.

BORROWINGS

Details of the Group's bank borrowings as at 31 December 2024 are set out in Note 29 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

During the year ended 31 December 2024, other than the Share Option Scheme of the Company as disclosed above, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the Year Under Review or subsisted at the end of the year.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save as disclosed in this report, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company, the Company's subsidiaries or holding companies, or fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of or at any time during the Year Under Review. No contracts of significance for the provision of services to the Group by the Company's controlling shareholder or any of its subsidiaries, whether directly or indirectly, subsisted at the end of or at any time during the Year Under Review.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Articles of Association, each Director or other officers of the Company shall be indemnified out of the assets and profits of the Company against all losses or liabilities which he or she may sustain or incur in or about the execution of the duties of his or her office or otherwise in relation thereto. In addition, the Company has maintained appropriate directors and officers liability insurance in respect of relevant legal actions against the Directors.

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 report, 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 (including sales of treasury shares (the "Treasury Shares") within the meaning under the Listing Rules). As at 31 December 2024, the Company did not hold any Treasury Shares.

SHARE CAPITAL

Details of the share capital of the Company are set out in Note 32 to the consolidated financial statements.

RESERVES

Details of change in reserves of the Group and the Company are set out on page 92 of the "Consolidated Statement of Changes in Equity" and Note 32 to the consolidated financial statements.

CHARITY DONATIONS

Charity donations made by the Group during the Year Under Review was approximately RMB9,574,000 (2023: approximately RMB8,284,000).

PROPERTY, PLANT AND EQUIPMENT

Details of changes in property, plant and equipment of the Group are set out in Note 13 to the consolidated financial statements.

INVESTMENT PROPERTIES

The Group's investment properties were revalued as at 31 December 2024, increase in fair value of investment properties arising on revaluation amounting to approximately RMB5,164,000 has been charged to the consolidated statement of profit or loss. Details of the Group's investment properties as at 31 December 2024 are set out in Note 14 of the consolidated financial statements and on pages 201 to 202 of this report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the terms of the Company's Articles of Association or the laws in the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to its existing Shareholders.

SUBSIDIARY COMPANIES

Details of the major subsidiary companies of the Company as at 31 December 2024 are set out in Note 15 to the consolidated financial statements.

DIRECTORS

The Directors of the Company during the year ended 31 December 2024 and up to the date of this report have been:

Executive Directors

Mr. Zhao Li Sheng *(Chairman)*
Ms. Chan Lok San
Mr. Zhou Xuhua

Independent Non-executive Directors

Mr. Duan Jidong
Mr. Wong Cheuk Lam
Mr. Zhang Jianbin
Dr. Chu Xiaoping (appointed on 1 September 2024)

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management of the Company are set out on pages 44 to 49 under the section headed "Directors' and Senior Management's Biographies" in this annual report.

CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company confirmed that it has received from each Independent Non-executive Director a written annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considers, based on the confirmations received, the Independent Non-executive Directors remain independent.

REMUNERATIONS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

The Remuneration Committee considers and makes recommendation to the Board on the remuneration and other benefits payable to the Directors. The committee regularly oversees the remuneration of all Directors to ensure that their remuneration and compensation are at appropriate level. The Group maintains competitive remuneration packages with reference to the industry standard and according to the business development of the Group to attract and retain its Directors as well as to control costs.

The Board determines the remuneration of the Directors on the basis of the Company's performance, together with the relevant Directors' qualifications, responsibilities, experience, contributions and positions held with the Company. Details of the remuneration of the Directors are set out in Note 11 to the consolidated financial statements.

The five highest paid individuals of the Group in the Year Under Review include 3 Directors (2023: 3 Directors). Details of the five highest paid individuals are set out in Note 12 to the consolidated financial statements.

SERVICE CONTRACTS OF DIRECTORS

Executive Directors

Each of the Executive Directors has entered into a service contract with the Company for a term of three years commencing from the Listing Date and may be terminated by not less than three months' prior notice in writing served by either party to the other. Subject to the retirement and re-election at the annual general meeting of the Company in accordance with (inter alia) the Articles of Association, the latest service contract was renewed on 25 November 2022 until being terminated pursuant to the terms of the service contract.

For the Year Under Review, the annual remuneration payable to each of the Executive Directors was as follows:

	RMB'000
Mr. Zhao Li Sheng	1,479
Ms. Chan Lok San	1,355
Mr. Zhou Xuhua	543

Under their respective service contracts, each of the Executive Directors is entitled to a discretionary year-end bonus of an amount to be determined by the Remuneration Committee and approved by the Board.

Each of the Executive Directors will also be entitled to reimbursement of reasonable expenses including traveling, hotel, entertainment and other expenses properly incurred in the performance of his or her duties under the relevant service contract.

Independent Non-executive Directors

Each of the Independent Non-executive Directors (other than Mr. Zhang Jianbin and Dr. Chu Xiaoping) has signed a letter of appointment with the Company for a term of three years commencing on the Listing Date and may be terminated by giving three months' notice in writing thereof by either party to the other. Subject to the retirement and re-election at the annual general meeting of the Company in accordance with (inter alia) the Articles of Association, the latest letter of appointment was renewed on 25 November 2022 until being terminated pursuant to the terms of the letter of appointment. Mr. Zhang Jianbin has signed a letter of appointment with the Company for a term of three years commencing from 1 August 2013, which may be terminated by giving three months' notice in writing by either party to the other. Subject to the retirement and re-election at the annual general meeting of the Company in accordance with (inter alia) the Articles of Association, the letter of appointment was renewed on 1 August 2022 until being terminated pursuant to the terms of the letter of appointment. Dr. Chu Xiaoping has signed a letter of appointment with the Company for a term of one year commencing from 1 September 2024, which may be terminated by giving three months' notice in writing by either party to the other.

For the Year Under Review, the annual remuneration payable to each of the Independent Non-executive Directors was as follows:

	RMB'000
Mr. Duan Jidong	293
Mr. Wong Cheuk Lam	293
Mr. Zhang Jianbin	293
Dr. Chu Xiaoping (appointed on 1 September 2024)	98

Each of the Independent Non-executive Directors will also be entitled to reimbursement of traveling expenses properly incurred in the performance of his duties under the relevant appointment letter.

Save as disclosed above, none of the Directors has entered or is proposed to enter into any service agreements with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as disclosed under the paragraph headed "Continuing Connected Transactions", during the year ended 31 December 2024, no Director is considered to have interests in the businesses which compete or are likely to compete directly or indirectly with the businesses of the Group.

DISCLOSURE OF INTERESTS

(a) Interests and Short Positions of Directors and Chief Executive in the Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at 31 December 2024, the interests and short positions held by the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange, were as follows:

(I) Interest in the shares in the Company:

Name of Directors	Capacity/Nature of Interest	Number of shares in the Company held	Approximate percentage of the Company's total issued share capital
Zhao Li Sheng (Note 1)	Beneficial owner	24,720,000	3.97%
	Interest of spouse	90,448,000	14.53%
	Interest of a controlled corporation	297,812,250	47.84%
Chan Lok San (Note 2)	Beneficial owner	448,000	0.07%
	Interest of spouse	322,532,250	51.81%
	Interest of a controlled corporation	90,000,000	14.46%
Zhou Xuhua (Note 3)	Beneficial owner	296,000	0.05%
	Interest of spouse	2,380,000	0.38%
Zhang Jianbin	Beneficial owner	248,000	0.04%
Duan Jidong	Beneficial owner	212,000	0.03%
Wong Cheuk Lam	Beneficial owner	212,000	0.03%

Notes:

1. In addition to 24,720,000 shares which are beneficially owned by Mr. Zhao Li Sheng ("**Mr. Zhao**"), Mr. Zhao is deemed (by virtue of the SFO) to be interested in 388,260,250 shares in the Company. These shares are held in the following capacities:

   (a) 297,812,250 shares are held by Golden Land International Limited ("**Golden Land**"). Mr. Zhao is the beneficial owner of the entire issued share capital of Golden Land, therefore, Mr. Zhao is deemed to be interested in the 297,812,250 shares held by Golden Land. Mr. Zhao is also the sole director of Golden Land.

(b) 448,000 shares are held by Ms. Chan Lok San ("**Ms. Chan**"), the spouse of Mr. Zhao, in her own name and 90,000,000 shares are held by Golden Morning International Limited ("**Golden Morning**"). Ms. Chan, is the beneficial owner of the entire issued share capital of Golden Morning, therefore, Mr. Zhao is also deemed to be interested in the 448,000 shares held by Ms. Chan and 90,000,000 shares held by Golden Morning.

2. Ms. Chan is deemed (by virtue of the SFO) to be interested in 412,980,250 shares in the Company. These shares are held in the following capacities:

   (a) 448,000 shares are held by Ms. Chan in her own name and 90,000,000 shares are held by Golden Morning. Ms. Chan is the beneficial owner of the entire issued share capital of Golden Morning, therefore, Ms. Chan is deemed to be interested in the 90,000,000 shares held by Golden Morning. Ms. Chan is also the sole director of Golden Morning.

   (b) 24,720,000 shares are held by Mr. Zhao Li Sheng, the spouse of Ms. Chan, in his own name and 297,812,250 shares are held by Golden Land. Mr. Zhao is the beneficial owner of the entire issued share capital of Golden Land, therefore, Ms. Chan is also deemed to be interested in the 24,720,000 shares held by Mr. Zhao and the 297,812,250 shares held by Golden Land.

3. 296,000 shares are held by Mr. Zhou Xuhua ("**Mr. Zhou**"), in his own name and Mr. Zhou is also deemed (by virtue of the SFO) to be interested in 2,380,000 shares in the Company held by his spouse, Ms. Huang Xiaoli.

(II) Interests in the shares of the associated corporations of the Company

Name of Directors	Name of associated corporations	Capacity/Nature of Interest	Percentage of shareholding
Zhao Li Sheng	Golden Land	Beneficial owner	100%
Chan Lok San	Golden Morning	Beneficial owner	100%

As at 31 December 2024, save as disclosed above, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange.

Save as disclosed above, as at 31 December 2024, none of the Directors is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(b) *Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares of the Company*

As at 31 December 2024, so far as was known to the Directors, the interests or short positions held by the following persons (other than the Directors) in the shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or the interests or short positions recorded in the register kept by the Company under section 336 of the SFO were as follows:

Interests in the Shares

Name of Shareholders	Capacity/Nature of Interest	Number of shares in the Company held	Approximate percentage of the Company's total issued share capital
Golden Land	Beneficial owner	297,812,250	47.84%
Golden Morning	Beneficial owner	90,000,000	14.46%
Zhao Li Sheng(Note 1)	Beneficial owner	24,720,000	3.97%
	Interest of spouse	90,448,000	14.53%
	Interest of a controlled corporation	297,812,250	47.84%
Chan Lok San(Note 2)	Beneficial owner	448,000	0.07%
	Interest of spouse	322,532,250	51.81%
	Interest of a controlled corporation	90,000,000	14.46%
Sinopharm Healthcare Fund L.P.	Beneficial owner	28,879,117	4.64%
Sinopharm Capital Limited(Note 3)	Interest of a controlled corporation	28,879,117	4.64%
	Beneficial owner	1,312,687	0.21%
Sun Hill Capital Investments Limited(Note 4)	Interest of a controlled corporation	30,191,804	4.85%
Wu Aimin(Note 5)	Interest of a controlled corporation	30,191,804	4.85%

Notes:

1. In addition to 24,720,000 shares which are beneficially owned by Mr. Zhao, Mr. Zhao is deemed (by virtue of the SFO) to be interested in 388,260,250 shares in the Company. These shares are held in the following capacities:

   (a) 297,812,250 shares are held by Golden Land. Mr. Zhao is the beneficial owner of the entire issued share capital of Golden Land, therefore, Mr. Zhao is deemed to be interested in the 297,812,250 shares held by Golden Land. Mr. Zhao is also the sole director of Golden Land.

   (b) 448,000 shares are held by Ms. Chan, the spouse of Mr. Zhao, in her own name and 90,000,000 shares are held by Golden Morning. Ms. Chan is the beneficial owner of the entire Issued share capital of Golden Morning, therefore, Mr. Zhao is also deemed to be interested in the 448,000 shares held by Ms. Chan and 90,000,000 shares held by Golden Morning.

2. Ms. Chan is deemed (by virtue of the SFO) to be interested in 412,980,250 shares in the Company. These shares are held in the following capacities:

   (a) 448,000 shares are held by Ms. Chan in her own name and 90,000,000 shares are held by Golden Morning. Ms. Chan is the beneficial owner of the entire issued share capital of Golden Morning, therefore, Ms. Chan is deemed to be interested in the 90,000,000 shares held by Golden Morning. Ms. Chan is also the sole director of Golden Morning.

   (b) 24,720,000 shares are held by Mr. Zhao, the spouse of Ms. Chan, in his own name and 297,812,250 shares are held by Golden Land. Mr. Zhao is the beneficial owner of the entire issued share capital of Golden Land, therefore, Ms. Chan is also deemed to be interested in the 24,720,000 shares held by Mr. Zhao and the 297,812,250 shares held by Golden Land.

3. The corporate substantial shareholder notice filed by Sinopharm Capital Limited indicated that it controlled 1.79% interest in Sinopharm Healthcare Fund L.P.

4. The corporate substantial shareholder notice filed by Sun Hill Capital Investments Limited indicated that it controlled 100% interest in Sinopharm Capital Limited and indirectly controlled 1.79% interest in Sinopharm Healthcare Fund L.P.

5. The individual substantial shareholder notice filed by Wu Aimin indicated that he controlled 85% interest in Sun Hill Capital Investments Limited, indirectly controlled 100% interest in Sinopharm Capital Limited, and 1.79% interest in Sinopharm Healthcare Fund L.P.

Save as disclosed above, to the best knowledge of the Directors of the Company, as at 31 December 2024, no person (other than the Directors) had any interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or any interest or short positions recorded in the register kept by the Company under section 336 of the SFO.

DIRECTORS' RIGHTS IN ACQUIRING SHARES AND DEBENTURES

Save as disclosed in the paragraph headed "Share Option Scheme" in this report, at no time during the Year Under Review, the Company or any of its subsidiaries had no arrangements to enable the Directors or executives (including their spouse and children under 18 years of age) of the Company to have the rights to acquire securities of the Company or its associated companies (as defined in the SFO), or to acquire benefits by means of acquisition of securities of the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed under the paragraph headed "Continuing Connected Transactions", as at 31 December 2024 and during any time for the year ended 31 December 2024, there was no contract of significance (as defined in Appendix D2 to the Listing Rules) subsisting in which a Director is or was materially interested, whether directly or indirectly.

Save as disclosed under the paragraph headed "Continuing Connected Transactions", as at 31 December 2024 and during any time for the year ended 31 December 2024, there was no contract of significance in relation to the Company's business subsisting to which the Company, its subsidiary, its holding company or a subsidiary of its holding company was a party and in which a Director has or had, or at any time during that period, in any way, whether directly or indirectly, a material interest.

Save as disclosed under the paragraph headed "Continuing Connected Transactions", as at 31 December 2024 and during any time for the year ended 31 December 2024, none of the Directors was in any way, directly or indirectly, materially interested in any contract of significance entered into or proposed to be entered into with the Company in relation to the Company's business.

MANAGEMENT CONTRACTS

There was no contracts concerning the management or administration of the whole or any substantial part of the business of the Company which was entered into or existed during the Year Under Review.

CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2024, the Group entered into various transactions with certain individuals and entities that are regarded as connected persons of the Company (as defined under Chapter 14A of the Listing Rules). Details of these individuals and entities are set out in Note 38 to the consolidated financial statements.

The recurring related party transactions set out in Note 38 to the consolidated financial statements fall within the definition of "continuing connected transaction" under Chapter 14A of the Listing Rules while the key management remuneration set out in Note 11 to the consolidated financial statements do not fall within the definition of "connected transaction" or "continuing connected transaction" under Chapter 14A of the Listing Rules. The Company has complied with the relevant disclosure requirements in accordance with Chapter 14A of the Listing Rules.

The related party transactions in respect of rental expenses, advertising expenses and purchases of medical masks constitute connected transactions as defined in Chapter 14A of the Listing Rules. However, these transactions are exempt from reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As disclosed in the announcement of the Company dated 15 December 2023 and the circular of the Company dated 23 February 2024 (the "**Circular**"), on 15 December 2023, (1) Kingworld Medicine Healthcare Limited ("**HK Kingworld**"), a wholly-owned subsidiary of the Company, entered into a master distribution agreement with Yuen Tai Pharmaceuticals Limited (遠大製藥廠有限公司) ("**Yuen Tai**") ("**2024 Yuen Tai Master Distribution Agreement**"); and (2) Shenzhen Kingworld Medicine Company Limited ("**SZ Kingworld**"), a wholly-owned subsidiary of the Company, entered into a master distribution agreement with Shenzhen Kingworld Lifeshine Pharmaceutical Company Limited (深圳金活利生藥業有限公司) ("**SZ Kingworld Lifeshine**") ("**2024 SZ Kingworld Lifeshine Master Distribution Agreement**"), respectively (collectively, the "**2024 Master Distribution Agreements**").

Unless otherwise defined herein, terms used in the following section headed "2024 Master Distribution Agreements for the period from 1 January 2024 to 31 December 2026" shall have the same meanings as defined in the Circular.

2024 Master Distribution Agreements for the period from 1 January 2024 to 31 December 2026

Transaction	Member of the Group	Connected person	Actual transaction amounts for the year ended 31 December 2024 RMB'000	Annual cap for the year ended 31 December 2024 RMB'000
Purchase and distribution of Pharmaceutical and Healthcare Products from SZ Kingworld Lifeshine	SZ Kingworld	SZ Kingworld Lifeshine	17,544	49,180
Purchase and distribution of Pharmaceutical and Healthcare Products from Yuen Tai	HK Kingworld/ SZ Kingworld	Yuen Tai	–	3,417

Principal terms of the 2024 Master Distribution Agreements are as follows:

2024 SZ Kingworld Lifeshine Master Distribution Agreement

SZ Kingworld Lifeshine is a wholly-owned subsidiary of Morning Gold Medicine Company Limited, which is owned as to 51% by Mr. Zhao Li Sheng and 49% by Ms. Chan Lok San (both being the Executive Directors of the Company).

On 15 December 2023, SZ Kingworld Lifeshine and SZ Kingworld entered into the 2024 SZ Kingworld Lifeshine Master Distribution Agreement, pursuant to which the Group will purchase certain pharmaceutical and healthcare products from SZ Kingworld Lifeshine and act as the exclusive distributor for distribution of such pharmaceutical and healthcare products in the PRC for the period from 1 January 2024 to 31 December 2026 (both days inclusive).

The terms and conditions (including but not limited to the prices) on which the pharmaceutical and healthcare products are to be purchased by members of the Group should be on normal commercial terms and no less favourable than those obtained from independent third parties suppliers by such member of the Group.

40% of the purchase price shall be paid in advance by the relevant member of the Group within three days after such member of the Group has placed an order for each batch of products and the remaining balance of the purchase price shall be paid upon delivery of the products and the passing of the product inspection.

2024 Yuen Tai Master Distribution Agreement

Yuen Tai is a wholly-owned subsidiary of Morning Gold Medicine Company Limited, which is owned as to 51% by Mr. Zhao Li Sheng and 49% by Ms. Chan Lok San (both being the Executive Directors of the Company).

On 15 December 2023, Yuen Tai and HK Kingworld entered into the 2024 Yuen Tai Master Distribution Agreement, pursuant to which the Group will purchase certain pharmaceutical and healthcare products from Yuen Tai and act as the exclusive distributor for distribution of such pharmaceutical and healthcare products in the PRC for the period from 1 January 2024 to 31 December 2026 (both days inclusive).

The terms and conditions (including but not limited to the prices) on which the pharmaceutical and healthcare products are to be purchased by members of the Group should be on normal commercial terms and no less favourable than those obtained from independent third parties suppliers by such member of the Group.

40% of the purchase price shall be paid in advance by the relevant member of the Group within three days after such member of the Group has placed an order for each batch of products and the remaining balance of the purchase price shall be paid upon delivery of the products and the passing of the product inspection.

The Independent Non-executive Directors have reviewed the above continuing connected transactions and confirm that these transactions have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and

(iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The auditor of the Company has issued a letter to the Board confirming that the above continuing connected transactions:

(i) have received the approval of the Board;

(ii) did not involve the provision of goods or services by the Group;

(iii) have been entered into in accordance with the relevant agreements governing the transactions; and

(iv) did not exceed the respective annual caps as disclosed in the Circular and announcement of the Company dated 15 December 2023.

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.

LIQUIDITY AND CAPITAL RESOURCES

The Group has met its working capital needs mainly through cash generated from operations and various long 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 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 report.

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.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year Under Review, the total revenue of the Group's five largest customers accounted for approximately 23.6% of the Group's revenue, in which revenue from the largest customer of the Group accounted for approximately 8.7% of the total revenue of the Group. During the same period, total purchases of the Group's five largest suppliers accounted for approximately 80.1% of the Group's total purchase, in which purchase from the largest supplier of the Group accounted for approximately 73.6% of the total purchase of the Group.

None of the Directors, their respective close associates or any Shareholders (interested in 5% or more of the share capital, to the best knowledge of the Board) has any interest in any of the five largest suppliers or the Group's five largest customers.

TAX RELIEF AND EXEMPTION

The Company is not aware that any holders of securities of the Company are entitled to any tax relief or exemption by reason of their holdings of such securities.

EMPLOYEE BENEFITS

Details of the employee benefits of the Group for the year ended 31 December 2024 are set out in Note 36 to the consolidated financial statements. No forfeited contributions (by the Group on behalf of employees who leave the defined contribution plans prior to vesting fully in such contributions) can be used by the Group to reduce the existing level of contributions. In order to continue to maintain the sustainable development of the Group's competitiveness, the Group has paid close attention to the external competitiveness, internal fairness of its remuneration structure and the cost-effectiveness of employee's remuneration and performance management with emolument policy in place. For the year ended 31 December 2024, employees' remuneration (including the directors and senior management of the Group) comprised of basic salary, bonus and shares awarded under the Share Award Scheme.

EVENT AFTER THE REPORTING PERIOD

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

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2024 have been audited by Crowe (HK) CPA Limited ("**Crowe**"). Crowe will retire as auditor at the conclusion of the forthcoming annual general meeting and being eligible, offer themselves for re-appointment. A resolution will be submitted to the forthcoming annual general meeting of the Company for the re-appointment of Crowe as the auditor of the Company.

On behalf of the Board
Kingworld Medicines Group Limited
Mr. Zhao Li Sheng
Chairman of the Board

Hong Kong, 28 March 2025

Independent Auditor's Report

國富浩華(香港)會計師事務所有限公司
Crowe (HK) CPA Limited
Member Crowe Horwath International

9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

TO THE SHAREHOLDERS OF KINGWORLD MEDICINES GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Kingworld Medicines Group Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 88 to 199, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The Key Audit Matter	*How the matter was addressed in our audit*
(a) Impairment of goodwill (Refer to notes 2(j)(ii) and 16 to the consolidated financial statements) At 31 December 2024, the Group has goodwill of RMB90,693,000 arising from the acquisition of subsidiary in 2015. For the purpose of impairment testing, the goodwill was allocated to the manufacturing and sales of electrotherapeutic and physiotherapeutic devices and general medical examination devices cash-generating unit ("**CGU**") and tested for impairment at least annually. The recoverable amount of the CGU has been determined based a value in use calculation using five-year cash flow projection, which requires management to make assumptions about the future including budgeted sales, gross profit ratio and growth rates and to determine an appropriate market discount rate. The Group appointed an independent professional valuer to perform valuation for the recoverable amount, being value in use, of the CGU, to which goodwill is allocated, and made reference to the independent professional valuation.	We reviewed and challenged the impairment analysis prepared by the management as outlined below: With regard to the overall impairment assessments performed by the management, we evaluated the design of internal controls in place to determine any asset impairment. We reviewed and challenged the appropriateness of the models, key assumptions and estimates used by management and the valuers for determining the recoverable value of the goodwill. We also assessed historical accuracy in management's forecasting process. We evaluated and challenged the key assumptions used in the valuation model and performed sensitivity analysis around key drivers of cash flow forecasts, including unit of sales, gross margins, growth rates and operating costs. We reviewed the calculation of discount rate used for determining the value in use, taking into account the cost of capital of the Group and comparable companies, and challenged the reasonableness of the methodology and assumptions applied in determining the discount rate.

KEY AUDIT MATTERS *(Continued)*

The Key Audit Matter

(b) Impairment of trade receivables

(Refer to notes 2(j)(i), 23, 33(a) and 34(d) to the consolidated financial statements)

At 31 December 2024, trade receivables amounted to approximately RMB117 million, net of allowance for expected credit losses of approximately RMB7.4 million, for which there was no collateral as security for settlement. In the normal ordinary course of its business, the Group grants its customers with credit period up to 120 days after billing. This may give rise to the risk of bad debt losses arising from unfavorable changes in the customers' abilities to settle their trade debts after year end.

Lifetime expected credit losses of trade receivables are based on management's estimate of the lifetime expected credit losses to be incurred, which is estimated by taking into account the credit loss experience, ageing of overdue trade receivables, customers' repayment history and customers' financial position and an assessment of both the current and forecast of future economic conditions, all of which involve a significant degree of management judgement.

How the matter was addressed in our audit

We reviewed and challenged the assumptions applied by management in estimating the provision for expected credit losses on trade receivables at the year end as outlined below:

We reviewed the Group's credit control and debt recovery procedures and actions taken to monitor and collect the trade receivables.

We reviewed historical settlement history of the customers and checked subsequent cash receipts from the customers after the year end.

We enquired management of any disputes with customers, assessed the replies to the debtor confirmations directly obtained from the customers and reviewed correspondences with the customers for any dispute.

We tested ageing analysis for trade receivables by customers, critically evaluated updated creditworthiness of the customers and assessed other forward looking information such as the future economic conditions.

We assessed the reasonableness of the expected credit loss rates that were applied to calculate the lifetime expected credit losses of trade receivables and checked the calculation of the required provision for the lifetime expected credit losses of trade receivables.

We also assessed the adequacy of the Group's disclosures in respect of trade receivables made in notes 23 and 33(a) to the consolidated financial statements.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

– Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

– Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

– Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Crowe (HK) CPA Limited
Certified Public Accountants
Hong Kong, 28 March 2025

Liu, Mok Lan, Cliny
Practising Certificate Number P07270

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	6	**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	14	**5,164**	(1,364)
Impairment loss on trade and other receivables	7(c)	**(3,110)**	(441)
Profit from operations		**89,704**	96,806
Finance costs	7(a)	**(13,282)**	(11,519)
Share of results of a joint venture	18	**18,187**	8,212
Share of results of associates	17	**910**	387
Profit before taxation	7	**95,519**	93,886
Income tax	8	**(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	10		
Basic and diluted (RMB cents)		**7.22**	6.44

The notes on pages 95 to 199 form part of these consolidated financial statements.

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 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

The notes on pages 95 to 199 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 December 2024

	Note	2024 RMB'000	2023 RMB'000
Non-current assets			
Right-of-use assets	13	**108,362**	107,438
Property, plant and equipment	13	**315,347**	278,279
Investment properties	14	**126,027**	120,619
Goodwill	16	**90,693**	90,693
Interests in associates	17	**10,858**	9,667
Interest in a joint venture	18	**84,769**	66,582
Other intangible assets	19	**–**	–
Financial assets at fair value through other comprehensive income	20	**64,203**	68,576
Financial assets at fair value through profit or loss	21	**7,541**	7,180
		807,800	749,034
Current assets			
Inventories	22	**120,217**	117,628
Trade and bills receivables	23	**157,724**	152,534
Deposits, prepayments and other receivables	24	**80,226**	124,425
Financial assets at fair value through profit or loss	21	**14,302**	20,351
Cash and cash equivalents	25	**235,299**	173,678
		607,768	588,616
Current liabilities			
Contract liabilities	26	**59,934**	57,172
Trade payables	27	**159,899**	148,663
Accruals and other payables	28	**54,157**	44,291
Bank loans	29	**225,664**	191,663
Lease liabilities	30	**4,356**	6,366
Income tax payable	31(a)	**10,858**	15,377
		514,868	463,532
Net current assets		**92,900**	125,084
Total assets less current liabilities		**900,700**	874,118
Non-current liabilities			
Bank loans	29	**161,952**	150,467
Lease liabilities	30	**10,465**	5,930
Deferred tax liabilities	31(b)	**22,751**	18,369
		195,168	174,766
NET ASSETS		**705,532**	699,352

The notes on pages 95 to 199 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 December 2024

	Note	2024 RMB'000	2023 RMB'000
CAPITAL AND RESERVES	32		
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

Approved and authorised for issue by the board of directors on 28 March 2025.

Mr. Zhao Li Sheng
Director

Ms. Chan Lok San
Director

The notes on pages 95 to 199 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2024

	Attributable to owners of the Company									
	Share capital RMB'000 (note 32(a))	Share premium RMB'000 (note 32(b))	Statutory reserve RMB'000 (note 32(c))	Fair value reserve RMB'000 (note 32(d))	Exchange reserve RMB'000 (note 32(e))	Capital reserve RMB'000 (note 32(f))	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total Equity RMB'000
At 1 January 2024	**53,468**	**139,408**	**48,641**	**(22,494)**	**(20,673)**	**(21,162)**	**441,846**	**619,034**	**80,318**	**699,352**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**41,557**	**41,557**	**32,909**	**74,466**
Other comprehensive income/(loss) for the year										
– Exchange difference arising from the translation of foreign operations	**–**	**–**	**–**	**–**	**3,945**	**–**	**–**	**3,945**	**–**	**3,945**
– Fair value change on financial assets	**–**	**–**	**–**	**(3,772)**	**–**	**–**	**–**	**(3,772)**	**–**	**(3,772)**
Total comprehensive income for the year	**–**	**–**	**–**	**(3,772)**	**3,945**	**–**	**41,557**	**41,730**	**32,909**	**74,639**
Dividend relating to 2023 (note 9(b))	**–**	**–**	**–**	**–**	**–**	**–**	**(19,780)**	**(19,780)**	**–**	**(19,780)**
Dividend paid to non-controlling interests of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(48,597)**	**(48,597)**
Capital contribution from non-controlling interests of a subsidiary (note 15)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,110**	**1,110**
Shares purchased for the share award scheme (note 36)	**–**	**–**	**–**	**–**	**–**	**(4,805)**	**–**	**(4,805)**	**–**	**(4,805)**
Equity-settled share award transactions (note 36)	**–**	**–**	**–**	**–**	**–**	**3,613**	**–**	**3,613**	**–**	**3,613**
At 31 December 2024	**53,468**	**139,408**	**48,641**	**(26,266)**	**(16,728)**	**(22,354)**	**463,623**	**639,792**	**65,740**	**705,532**
At 1 January 2023	53,468	139,408	48,641	(4,609)	(24,597)	(14,405)	417,671	615,577	78,638	694,215
Profit for the year	–	–	–	–	–	–	38,096	38,096	23,498	61,594
Other comprehensive income/(loss) for the year										
– Exchange difference arising from the translation of foreign operations	–	–	–	–	3,924	–	–	3,924	–	3,924
– Fair value change on financial assets	–	–	–	(17,885)	–	–	–	(17,885)	–	(17,885)
Total comprehensive income for the year	–	–	–	(17,885)	3,924	–	38,096	24,135	23,498	47,633
Dividend relating to 2022 (note 9(b))	–	–	–	–	–	–	(13,921)	(13,921)	–	(13,921)
Dividend paid to non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	(21,818)	(21,818)
Shares purchased for the share award scheme (note 36)	–	–	–	–	–	(8,713)	–	(8,713)	–	(8,713)
Equity-settled share award transactions (note 36)	–	–	–	–	–	1,956	–	1,956	–	1,956
At 31 December 2023	53,468	139,408	48,641	(22,494)	(20,673)	(21,162)	441,846	619,034	80,318	699,352

The notes on pages 95 to 199 form part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2024

	Note	2024 RMB'000	2023 RMB'000
Operating activities			
Profit before taxation		**95,519**	93,886
Adjustments for:			
Depreciation of property, plant and equipment	7(c)	**11,487**	9,710
Depreciation of right-of use assets	7(c)	**8,664**	10,231
Finance costs	7(a)	**13,282**	11,519
Bank interest income	6	**(6,146)**	(2,289)
Interest income from a loan to an associate	6	**(119)**	(106)
Dividends received from financial assets at fair value through profit or loss	6	**(436)**	(924)
Dividends received from financial assets at fair value through other comprehensive income	6	**(1,660)**	(8,202)
Loss on disposal of property, plant and equipment	7(c)	**338**	206
Gain on lease termination	6	**(371)**	–
Impairment loss on property, plant and equipment	7(c)	**1,231**	–
Impairment loss on trade receivables	7(c)	**199**	441
Impairment loss on other receivables	7(c)	**2,911**	–
Fair value loss/(gain) on financial assets at fair value through profit or loss		**4,249**	(12,937)
Amortisation of intangible assets	7(c)	**–**	134
Share of results of a joint venture	18	**(18,187)**	(8,212)
Share of results of associates	17	**(910)**	(387)
Fair value (gain)/loss on investment properties	14	**(5,164)**	1,364
(Reversal of write-down)/write-down of inventories, net	22	**(2,920)**	8,283
Release of deferred income		**–**	(600)
Equity-settled share award expenses	7(b)	**3,613**	1,956
Changes in working capital			
Decrease/(increase) in inventories		**331**	(41,147)
(Increase)/decrease in trade and bills receivables		**(5,224)**	30,200
Decrease/(increase) in deposits, prepayments and other receivables		**42,060**	(24,550)
Increase/(decrease) in contract liabilities		**2,723**	(366)
Increase in trade payables		**10,307**	49,552
Increase/(decrease) in accruals and other payables		**1,233**	(45,003)
Cash generated from operations		**157,010**	72,759
Income tax paid		**(21,190)**	(30,475)
Net cash generated from operating activities		**135,820**	42,284

The notes on pages 95 to 199 form part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2024

	Note	2024 RMB'000	2023 RMB'000
Investing activities			
Payment for purchase of property, plant and equipment		**(41,090)**	(105,535)
Payment for purchase of investment property		**–**	(7,483)
Payment for acquisition of financial assets at fair value through other comprehensive income		**–**	(60,871)
Refund of capital from financial assets at fair value through other comprehensive income		**3,000**	10,000
Proceeds from disposal of financial assets at fair value through profit or loss		**2,093**	6,711
Proceeds from disposal of property, plant and equipment		**–**	23
Bank interest received	6	**6,146**	2,289
Interest received from a loan to an associate	6	**119**	106
Dividend received from a joint venture		**–**	25,000
Dividends received from financial assets at fair value through profit or loss	6	**436**	924
Dividends received from financial assets at fair value through other comprehensive income	6	**1,660**	8,202
Net cash used in investing activities		**(27,636)**	(120,634)
Financing activities			
Proceeds from new bank loans	25	**436,149**	327,507
Repayment of bank loans	25	**(391,703)**	(258,199)
Capital element of lease rentals paid	25	**(6,704)**	(8,965)
Interest element of lease rentals paid	25	**(641)**	(762)
Interest on bank loans paid	25	**(12,641)**	(10,757)
Payments for shares purchased for the share award scheme	36	**(4,805)**	(8,713)
Dividend paid to shareholders of the Company	9(b)	**(19,780)**	(13,921)
Dividend paid to non-controlling interests of subsidiaries	25	**(48,597)**	(21,818)
Capital contribution from non-controlling interests of a subsidiary		**1,110**	–
Net cash (used in)/generated from financing activities		**(47,612)**	4,372
Net increase/(decrease) in cash and cash equivalents		**60,572**	(73,978)
Cash and cash equivalents at beginning of year		**173,678**	242,155
Effect of foreign exchange rate changes		**1,049**	5,501
Cash and cash equivalents at end of year	25	**235,299**	173,678

The notes on pages 95 to 199 form part of these consolidated financial statements.

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 Act, 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 accounting period reflected in these financial statements.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

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 of the primary economic environment in the entity operates (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 (see note 2(f));

– derivative financial instruments (see note 2(y));

– financial instruments classified as financial assets at fair value through other comprehensive income (see note 2(e)); and

– financial assets at fair value through profit or loss (see note 2(e)).

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.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 34.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

c) *Subsidiaries and non-controlling interests*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies. Intra-group balances and transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(j)(ii)), unless the investment is classified as held for sale (or included in a disposal group held for sale).

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

d) *Associates and joint ventures*

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operation policy decisions.

A joint venture is a joint arrangement whereby the Group and other parties contractually agree to share control of an arrangement, and have rights to the net assets of the joint arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted to recognise the Group's share of post-acquisition share of the profit or loss and other comprehensive income of the associate or joint venture and any impairment loss relating to the investment. Any acquisition date excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment (after reassessment) is recognised in the consolidated statement of profit or loss.

When the Group's share of losses exceeds its interest in an associate or joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate or joint venture after applying the expected credit loss model to such other long-term interests where applicable.

Unrealised profits and losses resulting from transactions between the Group and its associate and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or *vice versa*, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(e)).

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

e) *Other investments in equity securities*

The Group's policies for investments in equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("**FVPL**") for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 33(f). These investments are subsequently accounted for as follows, depending on their classification.

An investment in equity securities is classified as financial assets at FVPL, unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at fair value through other comprehensive income ("**FVOCI**") (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 2(t)(iii).

Financial assets at FVPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised. The net gain or loss recognised in profit or loss includes/excludes any dividend. Dividend income is included in other income, unless the dividends clearly represent a recovery of part of the cost of the investment.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

f) *Investment properties*

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(h)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated in the consolidated statement of financial position at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(t)(ii).

g) *Property, plant and equipment*

The following items of property, plant and equipment other than construction in progress are stated at cost less accumulated depreciation and impairment losses:

– interests in leasehold land and buildings where the Group is the registered owner of the property interest;

– right-of-use assets arising from leases over freehold or leasehold properties where the Group is not the registered owner of the property interest; and

– items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see note 2(h)).

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

g) Property, plant and equipment *(Continued)*

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

– buildings held for own use situated on leasehold land under operating leases are depreciated on a straight-line basis over the shorter of their estimated lives, being no more than 50 years and the unexpired term of the lease.

– leasehold land	over the remaining lease terms
– leasehold improvements	5 years or over the remaining term of the lease, if shorter
– furniture, fixtures and office equipment	5 to 10 years
– machineries	10 years
– motor vehicles	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Historical cost includes expenditure that is directly attributable to the acquisition of an item of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are recognised in profit or loss during the reporting period in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gain or loss arising from the retirement or disposal of an item of property, plant and equipment is determined as the difference between the net proceeds on disposal and the carrying amount of the item and is recognised in profit or loss on the date of retirement or disposal.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

h) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

h) *Leased assets (Continued)*

i) *As a lessee (Continued)*

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("**lease modification**") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

h) *Leased assets (Continued)*

ii) *As a lessor*

The Group determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 2(t)(ii).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in note 2(h)(i), then the Group classifies the sub-lease as an operating lease.

i) *Inventories*

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

j) *Credit losses and impairment of assets*

i) *Credit losses from financial instruments*

The Group recognises a loss allowance for expected credit losses ("**ECLs**") on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables and loans to associates and a joint venture);

Financial assets measured at fair value, including equity securities measured at FVPL, and equity securities designated at FVOCI are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof; and

– variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

j) Credit losses and impairment of assets (Continued)

i) Credit losses from financial instruments (Continued)

Measurement of ECLs (Continued)

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables, are always measured at an amount equal to lifetime ECLs. ECLs on trade receivables are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At the end of each reporting period, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

j) *Credit losses and impairment of assets (Continued)*

i) *Credit losses from financial instruments (Continued)*

General approach ***(Continued)***

In certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs, except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1	–	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	–	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	–	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at the end of each reporting period. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

j) *Credit losses and impairment of assets (Continued)*

i) *Credit losses from financial instruments (Continued)*

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

j) *Credit losses and impairment of assets (Continued)*

i) *Credit losses from financial instruments (Continued)*

Credit-impaired financial assets

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or past due event;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

j) Credit losses and impairment of assets *(Continued)*

i) Credit losses from financial instruments (Continued)

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

ii) Impairment of other non-current assets

Goodwill and intangible assets that have an indefinite life are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment, including right-of-use assets;
- other intangible assets;
- goodwill; and
- investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

j) Credit losses and impairment of assets (Continued)

ii) Impairment of other non-current assets (Continued)

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year.

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

k) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 2(t)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECLs in accordance with the policy set out in note 2(j)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 2(l)).

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 2(t)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(l)).

For a single contract with the customer, either a net contract asset or a net liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 2(t)).

l) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 2(k)).

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost, using the effective interest method and including an allowance for credit losses (see note 2(j)(i)).

m) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoiced amounts.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

n) *Interest-bearing borrowings*

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expenses is recognised in accordance with the Group's accounting policy for borrowing costs (see note 2(r)).

o) *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note 2(j)(i).

p) *Income tax*

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of reporting period, and any adjustment to tax payable in respect of previous years.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

p) Income tax (Continued)

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided that those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary differences or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

p) Income tax (Continued)

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 2(f), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

q) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

r) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

s) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

s) Translation of foreign currencies (Continued)

The results of operations outside Mainland China are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On the disposal of an operation outside Mainland China, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

t) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

i) Sale of goods

Revenue from sale of goods is recognised when the control of the goods has been transferred to the customer who has taken possession of and accepted the goods transferred by the Group.

Revenue excludes value-added tax or other sales taxes and is after deduction of any trade discounts.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

t) *Revenue and other income (Continued)*

ii) *Rental income from operating leases*

Rental income receivable under operating leases is recognised when the use rights of the leased assets are passed to a tenant and is credited to the profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

iii) *Dividend income*

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

iv) *Interest income*

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2(j)(i)).

v) *Promotional income*

Income from provision of promotional services is recognised when the promotional services are rendered.

vi) *Government grants*

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

u) i) *Business combinations or asset acquisitions*

Optional concentration test

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to investment properties which are subsequently measured under fair value model and financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Business combinations

Acquisitions of businesses, other than business combination under common control are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting* issued in October 2010).

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

u) i) *Business combinations or asset acquisitions (Continued)*

Business combinations (Continued)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

– deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Incomes Taxes* and HKAS 19 *Employee Benefits* respectively;

– liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date;

– assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and

– lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

u) i) *Business combinations or asset acquisitions (Continued)*

Business combinations (Continued)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the" measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates in with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are measured under HKFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

u) ii) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represents the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

v) Other intangible assets (other than goodwill)

Other intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

The following intangible assets with finite useful lives are amortised on a straight-line basis from the date of acquisition when they are available for use and over their estimated useful lives are as follows:

– Customer relationships	8 years
– Patents	5 years

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

v) Other intangible assets (other than goodwill) *(Continued)*

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

w) Employee benefits

i) Short term employee benefits and contribution to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contribution to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

Defined benefit plan obligations

The Group has a defined benefit plan, representing long service payment ("LSP") under the Hong Kong Employment Ordinance. The Group's net defined benefit obligation is measured by discounting the estimated cost to the Group of the benefit that employees have earned in return for their service in the current and prior periods, after deducting the negative service cost arising from the accrued benefits derived from the Group's MPF contributions that have been vested with employees, which are deemed to be contributions from the relevant employees.

ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/ credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

w) Employee benefits *(Continued)*

iii) Share award scheme

The Company operates a share award scheme for the purpose of providing incentives and rewards to eligible participants. An employee share trust is established and administered by an independent trustee and is funded by the Group's cash contributions. The considerations paid including any related transaction costs by the Company to purchase shares of the Company for the Scheme are deducted from equity as an employee share trust. The administrator of the employee share trust purchases the Company's shares in the open market as award shares to employees upon vesting. Upon vesting of the awarded shares, the corresponding amount in the shares held under share award scheme will be transferred to the relevant employees.

iv) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

x) Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

y) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period, the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

z) Related parties

a) A person, or a close member of that person's family, is related to the Group if that person:

   i) has control or joint control over the Group;

   ii) has significant influence over the Group; or

   iii) is a member of the key management personnel of the Group or the Group's parent.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

z) Related parties *(Continued)*

b) An entity is related to the Group if any of the following conditions applies:

i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

iii) Both entities are joint ventures of the same third party.

iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

vi) The entity is controlled or jointly controlled by a person identified in (a).

vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

aa) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Company's directors, i.e., the chief operating decision-makers, for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

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 HKFRS 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.

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

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 HKFRS 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

Disaggregation of revenue from contracts with customers by divisions is disclosed in note 5.

5. SEGMENT REPORTING

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

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

– Manufacturing and sales of electrotherapeutic and physiotherapeutic devices and general medical examination devices: this segment manufactures and sells electrotherapeutic and physiotherapeutic devices and general medical examination devices, which are carried out by Shenzhen Dong Di Xin Technology Company Limited ("**Dong Di Xin**").

5. SEGMENT REPORTING *(Continued)*

a) *Segment results, assets and liabilities*

For the purposes of assessing segment performance and allocating resources between segments, the Group's management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of investments in financial assets and other corporate assets. Segment liabilities include provisions and trade and other payables attributable to the activities of the individual segments and borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment profit includes the Group's share of profit arising from the activities of the Group's joint venture.

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

In addition to receiving segment information concerning adjusted EBITDA, management is provided with segment information concerning inter-segment sales, impairment losses and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

5. SEGMENT REPORTING *(Continued)*

a) *Segment results, assets and liabilities (Continued)*

Information regarding the Group's reportable segments as provided to the Group's directors for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2024 and 2023 is set out below.

	Distribution sales of pharmaceutical and healthcare products				Manufacturing and sales of electrotherapeutic and physiotherapeutic devices and general medical examination devices			
	Hong Kong		PRC		PRC		Total	
	2024 RMB'000	2023 RMB'000	**2024 RMB'000**	2023 RMB'000	**2024 RMB'000**	2023 RMB'000	**2024 RMB'000**	2023 RMB'000
Revenue from external customers	**21,317**	55,239	**914,401**	898,022	**248,275**	240,936	**1,183,993**	1,194,197
Inter-segment revenue	**–**	–	**4,754**	1,825	**–**	–	**4,754**	1,825
Reportable segment revenue	**21,317**	55,239	**919,155**	899,847	**248,275**	240,936	**1,188,747**	1,196,022
Reportable segment profit (adjusted EBITDA)	**(16,708)**	(13,469)	**61,133**	54,057	**82,856**	79,304	**127,281**	119,892
(Reversal of write-down)/write down of inventories, net	**867**	1,660	**(544)**	6,623	**(2,613)**	–	**(2,290)**	8,283
Research and development expenses	**–**	–	**–**	–	**17,593**	18,840	**17,593**	18,840
Reportable segment assets	**34,223**	49,448	**548,060**	544,851	**317,946**	349,144	**900,229**	943,443
(including interest in a joint venture)	**–**	–	**84,769**	66,582	**–**	–	**84,769**	66,582
Additions to non-current segment assets during the year	**1,198**	9,219	**15,267**	3,875	**7,238**	14,104	**23,703**	27,198
Reportable segment liabilities	**1,285**	28,896	**322,260**	317,951	**84,474**	63,521	**408,019**	410,368

5. SEGMENT REPORTING *(Continued)*

b) *Reconciliations of reportable segment revenues, profit or loss, assets and liabilities*

	2024 RMB'000	2023 RMB'000
Revenue		
Reportable segment revenue	**1,188,747**	1,196,022
Elimination of inter-segment revenue	**(4,754)**	(1,825)
Elimination of Group's share of revenue of joint venture	**(122,911)**	(115,538)
Consolidated revenue (note 4)	**1,061,082**	1,078,659

	2024 RMB'000	2023 RMB'000
Profit		
Reportable segment profit (adjusted EBITDA) derived from the Group's external customers and a joint venture	**127,281**	119,892
Other revenue and other income	**28,542**	27,437
Fair value (loss)/gain on financial assets at fair value through profit or loss	**(4,249)**	12,937
Depreciation and amortisation	**(20,151)**	(20,075)
Finance costs	**(13,282)**	(11,519)
Unallocated head office and corporate expenses	**(22,622)**	(34,786)
Consolidated profit before taxation	**95,519**	93,886

5. SEGMENT REPORTING *(Continued)*

b) *Reconciliations of reportable segment revenues, profit or loss, assets and liabilities (Continued)*

	2024 RMB'000	2023 RMB'000
Assets		
Reportable segment assets	**900,229**	943,443
	900,229	943,443
Financial assets at fair value through other comprehensive income	**64,203**	68,576
Financial assets at fair value through profit or loss	**21,843**	27,531
Unallocated head office and corporate assets	**429,293**	298,100
Consolidated total assets	**1,415,568**	1,337,650

	2024 RMB'000	2023 RMB'000
Liabilities		
Reportable segment liabilities	**408,019**	410,368
	408,019	410,368
Current tax liabilities	**10,858**	15,777
Deferred tax liabilities	**22,751**	18,369
Unallocated head office and corporate liabilities	**268,408**	193,784
Consolidated total liabilities	**710,036**	638,298

5. SEGMENT REPORTING *(Continued)*

c) *Geographic Information*

The following is an analysis of geographical location of (i) the Group's revenue from external customers and (ii) the Group's right-of-use assets, property, plant and equipment, investment properties, intangible assets, goodwill and interests in associates and a joint venture. The geographical location of customers is based on to the location at which the goods delivered. The geographical location of the specified non-current assets are based on the physical location of the asset in the case of goodwill and other intangible assets, it is based on the location of the operation to which they are allocated. In the case of interests in associates and a joint venture, it is the location of operations of such associate and joint venture.

	Revenues from external customers		**Specified non-current assets**	
	2024 **RMB'000**	2023 RMB'000	**2024** **RMB'000**	2023 RMB'000
PRC	**808,945**	808,629	**706,246**	644,733
Hong Kong	**15,284**	43,434	**29,810**	28,545
	824,229	852,063	**736,056**	673,278
Other countries outside the PRC:				
The United States of America	**108,986**	108,242	**–**	–
The United Kingdom	**8,970**	17,889	**–**	–
Germany	**42,726**	36,657	**–**	–
Italy	**26,175**	21,228	**–**	–
Spain	**2,654**	1,385	**–**	–
Mexico	**7,832**	6,732	**–**	–
Others	**39,510**	34,463	**–**	–
	236,853	226,596	**–**	–
	1,061,082	1,078,659	**736,056**	673,278

d) *Information about major customers*

There was no customer accounted for 10% or more of the total revenue of the Group for the years ended 31 December 2024 and 2023.

6. 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
Gain on lease termination	**371**	–
Others	**327**	1,176
	(2,651)	910
	28,542	27,437

Note:

Government grants were received from the local government authorities as a 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.

7. 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 (note 19)	**–**	134
	Auditor's remuneration		
	– Audit services	**1,538**	1,490
	– Non-audit services	**124**	182
	Cost of inventories (note 22)	**742,666**	761,370
	Depreciation (note 13)		
	– Property, plant and equipment	**11,487**	9,710
	– Right-of-use assets	**8,664**	10,231
	Impairment loss on trade receivables (note 23(c))	**199**	441
	Impairment loss on other receivables (note 24)	**2,911**	–
	Impairment loss on property, plant and equipment (note 13)	**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

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

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

	2024 RMB'000	2023 RMB'000
Hong Kong Profits Tax		
– Current year	**353**	702
– Over-provision in prior years	**(201)**	(312)
PRC Enterprise Income Tax		
– Current year	**21,276**	28,315
– (Over-provision)/under-provision in prior years	**(4,757)**	640
Deferred tax (note 31(b))		
– 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 taxed at 8.25% (2023: 8.25%) on assessable profits up to HK$2,000,000, and 16.5% (2023: 16.5%) on any part of assessable profits over HK$2,000,000.

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 tax rate of 25% (2023: 25%), except for Dong Di Xin, which is chargeable at a preferential income tax rate of 15% (2023: 15%).

8. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(Continued)*

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

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

b) *Reconciliation between tax expense and accounting profit at the applicable tax rates:*

	2024	2023
	RMB'000	RMB'000
Profit before taxation	**95,519**	93,886
Notional tax on profit before taxation, calculated at the rates applicable in the jurisdiction concerned	**19,529**	22,758
Tax effect of non-deductible expenses	**6,190**	6,135
Tax effect of non-taxable income	**(4,944)**	(2,551)
Tax effect of prior years' tax losses utilised	**(519)**	(392)
Tax effect of unrecognised temporary differences	**658**	(890)
Tax effect of unused tax losses not recognised	**5,097**	6,904
(Over-provision)/under-provision in prior years	**(4,958)**	328
Actual tax expense	**21,053**	32,292

c) As at 31 December 2024, the undistributed profits of the Company's PRC subsidiaries amounted to approximately RMB235,712,000 (2023: RMB267,600,000) with potential deferred tax liabilities of approximately RMB11,786,000 (2023: RMB13,380,000). Deferred tax liabilities related to withholding tax on the distributable profits of the Company's PRC subsidiaries amounted to approximately RMB6,694,000 (2023: RMB4,188,000) (note 31(b)) has been provided for as at 31 December 2024 taking into account its future profit distribution policy.

9. DIVIDENDS

a) Dividends payable to owners of the Company attributable to the year

	2024	2023
	RMB'000	RMB'000
Final dividend proposed after the end of the reporting period of HK3.17 cents (equivalent to RMB2.98 cents) (2023: HK3.38 cents (equivalent to RMB3.06 cents)) per ordinary share	**18,550**	19,049

The final dividend for the year ended 31 December 2024 proposed after the end of the reporting period is subject to approval by the Company's shareholders in its forthcoming annual general meeting. It has not been recognised as a liability at the end of the reporting period.

b) Dividends payable to owners of the Company attributable to the previous financial year, approved and paid during the year

	2024	2023
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK3.38 cents (equivalent to approximately RMB3.18 cents) (2023: HK2.47 cents (equivalent to approximately RMB2.24 cents))	**19,780**	13,921

10. 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.

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation and the chief executive's remuneration are as follows:

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	2024 Total RMB'000
Executive directors:					
Zhao Li Sheng (chief executive officer)	**–**	**1,462**	**–**	**17**	**1,479**
Chan Lok San	**–**	**1,241**	**96**	**18**	**1,355**
Zhou Xuhua	**–**	**457**	**57**	**29**	**543**
Independent non-executive directors:					
Duan Jidong	**293**	**–**	**–**	**–**	**293**
Wong Cheuk Lam	**293**	**–**	**–**	**–**	**293**
Zhang Jianbin	**293**	**–**	**–**	**–**	**293**
Chu Xiaoping (appointed on 1 September 2024)	**98**	**–**	**–**	**–**	**98**
	977	**3,160**	**153**	**64**	**4,354**

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	2023 Total RMB'000
Executive directors:					
Zhao Li Sheng (chief executive officer)	–	1,430	–	22	1,452
Chan Lok San	–	1,214	89	20	1,323
Zhou Xuhua	–	400	51	32	483
Independent non-executive directors:					
Duan Jidong	285	–	–	–	285
Wong Cheuk Lam	285	–	–	–	285
Zhang Jianbin	285	–	–	–	285
	855	3,044	140	74	4,113

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

During the years ended 31 December 2024 and 2023, no amount was paid or payable to the directors or chief executive or any of the five highest paid individuals set out in note 12 below as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which any director or chief executive waived or agreed to waive any emolument during both years.

12. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid individuals of the Group include 3 directors (2023: 3 directors) during the year, whose emoluments are disclosed in note 11. The aggregate of the emoluments in respect of the remaining individuals are as follows:

	2024	2023
	RMB'000	RMB'000
Salaries and other emoluments	**1,484**	1,580
Retirement scheme contributions	**17**	34
	1,501	1,614

The emoluments of individuals other than directors with the highest emoluments are within the following band:

	2024	2023
Nil to HK$1,000,000	**2**	2

13. RIGHT-OF-USE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

	Property, plant and equipment									
	Buildings held for own use	Leasehold land and buildings	Leasehold improvements	Furniture, fixtures and office equipment	Machineries	Motor vehicles	Construction-in-progress	Sub-total	Right-of-use assets	Total
		(note (c))					(note (d))		(notes (a) and (b))	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost										
At 1 January 2023	24,259	7,553	20,661	31,561	44,301	13,500	116,329	258,164	131,271	389,435
Exchange adjustments	–	188	19	1	–	136	–	344	38	382
Additions	–	7,483	198	3,066	5,389	1,617	87,782	105,535	1,865	107,400
Disposals	–	–	–	(5,070)	(94)	(572)	–	(5,736)	(3,594)	(9,330)
At 31 December 2023	24,259	15,224	20,878	29,558	49,596	14,681	204,111	358,307	129,580	487,887
At 1 January 2024	**24,259**	**15,224**	**20,878**	**29,558**	**49,596**	**14,681**	**204,111**	**358,307**	**129,580**	**487,887**
Exchange adjustments	**–**	**583**	**38**	**2**	**–**	**252**	**–**	**875**	**59**	**934**
Additions	**–**	**–**	**517**	**2,143**	**973**	**–**	**45,879**	**49,512**	**13,760**	**63,272**
Transfer	**247,641**	**–**	**–**	**–**	**1,748**	**–**	**(249,389)**	**–**	**–**	**–**
Disposals	**–**	**–**	**–**	**(1,528)**	**(293)**	**(1,325)**	**–**	**(3,146)**	**(12,268)**	**(15,414)**
At 31 December 2024	**271,900**	**15,807**	**21,433**	**30,175**	**52,024**	**13,608**	**601**	**405,548**	**131,131**	**536,679**
Accumulated depreciation										
At 1 January 2023	6,550	264	15,586	26,536	15,210	11,494	–	75,640	13,901	89,541
Exchange adjustments	–	41	7	1	–	136	–	185	22	207
Charge for the year	1,092	177	1,022	2,219	4,300	900	–	9,710	10,231	19,941
Disposals	–	–	–	(4,867)	(76)	(564)	–	(5,507)	(2,012)	(7,519)
At 31 December 2023	7,642	482	16,615	23,889	19,434	11,966	–	80,028	22,142	102,170
At 1 January 2024	**7,642**	**482**	**16,615**	**23,889**	**19,434**	**11,966**	**–**	**80,028**	**22,142**	**102,170**
Exchange adjustments	**–**	**24**	**18**	**2**	**–**	**219**	**–**	**263**	**33**	**296**
Charge for the year	**2,091**	**503**	**957**	**2,063**	**4,917**	**956**	**–**	**11,487**	**8,664**	**20,151**
Impairment	**–**	**1,231**	**–**	**–**	**–**	**–**	**–**	**1,231**	**–**	**1,231**
Disposals	**–**	**–**	**(92)**	**(1,419)**	**(104)**	**(1,193)**	**–**	**(2,808)**	**(8,070)**	**(10,878)**
At 31 December 2024	**9,733**	**2,240**	**17,498**	**24,535**	**24,247**	**11,948**	**–**	**90,201**	**22,769**	**112,970**
Carrying amount										
At 31 December 2024	**262,167**	**13,567**	**3,935**	**5,640**	**27,777**	**1,660**	**601**	**315,347**	**108,362**	**423,709**
At 31 December 2023	16,617	14,742	4,263	5,669	30,162	2,715	204,111	278,279	107,438	385,717

13. RIGHT-OF-USE ASSETS AND PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Note:

a) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	Note	2024 RMB'000	2023 RMB'000
Ownership interests in leasehold land and buildings held for own use in the PRC, carried at depreciated cost, with remaining lease term of:			
– between 10 and 50 years	(i)	**94,257**	95,810
Other properties leased for own use, carried at depreciated cost	(ii)	**14,105**	11,628
		108,362	107,438

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2024 RMB'000	2023 RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:		
– Ownership interests in leasehold land and buildings	**1,514**	1,365
– Other properties leased for own use	**7,150**	8,866
	8,664	10,231
Interest on lease liabilities (note 7(a))	**641**	762

13. RIGHT-OF-USE ASSETS AND PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Note: *(Continued)*

a) Right-of-use assets *(Continued)*

During the year ended 31 December 2024, additions to right-of-use assets were RMB13,760,000 (2023: RMB1,865,000). This amount primarily related to the capitalised lease payments payable under new tenancy agreements.

i) Ownership interests in leasehold land and buildings held for own use

The Group holds several commercial buildings for its office and the land use rights for a piece of land. The Group is the registered owner of these property interests, including the whole or part of undivided share in the underlying land. Lump sum payments were made upfront to acquire these property interests from their previous registered owners, and there are no ongoing payments to be made under the terms of the land lease, other than payments based on rateable values set by the relevant government authorities. These payments vary from time to time and are payable to the relevant government authorities.

ii) Other properties leased for own use

The Group has obtained the right to use properties as its factories, offices and warehouses through tenancy agreements. The leases typically run for an initial period of two to five years. Lease payments are usually increased every two years to reflect market rentals.

b) As at 31 December 2024, the Group held two office units (2023: two) for own use in Hong Kong, with lease term of 24 to 50 years.

c) As at 31 December 2024, certain right-of-use assets and buildings held for own use with a total carrying amount of RMB109,783,000 (2023: RMB112,428,000) were pledged in favour of banks for the banking facilities granted to the Group (note 29(b)).

d) As at 31 December 2024, building ownership certificates for certain buildings and ancillary structures of the Group with an aggregate carrying amount of RMB247,641,000 (2023: nil) have been obtained.

14. INVESTMENT PROPERTIES

	RMB'000
At fair value	
At 1 January 2023	114,500
Addition	7,483
Fair value loss recognised in profit or loss	(1,364)
At 31 December 2023 and 1 January 2024	**120,619**
Exchange adjustment	**244**
Fair value gain recognised in profit or loss	**5,164**
At 31 December 2024	**126,027**

Note:

a) The investment properties, situated in the PRC and Hong Kong, were valued by Hong Kong Appraisal Advisory Limited (2023: Hong Kong Appraisal Advisory Limited), an independent firm of qualified valuers, who have among their staff, Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of properties being valued, at 31 December 2024, using (i) direct comparison method; or (ii) investment method of income approach, by taking into account the rental income from the existing tenancy agreements and reversionary property interest. For assessing the reversionary potential of the properties, the valuers based on the prevailing market information within the subject buildings and other comparable properties.

14. INVESTMENT PROPERTIES *(Continued)*

Note: (Continued)

b) At 31 December 2024, certain of the Group's investment properties with a total fair value of approximately RMB107,000,000 (2023: RMB99,990,000) were pledged in favour of the banks for the banking facilities granted to the Group (note 29(b)).

c) Fair value measurement of properties

i) Fair value hierarchy

The following table presents the fair value of the Group's properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair Value Measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

		Fair value measurements as at 31 December 2024 categorised into		
	Fair value at 31 December 2024 RMB'000	**Level 1 RMB'000**	**Level 2 RMB'000**	**Level 3 RMB'000**
Group				
Recurring fair value measurement				
Investment properties:				
– Commercial	**126,027**	**–**	**–**	**126,027**

14. INVESTMENT PROPERTIES *(Continued)*

Note: (Continued)

c) Fair value measurement of properties (Continued)

i) Fair value hierarchy (Continued)

	Fair value at 31 December 2023	Fair value measurements as at 31 December 2023 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Group				
Recurring fair value measurement				
Investment properties:				
– Commercial	120,619	–	–	120,619

During the years ended 31 December 2024 and 2023, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

ii) Information about Level 3 fair value measurements

	Valuation techniques	Unobservable input	Range
Investment properties: – Commercial	(i) Direct comparison method	Sales evidence of comparable properties (adjusted for the difference in the quality and location of the properties)	RMB29,834-RMB90,860 per square meter (2023: RMB34,972-RMB68,485)
	(ii) Discounted cash flow	Risk-adjusted discount rate (i.e. market rental yield)	3.92%-6.17% (2023: 4.81%-6.56%)
		Expected market rental growth	1% (2023: 1%)
		Expected occupancy rate	90%-100% (2023: 90%-100%)

14. INVESTMENT PROPERTIES *(Continued)*

Note: (Continued)

c) ***Fair value measurement of properties (Continued)***

ii) Information about Level 3 fair value measurements (Continued)

The fair value of investment properties located in the Mainland China and Hong Kong is determined by (i) direct comparison method with reference to the sales evidence of comparable properties (adjusted for difference in the quality and location of the properties) or where appropriate, (ii) discounting a projected cash flow forecast associated with the properties using risk-adjusted discount rate which is the market rental yield for the properties. The valuation takes into account expected market rental growth and occupancy rate of the respective properties. The discount rate used has been adjusted for the quality and location of the buildings and the tenant credit quality. The fair value measurement is positively correlated to the sales price of comparable properties, the expected market rental growth and the occupancy rate, and negatively correlated to the risk-adjusted discount rate.

d) The Group leases out investment properties under operating leases. The leases run for an initial period of one to three years. None of the leases include contingent rentals.

Total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2024	2023
	RMB'000	RMB'000
Within 1 year	**2,994**	3,124
After 1 year but within 5 years	**4,102**	5,050
	7,096	8,174

15. SUBSIDIARIES

The following is a list of principal subsidiaries of the Group as at 31 December 2024:

Name	Place of incorporation/ operations	Proportion of ownership interest held by the Group at effective interest	Class of shares/ capital held	Particulars of issued and paid up capital	Principal activities
Kingworld Medicine and Healthcare Group Limited ("**BVI Kingworld**")	BVI/Hong Kong	100%	Ordinary shares	111 shares of US$1 each	Investment holding
Kingworld Medicine Healthcare Limited	Hong Kong	100%	Ordinary shares	195,546,680 shares	Investment holding and distribution sale of branded imported pharmaceutical and healthcare products in Hong Kong
金活(香港)控股有限公司 Kingworld (Hong Kong) Holdings Limited	Hong Kong	100%	Ordinary shares	1 share	Investment holding
深圳市金活醫藥有限公司 SZ Kingworld Medicine Company Limited (note (b)) ("**SZ Kingworld**")	PRC	100%	Registered capital	RMB180,900,000	Distribution sale of branded imported pharmaceutical and healthcare products in the PRC

15. SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ operations	Proportion of ownership interest held by the Group at effective interest	Class of shares/ capital held	Particulars of issued and paid up capital	Principal activities
深圳市東迪欣科技有限公司 Shenzhen Dong Di Xin Technology Company Limited (note (b)) ("**Dong Di Xin**")	PRC	55%	Registered capital	RMB2,000,000	Manufacturing and sales of electrotherapeutic and physiotherapeutic devices and general medical examination devices in the PRC
深圳市龍德健康有限公司 Shenzhen City Longde Jiankang Company Limited (note (b)) ("**Longde**")	PRC	90%	Registered capital	RMB28,800,000	Property investment
深圳市舒心堂藝術文化傳播有限公司 (note (a)) ("**舒心堂**")	PRC	41%	Registered capital	RMB4,875,000 (2023: RMB3,000,000)	Distribution sales of artwork and organization of art exhibition
深圳市金活中醫藥科技發展有限公司	PRC	85%	Registered capital	RMB5,000,000	Distribution sales of Chinese medicine and technology transfer

Note:

a) 舒心堂 is regarded as an indirect non-wholly subsidiary of the Company since the Company can control the majority of votes of its board of directors. On 8 May 2024, the registered capital of 舒心堂 was increased from RMB3,000,000 to RMB4,875,000. The two non-controlling interests of 舒心堂 contributed an aggregate sum of RMB1,110,000 in cash, the amount was credited in the consolidated statement of changes in equity.

b) The English names of the above PRC subsidiaries are for identification purpose only.

15. SUBSIDIARIES *(Continued)*

The following table lists out the information relating to Dong Di Xin and Longde, subsidiaries of the Group which have material non-controlling interests ("**NCI**"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	Longde		Dong Di Xin*	
	2024	2023	**2024**	2023
	RMB'000	RMB'000	**RMB'000**	RMB'000
NCI Percentage	**10%**	10%	**45%**	45%
Current assets	**8,055**	19,872	**182,229**	203,463
Non-current assets	**292,112**	247,089	**45,034**	54,998
Current liabilities	**(86,977)**	(58,983)	**(77,869)**	(76,486)
Non-current liabilities	**(199,753)**	(188,267)	**(6,185)**	(6,200)
Net assets	**13,437**	19,711	**143,208**	175,775
Carrying amount of NCI	**1,344**	1,971	**64,447**	79,260
Revenue	**1,174**	–	**248,275**	240,936
Profit/(loss) for the year	**(6,273)**	(3,676)	**74,750**	52,845
Total comprehensive income/(loss)	**(6,273)**	(3,676)	**74,750**	52,845
Profit/(loss) allocated to NCI	**(627)**	(368)	**33,785**	24,173
Total comprehensive income/(loss) allocated to NCI	**(627)**	(368)	**33,785**	24,173
Dividend paid to NCI	**–**	–	**48,597**	21,818
Cash flows from operating activities	**27,619**	(4,029)	**66,668**	40,955
Cash flows from investing activities	**(46,240)**	(87,780)	**3,485**	(3,477)
Cash flows from financing activities	**19,046**	91,941	**(111,057)**	(22,380)

* These also include amounts attributable to the NCI of Shenzhen Zhilong Jinggong Technology Company Limited, a subsidiary of Dong Di Xin which is 51% owned by Dong Di Xin.

16. GOODWILL

	RMB'000
Carrying amount	
At 31 December 2023 and 31 December 2024	90,693

The goodwill arose from acquisition of Dong Di Xin during the year ended 31 December 2015. The goodwill represented the expected future profitability of Dong Di Xin as an established business at the acquisition date. The reportable segment adjusted EBITDA of Dong Di Xin was approximately RMB82,856,000 (2023: RMB79,304,000) for the year (note 5(a)).

Impairment testing on Dong Di Xin

The recoverable amount of Dong Di Xin as the identified cash-generating unit (the "**CGU**") has been determined based on value in use calculations. At 31 December 2024, the recoverable amount of the CGU, to which goodwill and other intangible assets (note 19) are allocated, is determined taking into account the valuation performed by Hong Kong Appraisal Advisory Limited (2023: Hong Kong Appraisal Advisory Limited), an independent firm of qualified valuers not connected to the Group and with qualification and experiences in valuing similar assets, based on the cash flows forecasts derived from the most recent financial budgets for the next 5 years (2023: 5 years) approved by the management using the pre-tax discount rate of 15.1% (2023: 17.3%) per annum which reflects current market assessments of the time value of money and the risks specific to the CGU. Other key assumptions for the value in use calculations are the budgeted growth rate of 3% to 6.1% (2023: 3% to 7%) and 2.2% (2023: 3%) for the next 5 years and beyond 5 years, respectively, and budgeted gross margin of 51% (2023: 46%), which are determined based on past performance, management's expectations for the market development and market growth forecasts.

Based on the results of the valuation, the recoverable amount of the CGU has been assessed as being higher than its aggregate carrying amount. Accordingly, no impairment on goodwill and other intangible assets was considered necessary at the both reporting period ends.

The management believes that any reasonably possible change in the key assumptions would not cause the carrying amount of the goodwill to exceed its recoverable amount.

17. INTERESTS IN ASSOCIATES

	2024 **RMB'000**	2023 RMB'000
Share of net assets	**7,875**	6,794
Goodwill	**2,983**	2,873
Carrying amount of the Group's interests in associates	**10,858**	9,667

The following list contains only the particulars of material associates, which are unlisted corporate entities whose quoted market prices are not available:

Name of associate	**Form of business structure**	**Place of incorporation and operation**	**Particulars of issued and paid up capital**	**Proportion of ownership interest held by a subsidiary and the Group's effective interest**	**Principal activity**
佛慈藥廠有限公司 Fat Chi Medicine Company Limited ("**Fat Chi Medicine**")	Limited liability company	Hong Kong	HKD320,000	48.4375%	Trading of medical products
深圳至元健康科技創新中心 Shenzhen Zhiyuan Healthcare Technology Innovation Center ("**Shenzhen Zhiyuan**")	Limited liability company	PRC	RMB22,220,000	45%	Marketing and promotion of healthcare and technology

All of the associates are accounted for using the equity method in the consolidated financial statements.

17. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information of the material associates, adjusted for any differences in accounting policies, and a reconciliation to the carrying amounts in the consolidated financial statements, are disclosed below:

Fat Chi Medicine

	2024	2023
	RMB'000	RMB'000
Gross amounts of the associate		
Current assets	**8,859**	6,955
Non-current assets	**4,677**	4,602
Current liabilities	**(2,231)**	(2,510)
Non-current liabilities	**(752)**	(740)
Equity	**10,553**	8,307
Revenue	**7,183**	6,800
Profit for the year	**1,892**	801
Other comprehensive income	**354**	184
Total comprehensive income	**2,246**	985
Reconciled to the Group's interest in the associate		
Gross amounts of net assets of the associate	**10,553**	8,307
Group's effective interest	**48.4375%**	48.4375%
Group's share of net assets of the associate	**5,112**	4,024
Goodwill	**2,983**	2,873
Carrying amount of the Group's interest	**8,095**	6,897
Aggregate amounts of the Group's share of the associate		
Profit for the year	**917**	388
Other comprehensive income for the year	**171**	89
Total comprehensive income shared by the Group	**1,088**	477

17. INTERESTS IN ASSOCIATES *(Continued)*

Shenzhen Zhiyuan

	2024 **RMB'000**	2023 RMB'000
Gross amounts of the associate		
Current assets	**7,218**	7,226
Current liabilities	**(1,079)**	(1,073)
Equity	**6,139**	6,153
Revenue	**–**	–
Loss for the year	**(14)**	(2)
Total comprehensive loss	**(14)**	(2)
Reconciled to the Group's interest in the associate		
Gross amounts of net assets of the associate	**6,139**	6,153
Group's effective interest	**45%**	45%
Group's share of net assets of the associate	**2,762**	2,769
Carrying amount of the Group's interest	**2,762**	2,769
Loss shared by the Group	**(7)**	(1)

Aggregate information of an associate that is individually not material:

	2024 **RMB'000**	2023 RMB'000
Aggregate carrying amount of individually immaterial associate in the consolidated financial statements	**1**	1

18. INTEREST IN A JOINT VENTURE

	2024 RMB'000	2023 RMB'000
Share of net assets	**84,769**	66,582

Details of the Group's interest in a joint venture, which is accounted for using the equity method in the consolidated financial statements, are as follows:

Name of entity	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ownership interest held by a subsidiary and the Group's effective interest	Principal activities
珠海市金明醫藥有限公司 Zhuhai City Jinming Medicine Company Limited ("**Zhuhai Jinming**")	Limited liability company	PRC	RMB5,000,000	50%	Distribution sales of branded imported pharmaceutical and healthcare products in the PRC

Zhuhai Jinming was established by a wholly-owned subsidiary of the Company with a pharmaceutical and healthcare product distributor in the Mainland China, as the other investor to this joint venture, to carry out distribution sale of pharmaceutical and healthcare products in the PRC.

18. INTEREST IN A JOINT VENTURE *(Continued)*

Summarised financial information of Zhuhai Jinming and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

	2024 **RMB'000**	2023 RMB'000
Gross amounts of Zhuhai Jinming		
Current assets	**93,589**	101,823
Non-current assets	**205,603**	177,736
Current liabilities	**(94,235)**	(116,822)
Non-current liabilities	**(35,420)**	(29,573)
Equity	**169,537**	133,164
Included in the above assets and liabilities:		
Cash and cash equivalents	**26,431**	28,107
Current financial liabilities (excluding trade and other payables)	**(45,647)**	(45,616)
Non-current financial liabilities (excluding deferred tax liabilities)	**–**	(933)
Revenue	**245,823**	230,947
Profit for the year	**36,374**	16,424
Total comprehensive income	**36,374**	16,424
Dividend received from the joint venture	**–**	25,000
Included in the above profit:		
Fair value gain/(loss) on investment properties	**27,124**	(3,402)
Depreciation	**(1,935)**	(2,565)
Interest income	**48**	53
Interest expense	**(1,625)**	(791)
Income tax expense	**(11,240)**	(4,629)
Reconciled to the Group's interest in the joint venture		
Gross amounts of net assets of the joint venture	**169,537**	133,164
Group's effective interest	**50%**	50%
Carrying amount of the Group's interest	**84,769**	66,582
Profit shared by the Group	**18,187**	8,212

18. INTEREST IN A JOINT VENTURE *(Continued)*

The fair value of Zhuhai Jinming's investment properties as at 31 December 2024 and 2023 were determined on an open market value basis calculated by reference to net rental income allowing for reversionary income potential, which is categorised under Level 3 fair value measurements. The valuations at 31 December 2024 and 2023 were carried out by an independent firm of qualified valuers, Hong Kong Appraisal Advisory Limited, who amongst their staff have members of the Hong Kong Institute of Surveyors with recent experience in the location and category of properties being valued.

Information about Level 3 fair value measurements is as follows:

	Valuation techniques	Unobservable input	Range
Investment properties: – Commercial – PRC	Discounted cash flow	Risk-adjusted discount rate (i.e. market rental yield)	5.7% (2023: 5.8%)
		Expected market rental growth	1% (2023: 1%)
		Expected occupancy rate	90% (2023: 90%)

The fair value of investment properties of Zhuhai Jinming is determined by discounting a projected cash flow forecast associated with the properties using risk-adjusted discount rate which is the market rental yield for the properties. The valuation takes into account expected market rental growth and occupancy rate of the respective properties. The discount rates used have been adjusted for the quality and location of the buildings and the tenant credit quality. The fair value measurement is positively correlated to the expected market rental growth and the occupancy rate, and negatively correlated to the risk-adjusted discount rate.

19. OTHER INTANGIBLE ASSETS

	Customer relationships RMB'000	Patents RMB'000	Total RMB'000
Cost			
At 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024	**104,727**	**28,700**	**133,427**
Accumulated amortisation			
At 1 January 2023	104,593	28,700	133,293
Charge for the year	134	–	134
At 31 December 2023	104,727	28,700	133,427
At 1 January 2024	**104,727**	**28,700**	**133,427**
Charge for the year	**–**	**–**	**–**
At 31 December 2024	**104,727**	**28,700**	**133,427**
Carrying amount			
At 31 December 2024	**–**	**–**	**–**
At 31 December 2023	–	–	–

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2024	2023
	RMB'000	RMB'000
Equity securities:		
– Unlisted (note (a))	**15,344**	20,281
– Listed in Japan (note (b))	**48,859**	48,295
	64,203	68,576

Note:

a) As at 31 December 2024, the Group held four (2023: four) unlisted investments with fair values of RMB11,802,000 (2023: RMB14,396,000), RMB300,000 (2023: RMB300,000), RMB208,000 (2023: RMB2,817,000) and RMB3,034,000 (2023: RMB2,768,000), representing 5.99%, 17%, 88.5% and 24.79% equity interests in four corporate entities in the PRC. The Group engaged Hong Kong Appraisal Advisory Limited (2023: Hong Kong Appraisal Advisory Limited), an independent qualified professional valuer not connected to the Group, to determine the fair values of the Group's certain unlisted equity investments and the carrying amount of these investments is RMB15,044,000 (2023: RMB19,981,000). Details of the valuation of these investments are set out in note 33(f).

The above unlisted equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

b) As at 31 December 2024, the Group held 3,185,900 (2023: 3,185,900) shares in Taiko Pharmaceutical Co Ltd ("**Taiko**"), representing approximately 6.29% (2023: 6.42%) of the issued share capital of Taiko. As at 31 December 2024, the fair value of the investment in the shares of Taiko was RMB48,859,000 (2023: RMB48,295,000).

At the date of initial recognition, the Group irrevocably designated the equity investment at fair value through other comprehensive income because the equity security represented investment that the Group intends to hold for long-term strategic purposes. The fair value of the listed equity investment is derived from quoted price in an active market.

During the year ended 31 December 2024, the net fair value losses of RMB3,772,000 (2023: RMB17,885,000) in respect of the Group's equity investments designated at fair value through other comprehensive income were recognised as other comprehensive loss in the consolidated statement of profit or loss and other comprehensive income.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2024 **RMB'000**	2023 RMB'000
Non-current		
Unlisted equity investment (note (a))	**7,541**	7,180
Current		
Listed in Hong Kong (note (b))	**14,302**	20,351

Note:

a) The Group invested 10% equity interest in Shenzhen Qianhai Industry Internet Co., Ltd.. With the preferential rights under a put option, the Group has the right to require the investee to redeem all of the shares held by the Group at a guaranteed predetermined fixed amount. Hence, the investment is accounted for and measured as financial assets at fair value through profit or loss. The Group does not intend to dispose of them in the near future. The major assumptions used in the valuation of the investment are set out in note 33(f).

b) As at 31 December 2024, the Group held 1,553,000 shares (2023: 1,735,000 shares) in Chuangmei Pharmaceutical Co., Ltd ("**Chuangmei**") representing 1.44% (2023: 1.61%) of the issued share capital of Chuangmei. The listed equity investment classified as current asset is intended to be held for trading and is measured as financial assets at fair value through profit or loss. The fair value of the listed equity investment is derived from quoted price in an active market.

22. INVENTORIES

	2024 **RMB'000**	2023 RMB'000
Raw materials	**12,423**	11,319
Work in progress	**5,964**	1,536
Finished goods	**101,830**	104,773
	120,217	117,628

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2024 **RMB'000**	2023 RMB'000
Carrying amount of inventories sold	**744,956**	753,087
(Reversal of write-down)/write-down of inventories, net	**(2,290)**	8,283
	742,666	761,370

The reversal of write-down of inventories made in current year arose due to an increase in the estimated net realisable value of certain healthcare and medical devices products.

23. 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 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. Further details on the Group's credit policy are set out in note 33(a).

The Group does not hold any collateral over these balances.

23. TRADE AND BILLS RECEIVABLES *(Continued)*

Note: (Continued)

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 7(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.

24. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2024 RMB'000	2023 RMB'000
Amounts due from related parties (note 38(c))	**13,183**	22,982
Amounts due from associates (note 38(c))	**5,398**	4,744
Amount due from a joint venture (note 38(c))	**2**	15,002
Prepayments	**19,324**	22,863
Trade and other deposits	**15,786**	17,605
Value-added tax recoverable	**6,780**	15,890
Other receivables	**22,664**	25,339
	83,137	124,425
Less: Allowance for credit losses	**(2,911)**	–
	80,226	124,425

Note:

The amounts due from associates included a loan of RMB4,431,000 (2023: RMB4,200,000), which is unsecured, interest bearing at 2.75% (2023: 2.75%) per annum and repayable within twelve months.

25. CASH AND CASH EQUIVALENTS

	2024	2023
	RMB'000	RMB'000
Bank balances	**235,100**	173,500
Cash on hand	**199**	178
Cash and cash equivalents in the consolidated statement of cash flows and consolidated statement of financial position	**235,299**	173,678

Cash at bank earns interest at floating rates based on daily bank deposit rates.

25. CASH AND CASH EQUIVALENTS *(Continued)*

Reconciliation of liabilities arising from financing activities

	Dividend payable to NCI RMB'000	Accrued interest RMB'000	Lease liabilities RMB'000	Bank loans RMB'000	Total liabilities from financing activities RMB'000
At 1 January 2024	**–**	**–**	**12,296**	**342,130**	**354,426**
Interest recognised in profit or loss	**–**	**12,641**	**641**	**–**	**13,282**
Dividend declared and payable to non-controlling interests of subsidiaries	**48,597**	**–**	**–**	**–**	**48,597**
Changes from financing cash flows					
– Proceeds from new bank loans	**–**	**–**	**–**	**436,149**	**436,149**
– Repayment of bank loans	**–**	**–**	**–**	**(391,703)**	**(391,703)**
– Capital element of lease rental paid	**–**	**–**	**(6,704)**	**–**	**(6,704)**
– Dividend paid to non-controlling interests of subsidiaries	**(48,597)**	**–**	**–**	**–**	**(48,597)**
Finance costs paid	**–**	**(12,641)**	**(641)**	**–**	**(13,282)**
Increase in lease liabilities from entering into new leases during the year	**–**	**–**	**13,760**	**–**	**13,760**
Lease termination	**–**	**–**	**(4,569)**	**–**	**(4,569)**
Exchange adjustments	**–**	**–**	**38**	**1,040**	**1,078**
At 31 December 2024	**–**	**–**	**14,821**	**387,616**	**402,437**
At 1 January 2023	–	–	19,391	271,285	290,676
Interest recognised in profit or loss	–	10,757	762	–	11,519
Dividend declared and payable to non-controlling interests of subsidiaries	21,818	–	–	–	21,818
Changes from financing cash flows					
– Proceeds from new bank loans	–	–	–	327,507	327,507
– Repayment of bank loans	–	–	–	(258,199)	(258,199)
– Capital element of lease rental paid	–	–	(8,965)	–	(8,965)
– Dividend paid to non-controlling interests of subsidiaries	(21,818)	–	–	–	(21,818)
Finance costs paid	–	(10,757)	(762)	–	(11,519)
Increase in lease liabilities from entering into new leases during the year	–	–	1,865	–	1,865
Exchange adjustments	–	–	5	1,537	1,542
At 31 December 2023	–	–	12,296	342,130	354,426

Major non-cash transactions

During the year ended 31 December 2024, the Group entered into lease arrangements with a total present value of future lease payments at the inception of the leases of approximately RMB13,760,000 (2023: RMB1,865,000), which were included in right-of-use assets.

26. CONTRACT LIABILITIES

	2024 RMB'000	2023 RMB'000
Trade deposits received from customers:		
– Security deposits received	**42,270**	37,778
– Receipts in advance	**17,664**	19,394
	59,934	57,172

Security deposits were received from the Group's distributors/customers as protection against non-performance (i.e. the default in payment for the goods transferring to customers) of the obligations by the distributors/customers under the relevant master distributorship agreements which were entered into between the Group and the relevant distributors/customers, which would be applied as settlement for future sales orders if the customers fail to pay on the specified date (after transferring the goods to the customers) under these orders, and thus classified as contract liabilities. Receipts in advance were collected from the distributors/customers of the Group when they placed the orders for purchase of goods from the Group. These security deposits and receipts in advance from the distributors/customers are not intended and regarded as a financing arrangement under the relevant master distributorship agreements.

Movements in contract liabilities	2024 RMB'000	2023 RMB'000
Balance at 1 January	**57,172**	57,538
Increase in contract liabilities as a result of receiving deposits from the customers during the year	**58,222**	52,471
Decrease in contract liabilities as a result of recognising revenue during the year that was included in contract liabilities at the beginning of the year	**(55,499)**	(52,848)
Exchange difference	**39**	11
Balance at 31 December	**59,934**	57,172

27. TRADE PAYABLES

	2024 **RMB'000**	2023 RMB'000
Trade payables	**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.

28. ACCRUALS AND OTHER PAYABLES

	2024 **RMB'000**	2023 RMB'000
Accruals	**6,733**	6,683
Accounts payable for acquisition of property, plant and equipment	**8,422**	–
Salaries and bonuses payable	**17,512**	18,822
Education and construction levies	**6,720**	8,285
Accrued promotional expenses	**4,511**	4,213
Amount due to an associate (note 38(c))	**–**	158
Amounts due to related parties (note 38(c))	**–**	3,624
Value-added tax payable	**7,073**	–
Other payables	**3,186**	2,506
	54,157	44,291

Note:

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

29. BANK LOANS

At 31 December 2024, the secured bank loans are scheduled to be repaid as follows:

Secured bank loans	**2024 RMB'000**	2023 RMB'000
Within 1 year	**225,664**	191,663
After 1 year but within 2 years	**16,188**	7,162
After 2 years but within 5 years	**48,565**	42,974
After 5 years	**97,199**	100,331
Total	**387,616**	342,130
Less: Amount shown under current liabilities	**225,664**	191,663
Amount shown under non-current liabilities	**161,952**	150,467

Note:

a) The ranges of effective interest rates on the Group's secured bank loans are as follows:

	2024	2023
Effective interest rates:		
Fixed rate loans	**3.28%-3.72%**	3.00%–6.66%
Variable rate loans	**6.95%**	8.54%

At 31 December 2024, bank borrowings amounted to approximately RMB100,570,000 (2023: RMB161,664,000) were denominated in Hong Kong dollar.

b) The following assets were pledged to secure the banking facilities granted to the Group:

	2024 RMB'000	2023 RMB'000
Investment properties (note 14)	**107,000**	99,990
Property, plant and equipment (note 13)	**15,526**	16,618
Right-of-use assets (note 13)	**94,257**	95,810

In addition to the above, as at 31 December 2024 and 2023, the Group has pledged 90% equity interest in a subsidiary to secure a banking facility granted to the Group.

As at 31 December 2024, such banking facilities amounted to RMB470,000,000 (2023: RMB410,000,000) were utilised to the extent of RMB387,616,000 (2023: RMB287,810,000).

At 31 December 2024, certain bank borrowings of the Group in the total amount of RMB270,616,000 (2023: RMB204,788,000) were guaranteed by two directors of the Company.

30. LEASE LIABILITIES

At 31 December 2024, the lease liabilities were payable as follows:

	2024	2023
	RMB'000	RMB'000
Within 1 year	**4,356**	6,366
After 1 year but within 2 years	**2,894**	3,341
After 2 years but within 5 years	**7,571**	2,589
	10,465	5,930
	14,821	12,296

31. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

a) *Current taxation in the consolidated statement of financial position represents:*

	2024 RMB'000	2023 RMB'000
At 1 January	**15,377**	16,507
Provision for the year		
– Hong Kong Profits Tax	**152**	390
– PRC Enterprise Income Tax	**16,519**	28,955
	16,671	29,345
Paid during the year	**(21,190)**	(30,475)
At 31 December	**10,858**	15,377

b) *Deferred tax liabilities recognised*

The components of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Withholding tax on distributable profits of PRC subsidiaries RMB'000	Amortisation of intangible assets RMB'000	Revaluation of investment properties RMB'000	Total RMB'000
At 1 January 2023	1,128	21	14,273	15,422
Charged to consolidated statement of profit or loss (note 8(a))	3,060	(21)	(92)	2,947
At 31 December 2023	4,188	–	14,181	18,369
At 1 January 2024	**4,188**	**–**	**14,181**	**18,369**
Charged to consolidated statement of profit or loss (note 8(a))	**2,506**	**–**	**1,876**	**4,382**
At 31 December 2024	**6,694**	**–**	**16,057**	**22,751**

c) *Deferred tax assets and liabilities not recognised*

The Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB65,955,000 (2023: RMB66,982,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation.

Apart from the above, there were no material unrecognised deferred tax assets and liabilities of the Group and the Company as at 31 December 2024 and 2023.

32. SHARE CAPITAL AND RESERVES

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of the equity between the beginning and the end of the year are set out below:

	Share capital RMB'000 (note a)	Share premium RMB'000 (note b)	Exchange reserve RMB'000 (note e)	Capital reserve RMB'000 (note f)	Accumulated losses RMB'000	Total RMB'000
At 1 January 2024	**53,468**	**139,408**	**(12,791)**	**(23,618)**	**(83,973)**	**72,494**
Change in equity:						
Loss for the year	**–**	**–**	**–**	**–**	**(15,806)**	**(15,806)**
Other comprehensive income for the year	**–**	**–**	**(6,391)**	**–**	**–**	**(6,391)**
Total comprehensive loss for the year	**–**	**–**	**(6,391)**	**–**	**(15,806)**	**(22,197)**
Dividend relating to 2023 (note 9(b))	**–**	**–**	**–**	**–**	**(19,780)**	**(19,780)**
Shares purchased for the share award scheme (note 36)	**–**	**–**	**–**	**(4,805)**	**–**	**(4,805)**
Equity-settled share award expenses	**–**	**–**	**–**	**3,613**	**–**	**3,613**
At 31 December 2024	**53,468**	**139,408**	**(19,182)**	**(24,810)**	**(119,559)**	**29,325**
At 1 January 2023	53,468	139,408	(9,634)	(16,861)	(53,461)	112,920
Change in equity:						
Loss for the year	–	–	–	–	(16,591)	(16,591)
Other comprehensive income for the year	–	–	(3,157)	–	–	(3,157)
Total comprehensive loss for the year	–	–	(3,157)	–	(16,591)	(19,748)
Dividend relating to 2022 (note 9(b))	–	–	–	–	(13,921)	(13,921)
Shares purchased for the share award scheme (note 36)	–	–	–	(8,713)	–	(8,713)
Equity-settled share award expenses	–	–	–	1,956	–	1,956
At 31 December 2023	53,468	139,408	(12,791)	(23,618)	(83,973)	72,494

32. SHARE CAPITAL AND RESERVES *(Continued)*

Note:

a) Share Capital

	Number of shares '000	Amount HK$'000	Amount equivalent to RMB$'000
Authorised:			
Ordinary shares of HK$0.1 each			
At beginning and end of the year	10,000,000	1,000,000	877,900
Issued and fully paid:			
Ordinary shares of HK$0.1 each			
At beginning and end of the year	622,500	62,250	53,468

b) Share premium

The application of the share premium account of the Company is governed by the Companies Act of the Cayman Islands.

c) Statutory reserve

The Group's PRC subsidiaries are required to transfer 10% of their net profits as determined in accordance with the PRC regulations to a non-distributable reserve until the reserve balance reaches 50% of their registered capital. The transfer to this reserve must be made before the distribution of a dividend to shareholders. This non-distributable reserve can be used to offset the previous years' losses, if any.

32. SHARE CAPITAL AND RESERVES *(Continued)*

Note: (Continued)

d) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of equity investments designated at FVOCI under HKFRS 9 that are held at the end of the reporting period and is dealt with in accordance with the accounting policies in note 2(e).

e) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of the Group's operations outside the Mainland China. The reserve is dealt with in accordance with the accounting policies set out in note 2(s).

f) Capital reserve

The portion of the grant date fair value of unexercised share options granted to employees of the Company that has been recognised in accordance with the accounting policies adopted for share-based payments in note 2(w)(ii), and costs of the Company's shares purchased for the share award scheme (note 36) less the fair value of share-based payments in respect of any of shares awarded to the employees which are vested at award date and recognised in accordance with the accounting policy as set out in note 2(w)(iii).

g) Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while structure regularly. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt.

The Group monitors its capital structure on the basis of net debt to equity ratio. The Group defines net debt as interest-bearing bank loans, less pledged bank deposits and cash and cash equivalents. Equity comprises all components of equity.

32. SHARE CAPITAL AND RESERVES *(Continued)*

Note: (Continued)

g) Capital management (Continued)

The Group's net debt to equity ratio at 31 December 2024 and 2023 were as follows:

	2024	2023
	RMB'000	RMB'000
Current liabilities		
Bank loans	**225,664**	191,663
Lease liabilities	**4,356**	6,366
	230,020	198,029
Non-current liabilities		
Bank loans	**161,952**	150,467
Lease liabilities	**10,465**	5,930
	172,417	156,397
Total debt	**402,437**	354,426
Less: Cash and cash equivalents	**(235,299)**	(173,678)
Adjusted net debt	**167,138**	180,748
Total equity	**705,532**	699,352
Net debt to equity ratio	**23.69%**	25.85%

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements in either the current or prior years.

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

The Group's major financial instruments include cash and cash equivalents, financial assets at fair value through other comprehensive income, trade and other receivables and payables, financial assets at fair value through profit or loss, pledged bank deposits, other financial asset and liabilities, and bank loans. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include credit risk, liquidity risk, interest rate risk, currency risk and business risk. The policies on how to mitigate these risks are set out as below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

Financial instruments by categories

Financial assets at the end of the reporting period are as follows:

	2024	2023
	RMB'000	RMB'000
Trade receivables	**117,041**	87,258
Bills receivables	**40,683**	65,276
Other receivables (excluding prepayments and deposits and value-added tax receivable)	**19,753**	25,339
Amounts due from related parties (excluding trade deposits paid to related parties)	**982**	416
Amounts due from associates	**5,398**	4,744
Amount due from a joint venture	**2**	15,002
Cash and cash equivalents	**235,299**	173,678
Financial assets at amortised cost	**419,158**	371,713
Financial assets at fair value through profit or loss	**21,843**	27,531
Financial assets at fair value through other comprehensive income	**64,203**	68,576
Financial assets at fair value	**86,046**	96,107

Financial liabilities at the end of the reporting period are as follows:

	2024	2023
	RMB'000	RMB'000
Bank loans	**387,616**	342,130
Trade payables	**159,899**	148,663
Accruals and other payables (excluding value-added tax payable)	**47,084**	40,509
Amount due to associate	**–**	158
Amounts due to related parties	**–**	3,624
Lease liabilities	**14,821**	12,296
Financial liabilities at amortised cost	**609,420**	547,380

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

a) *Credit risk*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group.

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on year-end staging classification. The amounts presented are net carrying amounts after provision for ECLs for financial assets.

Maximum exposure and year-end staging as at 31 December 2024

	2024				
	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables	–	–	–	117,041	117,041
Bills receivables	40,683	–	–	–	40,683
Other receivables	19,753	–	–	–	19,753
Amounts due from related parties	982	–	–	–	982
Amounts due from associates	5,398	–	–	–	5,398
Amount due from a joint venture	2	–	–	–	2
Cash and cash equivalents	235,299	–	–	–	235,299
	302,117	–	–	117,041	419,158

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

a) *Credit risk (Continued)*

Maximum exposure and year-end staging as at 31 December 2023

	2023				
	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables	–	–	–	87,258	87,258
Bills receivables	65,276	–	–	–	65,276
Other receivables	46,216	–	–	–	46,216
Amount due from a related party	416	–	–	–	416
Amount due from an associate	4,744	–	–	–	4,744
Amount due from a joint venture	15,002	–	–	–	15,002
Cash and cash equivalents	173,678	–	–	–	173,678
	305,332	–	–	87,258	392,590

Note:

i) Trade receivables

The Group has established a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 120 days from the date of billing. Debtors with balances that are more than 4 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group has no significant concentration of credit risk in industries or countries in which the customers operate. Significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 23.0% (2023: 19.4%) and 45.4% (2023: 54.9%) of the total trade receivables were due from the Group's largest debtor and the five largest debtors respectively.

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

a) *Credit risk (Continued)*

Note: (Continued)

i) *Trade receivables (Continued)*

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

For trade receivables, the Group applies the simplified approach for measuring the lifetime ECLs on individual basis if the amounts are significant, or collective basis using the provision matrix, as disclosed below.

The ageing analysis of trade receivables (net of allowance for credit losses) that are neither individually nor collectively considered to be impaired is as follows:

	As at 31 December 2024				
	Lifetime ECL %	**Gross carrying amount RMB'000**	**Lifetime ECL RMB'000**	**Net carrying amount RMB'000**	**Credit impaired Yes/No**
Not past due	**0.25%**	**80,087**	**(140)**	**79,947**	**No**
Past due:					
0-90 days	**1.47%**	**31,523**	**(462)**	**31,061**	**No**
91-180 days	**2.58%**	**5,731**	**(148)**	**5,583**	**No**
181-365 days	**0%**	**450**	**–**	**450**	**No**
Over 365 days	**100%**	**6,628**	**(6,628)**	**–**	**Yes**
		124,419	**(7,378)**	**117,041**	

	As at 31 December 2023				
	Lifetime ECL %	Gross carrying amount RMB'000	Lifetime ECL RMB'000	Net carrying amount RMB'000	Credit impaired Yes/NO
Not past due	0.25%	65,259	(163)	65,096	No
Past due:					
0-90 days	2.16%	22,482	(485)	21,997	No
91-180 days	32.19%	155	(50)	105	No
181-365 days	50.20%	120	(60)	60	No
Over 365 days	100%	6,421	(6,421)	–	Yes
		94,437	(7,179)	87,258	

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

a) *Credit risk (Continued)*

Note: (Continued)

i) Trade receivables (Continued)

Expected loss rates are based on actual loss experience over the past 4 years as adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, patterns of settlement history of the customers, current conditions at the end of the reporting period and forward looking information such as forecasted future economic conditions over the expected lives of the receivables.

Trade receivables that were neither past due nor impaired relate to a wide range of customers for which there was no recent history of default.

Trade receivables that were past due but not impaired relate to a number of individual customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the carrying balances are still considered fully recoverable. The Group does not hold any collateral over these carrying balances.

ii) In respect of other receivables, amounts due from related parties, associates and a joint venture, for which there was no significant increase in credit risk as at 31 December 2024 and 2023 by reference to the information available on the financial position of the respective debtors, past payment history, current conditions and other forward looking factors.

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

b) *Liquidity risk*

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to board approval. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient amount of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following liquidity risk tables set out the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on current rates at the end of the reporting period) and the earliest date the Group is required to pay:

	Within 1 year or on demand RMB'000	After 1 year but within 2 years RMB'000	After 2 years but within 5 years RMB'000	After 5 years RMB'000	Total contractual undiscounted cash flow RMB'000	Carrying amount RMB'000
2024						
Non-derivative financial liabilities						
Trade payables	**159,899**	**–**	**–**	**–**	**159,899**	**159,899**
Accruals and other payables (excluding value-added tax payable)	**47,084**	**–**	**–**	**–**	**47,084**	**47,084**
Bank loans	**238,976**	**21,396**	**60,996**	**106,274**	**427,642**	**387,616**
Lease liabilities	**4,965**	**3,371**	**8,137**	**–**	**16,473**	**14,821**
	450,924	**24,767**	**69,133**	**106,274**	**651,098**	**609,420**
2023						
Non-derivative financial liabilities						
Trade payables	148,663	–	–	–	148,663	148,663
Accruals and other payables (excluding value-added tax payable)	40,509	–	–	–	40,509	40,509
Amount due to an associate	158	–	–	–	158	158
Amounts due to related parties	3,624	–	–	–	3,624	3,624
Bank loans	198,054	7,648	49,271	133,362	388,335	342,130
Lease liabilities	6,753	6,041	215	–	13,009	12,296
	397,761	13,689	49,486	133,362	594,298	547,380

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

c) *Interest rate risk*

The Group's interest rate risk arises primarily from borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts.

i) *Interest rate risk profile*

The following table, as reported to the management of the Group, details the interest rate risk profile of the Group's lease liabilities, bank loans, bank balances and deposits at the end of the reporting period:

	2024		2023	
	Effective interest rates %	**RMB'000**	Effective interest rates %	RMB'000
Fixed rate borrowings:				
Lease liabilities	**4.30%-8.00%**	**14,821**	4.30%-8.00%	12,296
Bank loans	**3.28%-3.72%**	**287,046**	3.00%-6.66%	287,809
		301,867		300,105
Variable rate borrowings:				
Bank loans	**6.95%**	**100,570**	8.54%	54,321
Total borrowings		**402,437**		354,426
Net fixed rate borrowings as a percentage of total borrowings		**75.0%**		84.7%
Fixed rate bank balances	**3.80%-4.00%**	**21,370**	4.50%-5.10%	43,353
Variable rate bank balances		**213,730**		130,147
		235,100		173,500

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

c) *Interest rate risk (Continued)*

ii) *Sensitivity analysis*

Fixed rate borrowings including fixed rate bank loans and lease liabilities are insensitive to any change in interest rates. A change in interest rates at the end of the reporting period would not affect profit or loss.

At 31 December 2024, it is estimated that a general increase/decrease of 100 basis points in interest rates for variable rate bank loans and bank balances, with all other variables held constant, would increase/decrease the Group's profit after tax and retained profits by approximately RMB754,000 (2023: RMB1,845,000). Other components of consolidated equity would not change in response to the general increase/decrease in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until end of next annual reporting period. The analysis is performed on the same basis for the 2023.

d) *Currency risk*

The Group is exposed to currency risk primarily through trade and other payables, cash and cash equivalents, trade and other receivables and bank loans. The carrying values of these financial assets and liabilities are denominated in foreign currencies other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily US$, HK$, Euro, Norwegian Krone ("NOK") and RMB to the extent that they are not the functional currency of the operations to which the transactions and balances related. The management monitors foreign exchange exposure by closely reviewing the movement of the foreign currency rate and consider hedging significant foreign currency exposure should the need arise.

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

d) *Currency risk (Continued)*

i) *Exposure to currency risk*

	2024 RMB'000	2023 RMB'000
Assets/(liabilities)		
Cash and cash equivalents		
US$	**150,039**	123,109
HK$	**5,418**	8,561
RMB	**20,747**	1,088
Euro	**5,204**	6,979
Trade and other receivables		
US$	**40,295**	24,219
RMB	**642**	–
Euro	**3,610**	3,968
Trade and other payables		
US$	**(17)**	(22,909)
HK$	**(133,572)**	(109,557)
NOK	**(275)**	(265)
Bank loans		
HK$	**–**	(107,343)
RMB	**(100,570)**	–
Total assets		
US$	**190,334**	147,328
HK$	**5,418**	8,561
RMB	**21,389**	1,088
Euro	**8,814**	10,947
Total liabilities		
US$	**(17)**	(22,909)
HK$	**(133,572)**	(216,900)
RMB	**(100,570)**	–
NOK	**(275)**	(265)

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

d) *Currency risk (Continued)*

ii) *Sensitivity analysis*

The following table indicates the approximate change in the Group's profit after tax (and retained profits) and other components of consolidated equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of the reporting period.

	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits RMB'000	Effect on other components of equity RMB'000
At 31 December 2024			
US$	**5%**	**9,516**	**–**
	(5%)	**(9,516)**	**–**
HK$	**5%**	**(6,408)**	**–**
	(5%)	**6,408**	**–**
RMB	**5%**	**(3,959)**	**–**
	(5%)	**3,959**	**–**
Euro	**5%**	**441**	**–**
	(5%)	**(441)**	**–**
NOK	**5%**	**(14)**	**–**
	(5%)	**14**	**–**
At 31 December 2023			
US$	5%	6,221	–
	(5%)	(6,221)	–
HK$	5%	(10,417)	–
	(5%)	10,417	–
RMB	5%	54	–
	(5%)	(54)	–
Euro	5%	547	–
	(5%)	(547)	–
NOK	5%	(13)	–
	(5%)	13	–

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

d) Currency risk *(Continued)*

ii) Sensitivity analysis (Continued)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the group entities' profit or loss after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

e) Business risk

The Group has certain concentration of business risk as 59.8% (2023: 55.3%) of its total turnover during the year were derived from a principal product, Nin Jiom Pei Pa Koa (京都念慈菴蜜煉川貝枇杷膏), which was purchased from a sole supplier that is the designated distributor of the manufacturer of Nin Jiom Pei Pa Koa. In November 2013, the Group entered into a four-year period distribution agreement with the manufacturer and the supplier of Nin Jiom Pei Pa Koa, pursuant to which the Group is entitled the non-exclusive distribution right to sell Nin Jiom Pei Pa Koa in certain provinces in the PRC and is granted credit terms of 60 days. The distribution agreement was renewed in April 2017 for a four-year period, which was further renewed in 2021 to a period up to 26 January 2026. If there is any change in consumer taste and demand of the product, or the supplier does not further renew the purchase agreement, the Group's turnover and profitability will be adversely affected.

f) Fair value measurements

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs, that is, unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs, that is, observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

f) *Fair value measurements (Continued)*

The Group uses independent valuers to perform valuations of financial instruments which are categorised into Level 3 of the fair value hierarchy. Valuation reports with analysis of changes in fair value measurement are prepared by the independent valuer at each interim and annual reporting date, and are reviewed and approved by the financial controller. Discussion of the valuation process and results with the financial controller is held twice a year to coincide with the reporting dates.

		Fair value measurements as at 31 December 2024 categorised into				Fair value measurements as at 31 December 2023 categorised into		
	Fair value at 31 December 2024 RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Fair value at 31 December 2023 RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurements								
Assets:								
Financial assets at fair value through other comprehensive income								
– Unlisted equity investments	**15,344**	**–**	**–**	**15,344**	20,281	–	–	20,281
– Listed securities	**48,859**	**48,859**	**–**	**–**	48,295	48,295	–	–
Financial assets at fair value through profit or loss								
– Unlisted equity investments	**7,541**	**–**	**–**	**7,541**	7,180	–	–	7,180
– Listed securities	**14,302**	**14,302**	**–**	**–**	20,351	20,351	–	–

During the years ended 31 December 2024 and 2023, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of the fair value hierarchy as at the end of the reporting period in which they occur.

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

f) *Fair value measurements (Continued)*

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates.

Level 3 fair value measurement as at 31 December 2024 and 2023

Financial assets	Fair value as at		Valuation technique	Significant unobservable input	Range
	31 December 2024	31 December 2023			
Unlisted equity investments classified as FVTOCI	**5.99% equity interest in Sinopharm Healthcare Fund L. P. RMB11,802,000**	5.99% equity interest in Sinopharm Healthcare Fund L. P. RMB14,396,000	Asset-based approach	Discount of lack of control Discount of lack of marketability	24.81% (2023: 24.81%) 20.60% (2023: 20.60%)
	17% equity interest in a private entity established in the PRC RMB300,000	17% equity interest in a private entity established in the PRC RMB300,000	Cost approach	Net asset value	N/A
	88.5% equity interest in a limited partnership established in the PRC RMB208,000	88.5% equity interest in a limited partnership established in the PRC RMB2,817,000	Asset-based approach	N/A	N/A
	24.79% equity interest in a limited partnership established in the PRC RMB3,034,000	24.79% equity interest in a limited partnership established in the PRC RMB2,768,000	Asset-based approach	N/A	N/A
Unlisted equity investment classified as FVTPL	**10% equity interest in a private entity established in the PRC RMB7,541,000**	10% equity interest in a private entity established in the PRC RMB7,180,000	Asset-based approach	Discount of lack of control Discount of lack of marketability	21.26% (2023: 21.26%) 20.50% (2023: 20.50%)

The increase in discount for lack of control and discount for lack of marketability would result in decrease in fair value measurement of unlisted equity investments. No sensitivity analysis is disclosed for the impact of changes in discount for lack of control and discount for lack of marketability as the exposure is insignificant to the Group.

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

f) *Fair value measurements (Continued)*

The movements during the year in the balance of these Level 3 fair value measurement are as follows:

	Unlisted equity investments at fair value through other comprehensive income RMB'000	Unlisted equity investments at fair value through profit or loss RMB'000
At 1 January 2023	35,076	6,792
Change in fair value recognised in other comprehensive income	(5,309)	–
Change in fair value recognised in profit or loss	–	388
Exchange adjustment	514	–
Refund of capital	(10,000)	–
At 31 December 2023	20,281	7,180
At 1 January 2024	**20,281**	**7,180**
Change in fair value recognised in other comprehensive income	**(2,488)**	**–**
Change in fair value recognised in profit or loss	**–**	**361**
Exchange adjustment	**551**	**–**
Refund of capital	**(3,000)**	**–**
At 31 December 2024	**15,344**	**7,541**

34. ACCOUNTING JUDGEMENTS AND ESTIMATES

The critical accounting judgements in applying the Group's accounting policies and key sources of estimation uncertainty are as follows:

a) Depreciation and amortisation

Property, plant and equipment and right-of-use assets are depreciated or amortised on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. Intangible assets are amortised on a straight-line basis over the estimated useful lives. Both the period and method of amortisation are reviewed annually. The depreciation and amortisation expense for future periods is adjusted if there are significant changes from previous estimates.

b) Impairment of assets

If circumstances indicate that carrying value of the Group's property, plant and equipment and right-of-use assets may not be recoverable, the assets may be considered impaired, and an impairment loss may be recognised in profit or loss. The carrying amounts of assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount.

The recoverable amount is the greater of the fair value less costs of disposal and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volume, sales revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volumes, sales revenue and amount of operating costs.

34. ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

c) *Valuation of investment properties*

Investment properties are included in the consolidated statement of financial position at their open market value, which is assessed annually by independent qualified valuers, after taking into consideration on an open market value basis calculated by reference to recent market transactions in comparable properties or the net rental income allowing for reversionary income potential.

The assumptions adopted in the property valuations are based on the market conditions existing at the end of the reporting period, with reference to current market sales prices and the appropriate capitalisation rate.

d) *Provision for ECLs on trade receivables*

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of the Group's customers.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with current conditions at the end of the reporting period and forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in notes 23 and 33(a) to the consolidated financial statements.

e) *Net realisable value of inventories*

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale. These estimates are based on the current market conditions and the historical experience of selling merchandise of similar nature. It could change significantly as a result of changes in customer taste or competitor actions. The Group reassesses these estimates at the end of the reporting period.

f) *PRC corporate income tax*

The Group is subject to corporate income taxes in Mainland China. Due to the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimation and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision for income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provision in the period in which the differences realise. Further details are given in notes 8 and 31 to the consolidated financial statements.

34. ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

g) *Investments in subsidiaries*

Investments in subsidiaries are carried at cost less any impairment. Judgement is required when determining whether an impairment existed. In making this judgement, historical data and factors such as industry, sector performance and financial information regarding the subsidiaries are taken into account.

h) *Fair value of financial instruments*

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

i) *Impairment of goodwill*

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2024 was RMB90,693,000 (2023: RMB90,693,000). Further details of impairment testing of goodwill are disclosed in note 16 to the financial statements.

j) *Leases – Estimating the incremental borrowing rate*

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("**IBR**") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

k) *Functional currency of the Company*

The Company is carrying out its operating activities and making management decisions in Hong Kong dollar, amongst others, on raising finance in Hong Kong dollars and has a significant degree of autonomy from its subsidiaries in the Mainland China in the way its business is managed. Hong Kong dollar is the currency of the transactions and events of the Company for which the Company primarily receives and expends. In the opinion of the Directors of the Company, its functional currency is Hong Kong dollar.

35. EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plans

The Group participates in a state-managed scheme. The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The Group also operates a Mandatory Provident Fund Scheme ("**the MPF scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000 (2023: HK$30,000). Contributions to the plan vest immediately.

The total expense recognised in profit or loss of RMB11,595,000 (2023: RMB11,073,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

Long service payment obligation

Pursuant to the Hong Kong Employment Ordinance, the Group has the obligation to pay long service payment ("**LSP**") to qualifying employees in Hong Kong upon retirement, subject to a minimum of 5 years' employment period, based on the formula of "last monthly wages (before termination of employment) × 2/3 × years of service". Last monthly wage is capped at HK$22,500 while the amount of long service payment shall not exceed HK$390,000. This obligation is accounted for as a post-employment defined benefit plan. The Mandatory Provident Fund Schemes Ordinance permits the withdrawal of accrued benefits derived from an employer's MPF contributions for the purpose of offsetting LSP payable to an employee under the Employment Ordinance. The LSP obligation, if any, is presented on a net basis.

The Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "**Amendment Ordinance**") was gazetted in June 2022 and will take effect on 1 May 2025 (the "**Transition Date**"). Under the Amended Ordinance, accrued benefits derived from an employer's mandatory MPF contributions after the Transition Date can only be applied to offset the pre-Transition Date LSP obligation but no longer eligible to offset the post-Transition Date LSP obligation. Furthermore, the LSP obligation before the Transition Date will be calculated based on the last monthly wages immediately preceding the Transition Date.

As at 31 December 2024 and 2023, the Group did not have material net LSP obligation as the estimated LSP obligations up to the end of the reporting period did not exceed the accrued benefits derived from the employer's MPF contributions.

36. EQUITY-SETTLED SHARE-BASED TRANSACTIONS

Share option scheme

The Company had a share option scheme which was adopted on 5 November 2010 (the "**Share Option Scheme**") whereby the directors of the Company are authorised, at their discretion, to grant options to subscribe for shares in the Company to eligible participants ("**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 valid and effective for a period of ten years ending on 4 November 2020, and all share options granted under the Share Option Scheme were lapsed as at 31 December 2021. 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. During the years ended and at 31 December 2024 and 2023, there was no outstanding share option granted under the New Share Option Scheme. The New Share Option Scheme was terminated by the Board on 14 April 2025.

Share award scheme

On 27 August 2019, the Company's board of directors (the "**Board**") approved and adopted a share award scheme for eligible senior management and eligible employees of the Company and its subsidiaries (the "**Selected Employees**") (the "**Share Award Scheme**"). The Share Award Scheme shall be subject to the administration of the Board and the trustee as appointed by the Company in accordance with the rules of the Share Award Scheme (the "**Award Scheme Rules**") and the trust deed. The trustee shall hold the shares awarded or to be awarded to the Selected Employees (the "**Awarded Shares**") in accordance with the terms of the trustee deed. Unless early terminated by the Board, the Share Award Scheme shall be valid and effective for a period of six years commencing on 27 August 2019.

Movements in the number of shares held for the Share Award Scheme for the year were as follows:

	Awarded Shares	Shares to be awarded	Total
As at 1 January 2023	12,000	22,928,000	22,940,000
Granted during the year	3,504,000	(3,504,000)	–
Vested during the year	(3,516,000)	–	(3,516,000)
Purchased during the year	–	10,624,000	10,624,000
As at 31 December 2023	–	30,048,000	30,048,000
As at 1 January 2024	**–**	**30,048,000**	**30,048,000**
Granted during the year	**6,648,000**	**(6,648,000)**	**–**
Vested during the year	**(6,648,000)**	**–**	**(6,648,000)**
Purchased during the year	**–**	**9,500,000**	**9,500,000**
As at 31 December 2024	**–**	**32,900,000**	**32,900,000**

36. EQUITY-SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

Share award scheme (Continued)

On 30 April 2024, the Board resolved to grant 6,648,000 Awarded Shares to 86 Selected Employees. All of the shares were vested on 30 April 2024. The fair value of 6,648,000 Awarded Shares on the grant date based on market price of the Company's shares was HK$0.55 each share. A total expense of RMB3,613,000 (2023: RMB1,956,000) was recognised as share-based payments for the year ended 31 December 2024.

As at 31 December 2024, a total of 32,900,000 shares (2023: 30,048,000 shares) of the Company were held by the trustee and there were no unvested Awarded Shares under the Share Award Scheme.

Due to the expected expiry of the Share Award Scheme in August 2025, on 14 April 2025, the Board has adopted a new share award scheme ("**2025 Share Award Scheme**") and terminated the Share Award Scheme for the purpose of, among other things, reflecting the latest changes to and requirements under Chapter 17 of the Listing Rules. Details of the 2025 Share Award Scheme are set out in the announcement of the Company dated 14 April 2025.

Up to the date of termination of the Share Award Scheme, (i) an aggregate of 11,708,000 awards have been granted under the Share Award Scheme and all of which have been vested and transferred to the selected participant thereunder; and (ii) there was no outstanding awarded shares granted but unvested under the Share Award Scheme.

37. COMMITMENTS

a) *Operating lease commitments - as lessee*

At 31 December 2024 and 2023, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2024 **RMB'000**	2023 RMB'000
Within one year	**2,045**	2,010

b) *Capital commitments*

At at 31 December 2024 and 2023, the Group had the following capital commitments at the end of the reporting period:

	2024 **RMB'000**	2023 RMB'000
Property, plant and equipment:		
Contracted but not provided	**12,553**	26,983
Authorised but not contracted for	**–**	114,695
	12,553	141,678

38. RELATED PARTY TRANSACTIONS

a) For the years ended 31 December 2024 and 2023, the Directors are of the opinion that the following entities and persons are related parties to the Group:

Name of related parties	Relationship
Mr. Zhao Li Sheng ("**Mr. Zhao**")	The Company's director and the ultimate controlling party of the Group
Ms. Chan Lok San ("**Ms. Chan**")	The Company's director and the spouse of Mr. Zhao
Morning Gold Medicine Company Limited ("**Morning Gold**")	Mr. Zhao and Ms. Chan have beneficial interests
Yuen Tai Pharmaceuticals Limited ("**Yuen Tai**")	Subsidiary of Morning Gold
Shenzhen Kingworld Lifeshine Pharmaceutical Company Limited ("**SZ Kingworld Lifeshine**")	Subsidiary of Morning Gold
Shenzhen Kingworld Industry Company Limited ("**SZ Industry**")	Mr. Zhao and Ms. Chan have beneficial interests
Kingkok International Enterprises Limited ("**Kingkok**")	Mr. Zhao and Ms. Chan have beneficial interests
Golden Morning International Limited ("**Golden Morning**")	Ms. Chan has beneficial interest
Golden Land International Limited ("**Golden Land**")	Mr. Zhao has beneficial interest
Ming VitaMed	Associate of the Group
Fat Chi Medicine	Associate of the Group
Zhuhai Jinming	Joint venture of the Group

38. RELATED PARTY TRANSACTIONS *(Continued)*

b) *Related party transactions*

	2024 RMB'000	2023 RMB'000
Purchase of goods		
SZ Kingworld Lifeshine	**17,544**	28,573
Yuen Tai	**–**	2,835
	17,544	31,408
Rental expenses		
SZ Industry	**235**	235
Advertising expenses		
SZ Industry	**138**	138
Interest income from a loan to an associate		
Ming VitaMed	**119**	106
Management fee income		
Fat Chi Medicine	**144**	244

c) *Balances with related parties*

	2024 RMB'000	2023 RMB'000
Amounts due from related parties		
SZ Kingworld Lifeshine	**12,201**	22,566
Kingkok	**950**	416
Golden Morning	**16**	–
Golden Land	**16**	–
	13,183	22,982
Amounts due to related parties		
Golden Morning	**–**	658
Golden Land	**–**	2,966
	–	3,624
Amounts due from associates		
Fat Chi Medicine	**188**	–
Ming VitaMed	**5,210**	4,744
	5,398	4,744
Amount due to an associate		
Fat Chi Medicine	**–**	158
Amount due from a joint venture		
Zhuhai Jinming	**2**	15,002

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

38. RELATED PARTY TRANSACTIONS *(Continued)*

d) Key management personnel remuneration:

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 11, certain of the highest paid employees as disclosed in note 12, and the senior management of the Group is as follows:

	2024	2023
	RMB'000	RMB'000
Salaries and other emoluments	**8,368**	6,650
Retirement scheme contributions	**513**	468
	8,881	7,118

39. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	2024 RMB'000	2023 RMB'000
Non-current assets		
Investments in subsidiaries	**231,733**	231,733
Property, plant and equipment	**7,721**	7,749
Right-of-use assets	**220**	495
	239,674	239,977
Current assets		
Other receivables	**5,019**	10,203
Amounts due from subsidiaries	**260,683**	297,712
Cash and cash equivalents	**63,787**	2,641
	329,489	310,556
Current liabilities		
Other payables	**1,716**	1,597
Amounts due to subsidiaries	**437,365**	421,652
Bank loans	**100,570**	54,321
Lease liabilities	**187**	279
	539,838	477,849
Net current liabilities	**(210,349)**	(167,293)
Total assets less current liabilities	**29,325**	72,684
Non-current liabilities		
Lease liabilities	**–**	190
NET ASSETS	**29,325**	72,494
CAPITAL AND RESERVES		
Share capital	**53,468**	53,468
Reserves	**(24,143)**	19,026
TOTAL EQUITY	**29,325**	72,494

40. COMPARATIVE FIGURES

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

41. IMMEDIATE AND ULTIMATE CONTROLLING PARTIES

The directors consider the immediate holding company of the Group as at 31 December 2024 to be Golden Land International Limited, a company incorporated in the BVI which does not produce consolidated financial statements available for public use, and the ultimate controlling party of the Group as at 31 December 2024 to be Zhao Li Sheng, an executive director of the Company.

42. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2024

Up to the date of issue of these financial statements, the HKICPA has issued a number of new and amendments to HKFRSs which are not yet effective for the year ended 31 December 2024 and which have not been adopted in these consolidated financial statements.

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments[1]
Annual Improvements to HKFRS Accounting Standards 2024	Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7[1]
HKFRS 18	Presentation and Disclosure in Financial Statements[2]
HKFRS 19	Subsidiaries without Public Accountability[2]

1 Effective for annual periods beginning on or after 1 January 2026
2 Effective for annual periods beginning on or after 1 January 2027

The Group in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

Financial Summary

The following table summarises the consolidated results of the Group for the five years ended 31 December:

	For the year ended 31 December				
	2024	2023	2022	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Results					
Revenue	**1,061,082**	1,078,659	957,701	847,386	745,383
Profit before taxation	**95,519**	93,886	67,584	69,434	70,891
Income tax	**(21,053)**	(32,292)	(24,042)	(18,223)	(20,002)
Profit for the year	**74,466**	61,594	43,542	51,211	50,889
Attributable to:					
Owners of the Company	**41,557**	38,096	22,741	30,319	11,716

	As at 31 December				
	2024	2023	2022	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Asset and Liabilities					
Total assets	**1,415,568**	1,337,650	1,263,363	1,213,829	1,255,372
Total liabilities	**710,036**	638,298	569,148	493,195	576,862
Equity attributable to owners of the Company	**639,792**	619,034	615,577	616,897	591,803
Non-controlling interests	**65,740**	80,318	78,638	103,737	86,707

Particulars of Key Properties

Address	Use	Lease Term	Approximate gross floor area	Group's interest
Unit 801-804 and 901-904, Block A, Majialong Innovation Building, Daxin Road, Nanshan District, Shenzhen, Guangdong Province, the PRC	Commercial	Medium-term lease	5,631sqm	100%
The Kingworld • Longde Life and Health Industrial Park, No. 6 Cuilong Road, Baolong Industrial City, Longgang District, Shenzhen, Guangdong Province, the PRC	Commercial	Medium-term lease	35,997sqm	90%
Part of the basement of Kingworld Department Store, Jiefang Road, Luohu District, Shenzhen, Guangdong Province, the PRC	Retail	Medium-term lease	956sqm	100%
Unit B on Level 9 West, Yong Xing Office Building, No. 22, Lane 376 Yan'an Road West, Jing'an District, Shanghai, the PRC	Commercial	Medium-term lease	204sqm	100%
Flat F on Level 21 and Flat E on Level 7, Weifu Building, Tai Bai Road, Luohu District, Shenzhen, Guangdong Province, the PRC	Residential	Medium-term lease	73sqm/ 100sqm	55%
The building erected on Lot No. 3-1-2, Qianshan Industrial Zone, Xiangzhou District, Zhuhai, Guangdong Province, the PRC	Commercial	Medium-term lease	26,197sqm	50%

Particulars of Key Properties

Address	Use	Lease Term	Approximate gross floor area	Group's interest
Unit 613, 6th Floor Goodluck Industrial Centre 808 Lai Chi Kok Road Kowloon Hong Kong	Industrial	Long-term lease	149sqm	100%
Unit 1002, 10th Floor Goodluck Industrial Centre 808 Lai Chi Kok Road Kowloon Hong Kong	Industrial	Long-term lease	112sqm	100%
Unit 1011, 10th Floor Goodluck Industrial Centre 808 Lai Chi Kok Road Kowloon Hong Kong	Industrial	Long-term lease	118sqm	100%