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

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code : 01110)

**ANNUAL RESULTS ANNOUNCEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2025**

**RESULTS HIGHLIGHTS**

- Revenue decreased by 13.5% to approximately RMB917,341,000 (2024: RMB1,061,082,000).
- Gross profit decreased by 8.3% to approximately RMB247,905,000 (2024: RMB270,446,000).
- Gross profit margin increased by 1.5% points to 27.0% (2024: 25.5%).
- Profit before taxation decreased by 39.9% to approximately RMB57,433,000 (2024: RMB95,519,000).
- Profit for the year ended 31 December 2025 decreased by 47.8% to approximately RMB38,892,000 (2024: RMB74,466,000).
- Profit attributable to owners of the Company decreased by 72.9% to approximately RMB11,282,000 (2024: RMB41,557,000).
- Basic earnings per share decreased by 73.4% to approximately RMB1.92 cents (2024: RMB7.22 cents).
- The Board resolved not to recommend the payment of any final dividends for the year ended 31 December 2025 (2024: HK3.17 cents per share).

The board (the “**Board**”) of directors (the “**Directors**”) of Kingworld Medicines Group Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2025 (the “**Year Under Review**”) and selected explanatory notes, together with the comparative figures of the corresponding year in 2024 as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2025

|   | Note | 2025<br>RMB'000        | 2024<br>RMB'000  |
|---|------|------------------------|------------------|
| <b>Revenue</b>  | 4    | <b>917,341</b>         | 1,061,082        |
| Cost of sales   |      | <u>(669,436)</u>       | <u>(790,636)</u> |
| <b>Gross profit</b>   |      | <b>247,905</b>         | 270,446          |
| Other revenue and other income  | 5    | <b>15,525</b>          | 28,542           |
| Selling expenses  |      | <b>(77,732)</b>        | (98,839)         |
| Administrative expenses   |      | <b>(99,154)</b>        | (90,657)         |
| Research and development expenses   |      | <b>(21,799)</b>        | (17,593)         |
| Fair value loss on financial assets<br>at fair value through profit or loss |      | <b>(3,221)</b>         | (4,249)          |
| Fair value gain on investment properties                                    |      | <b>6,840</b>           | 5,164            |
| Impairment loss on trade and other receivables                              | 6(c) | <b>(103)</b>           | (3,110)          |
| Loss on de-registration of an associate                                     |      | <u><b>(5,098)</b></u>  | <u>–</u>         |
| <b>Profit from operations</b>   |      | <b>63,163</b>          | 89,704           |
| Finance costs   | 6(a) | <b>(14,045)</b>        | (13,282)         |
| Share of results of a joint venture   |      | <b>6,784</b>           | 18,187           |
| Share of results of associates  |      | <u><b>1,531</b></u>    | <u>910</u>       |
| <b>Profit before taxation</b>   | 6    | <b>57,433</b>          | 95,519           |
| Income tax  | 7    | <u><b>(18,541)</b></u> | <u>(21,053)</u>  |
| <b>Profit for the year</b>  |      | <u><b>38,892</b></u>   | <u>74,466</u>    |
| <b>Attributable to:</b>   |      |                        |                  |
| Owners of the Company   |      | <b>11,282</b>          | 41,557           |
| Non-controlling interests   |      | <u><b>27,610</b></u>   | <u>32,909</u>    |
| <b>Profit for the year</b>  |      | <u><b>38,892</b></u>   | <u>74,466</u>    |
| <b>Earnings per share</b>   | 8    |                        |                  |
| Basic and diluted (RMB cents)   |      | <u><b>1.92</b></u>     | <u>7.22</u>      |

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

For the year ended 31 December 2025

|   | 2025<br>RMB'000      | 2024<br>RMB'000      |
|---|----------------------|----------------------|
| <b>Profit for the year</b>  | <u>38,892</u>        | <u>74,466</u>        |
| <b>Other comprehensive loss for the year</b>  |                      |                      |
| <i>Items that will not be reclassified to profit or loss:</i>                           |                      |                      |
| Fair value loss on financial assets at fair value through other comprehensive income    | (11,117)             | (3,772)              |
| <i>Items that may be reclassified subsequently to profit or loss:</i>                   |                      |                      |
| Exchange differences on translation of financial statements of entities outside the PRC | <u>(5,440)</u>       | <u>3,945</u>         |
|   | <u>(16,557)</u>      | <u>173</u>           |
| <b>Total comprehensive income for the year</b>  | <u><u>22,335</u></u> | <u><u>74,639</u></u> |
| <b>Attributable to:</b>   |                      |                      |
| <b>Owners of the Company</b>  | (5,275)              | 41,730               |
| <b>Non-controlling interests</b>  | <u>27,610</u>        | <u>32,909</u>        |
|   | <u><u>22,335</u></u> | <u><u>74,639</u></u> |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2025

|  | Note | 2025<br>RMB'000       | 2024<br>RMB'000       |
|--|------|-----------------------|-----------------------|
| <b>Non-current assets</b>  |      |                       |                       |
| Right-of-use assets  |      | 109,473               | 108,362               |
| Property, plant and equipment  |      | 340,325               | 315,347               |
| Investment properties  |      | 126,460               | 126,027               |
| Goodwill   |      | 90,693                | 90,693                |
| Interests in associates  |      | 12,001                | 10,858                |
| Interest in a joint venture  |      | 91,552                | 84,769                |
| Financial assets at fair value through<br>other comprehensive income |      | 50,239                | 64,203                |
| Financial assets at fair value through profit or loss                |      | 7,903                 | 7,541                 |
|  |      | <u>828,646</u>        | <u>807,800</u>        |
| <b>Current assets</b>  |      |                       |                       |
| Inventories  |      | 133,286               | 120,217               |
| Trade and bills receivables  | 9    | 157,433               | 157,724               |
| Deposits, prepayments and other receivables                          |      | 48,437                | 80,226                |
| Financial assets at fair value through profit or loss                |      | 10,176                | 14,302                |
| Cash and cash equivalents  |      | 264,410               | 235,299               |
|  |      | <u>613,742</u>        | <u>607,768</u>        |
| <b>Current liabilities</b>   |      |                       |                       |
| Contract liabilities   |      | 66,402                | 59,934                |
| Trade payables   | 10   | 162,684               | 159,899               |
| Accruals and other payables  |      | 57,045                | 54,157                |
| Bank loans   |      | 265,006               | 225,664               |
| Lease liabilities  |      | 6,802                 | 4,356                 |
| Income tax payable   |      | 7,365                 | 10,858                |
|  |      | <u>565,304</u>        | <u>514,868</u>        |
| <b>Net current assets</b>  |      | <u>48,438</u>         | <u>92,900</u>         |
| <b>Total assets less current liabilities</b>                         |      | <u><u>877,084</u></u> | <u><u>900,700</u></u> |

|   | 2025<br>RMB'000       | 2024<br>RMB'000       |
|---|-----------------------|-----------------------|
| <b>Non-current liabilities</b>                          |                       |                       |
| Bank loans  | 149,380               | 161,952               |
| Lease liabilities                                       | 12,678                | 10,465                |
| Deferred tax liabilities                                | 26,175                | 22,751                |
|   | <u>188,233</u>        | <u>195,168</u>        |
| <b>NET ASSETS</b>                                       | <u><b>688,851</b></u> | <u><b>705,532</b></u> |
| <b>CAPITAL AND RESERVES</b>                             |                       |                       |
| Share capital   | 53,468                | 53,468                |
| Reserves  | 564,233               | 586,324               |
| <b>EQUITY ATTRIBUTABLE TO OWNERS<br/>OF THE COMPANY</b> | <b>617,701</b>        | 639,792               |
| <b>NON-CONTROLLING INTERESTS</b>                        | <u><b>71,150</b></u>  | <u>65,740</u>         |
| <b>TOTAL EQUITY</b>                                     | <u><b>688,851</b></u> | <u><b>705,532</b></u> |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

(Expressed in Renminbi)

## 1. GENERAL INFORMATION

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

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

## 2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION

### a) Statement of compliance

These financial statements have been prepared in accordance with all applicable HKFRS Accounting Standards, which collective term includes all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”), Hong Kong Accounting Standards (“**HKASs**”) and Interpretations as issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), 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 HKICPA has issued certain amendments to HKFRS Accounting Standards 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.

### b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2025 comprise the Company and its subsidiaries (the “**Group**”) 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;
- financial assets at fair value through other comprehensive income; and
- financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRS Accounting Standards 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.

### 3. APPLICATION OF AMENDMENTS TO HKFRS ACCOUNTING STANDARDS

The Group has applied the amendments to HKAS 21 “Lack of Exchangeability” issued by the HKICPA to these financial statements for the current accounting year. The amendments do not have a material impact on these financial statements as the Group has not entered into any foreign currency transactions in which the foreign currency is not exchangeable into another currency.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting year.

### 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.

|   | 2025<br>RMB'000       | 2024<br>RMB'000         |
|---|-----------------------|-------------------------|
| <b>Revenue from contracts with customers<br/>within the scope of HKFRS 15</b> |                       |                         |
| Disaggregated by major products   |                       |                         |
| – pharmaceutical products   | 603,762               | 749,692                 |
| – healthcare products   | 54,440                | 62,981                  |
| – medical devices   | <u>259,139</u>        | <u>248,409</u>          |
|   | <u>917,341</u>        | <u>1,061,082</u>        |
| <b>Timing of revenue recognition</b>  |                       |                         |
| At a point in time  | <u><u>917,341</u></u> | <u><u>1,061,082</u></u> |

## 5. OTHER REVENUE AND OTHER INCOME

|   | 2025<br>RMB'000      | 2024<br>RMB'000      |
|---|----------------------|----------------------|
| <b>Other revenue</b>  |                      |                      |
| Bank interest income  | 4,718                | 6,146                |
| Interest income from a loan to an associate   | –                    | 119                  |
| Gross rental income from investment properties  | 3,322                | 3,003                |
| Dividend income from financial assets<br>at fair value through profit or loss             | 976                  | 436                  |
| Dividend income from financial assets at fair value through<br>other comprehensive income | 3,208                | 1,660                |
| Promotional service income  | 1,778                | 19,829               |
|   | <u>14,002</u>        | <u>31,193</u>        |
| <b>Other income</b>   |                      |                      |
| Government grants (note)  | 1,557                | 5,649                |
| Net foreign exchange loss   | (1,033)              | (10,187)             |
| Compensation income   | 235                  | 1,045                |
| Management fee income from an associate   | –                    | 144                  |
| Gain on early termination of a lease  | 69                   | 371                  |
| Scrape sales  | 207                  | –                    |
| Reversal of over-accrued expenses in prior years  | 357                  | –                    |
| Others  | 131                  | 327                  |
|   | <u>1,523</u>         | <u>(2,651)</u>       |
|   | <u><u>15,525</u></u> | <u><u>28,542</u></u> |

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.

## 6. PROFIT BEFORE TAXATION

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

|  | 2025<br>RMB'000 | 2024<br>RMB'000 |
|--|-----------------|-----------------|
| <b>a) Finance costs</b>  |                 |                 |
| Interest on bank loans   | 13,038          | 12,641          |
| Interest on lease liabilities  | 1,007           | 641             |
|  | <u>14,045</u>   | <u>13,282</u>   |
| <b>b) Staff costs (including directors' remuneration)</b>                                      |                 |                 |
| Salaries and other benefits  | 104,456         | 117,642         |
| Contributions to defined contribution retirement plan  | 14,911          | 11,595          |
| Equity-settled share award expenses  | 1,494           | 3,613           |
|  | <u>120,861</u>  | <u>132,850</u>  |
| <b>c) Other items</b>  |                 |                 |
| Auditor's remuneration   |                 |                 |
| – Audit services   | 1,532           | 1,538           |
| – Non-audit services   | 580             | 124             |
| Cost of inventories  | 619,033         | 742,666         |
| Depreciation   |                 |                 |
| – Property, plant and equipment  | 15,326          | 11,487          |
| – Right-of-use assets  | 10,669          | 8,664           |
| Impairment loss on trade receivables (note 9(c))   | 103             | 199             |
| Impairment loss on other receivables   | –               | 2,911           |
| Impairment loss on property, plant and equipment   | –               | 1,231           |
| Loss on disposal of property, plant and equipment  | 1,736           | 338             |
| Rental income from investment properties less direct outgoings of RMB171,000 (2024: RMB87,000) | (3,151)         | (2,916)         |
| Donations  | 8,553           | 9,574           |
|  | <u>8,553</u>    | <u>9,574</u>    |

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

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

|   | 2025<br>RMB'000      | 2024<br>RMB'000      |
|---|----------------------|----------------------|
| Hong Kong Profits Tax                               |                      |                      |
| – Current year                                      | 1,125                | 353                  |
| – Over-provision in prior years                     | <u>–</u>             | <u>(201)</u>         |
| PRC Enterprise Income Tax                           |                      |                      |
| – Current year                                      | 13,317               | 21,276               |
| – Under/(over)-provision in prior years             | <u>675</u>           | <u>(4,757)</u>       |
| Deferred tax  |                      |                      |
| – Origination and reversal of temporary differences | <u>3,424</u>         | <u>4,382</u>         |
|   | <u><b>18,541</b></u> | <u><b>21,053</b></u> |

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 2025 is calculated at 16.5% (2024: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the Group, which is taxed at 8.25% (2024: 8.25%) on assessable profits up to HK\$2,000,000, and 16.5% (2024: 16.5%) on any part of assessable profits over HK\$2,000,000.

The provision for Hong Kong Profits Tax for 2025 takes into account a reduction granted by the Hong Kong SAR Government of 100% of the tax payable for the year of assessment 2025/26 subject to a maximum reduction of HK\$3,000 for each business (2024: a maximum reduction of HK\$1,500 was granted for the year of assessment 2024/25).

- iii) The PRC Enterprise Income Tax has been provided at the statutory tax rate of 25% (2024: 25%), except for ShenZhen Dong Di Xin Technology Company Limited, which is chargeable at a preferential income tax rate of 15% (2024: 15%).
- iv) Under the New EIT Law and its implementation rules, dividends receivable by non-PRC resident enterprises from PRC resident enterprises are subject to withholding tax at a rate of 10% unless reduced by tax treaties or agreements. Under the Agreement between the Mainland China and Hong Kong Special Administration Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion, or Mainland China/HKSAR DTA, Hong Kong corporate tax residents which hold 25% or more of a PRC enterprise are entitled to a reduced dividend withholding tax rate of 5%. Pursuant to CaiShui [2008] No. 1 Notice on Certain Preferential Enterprise Income Tax Policies, undistributed profits generated prior to 1 January 2008 are exempted from such withholding tax. Accordingly, dividends receivable by the Group’s investment holding company in Hong Kong from the PRC subsidiaries in respect of profits earned since 1 January 2008 will be subject to 5% withholding tax.

## 8. EARNINGS PER SHARE

### a) Basic earnings per share

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

|  | 2025<br>RMB'000 | 2024<br>RMB'000 |
|--|-----------------|-----------------|
| <b>Earnings</b>  |                 |                 |
| Profit for the year attributable to owners of the Company                              | <u>11,282</u>   | <u>41,557</u>   |
|  | 2025<br>'000    | 2024<br>'000    |
| <b>Number of shares</b>  |                 |                 |
| Weighted average number of ordinary shares in issue                                    | 622,500         | 622,500         |
| Effect of shares purchased and held under share award scheme                           | <u>(36,345)</u> | <u>(46,581)</u> |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | <u>586,155</u>  | <u>575,919</u>  |

### b) Diluted earnings per share

Diluted earnings per share for the years ended 31 December 2025 and 2024 was the same as the basic earnings per share since there was no outstanding share options during the years ended 31 December 2025 and 2024.

## 9. TRADE AND BILLS RECEIVABLES

|  | 2025<br>RMB'000       | 2024<br>RMB'000       |
|--|-----------------------|-----------------------|
| Trade receivables                            | 120,891               | 124,419               |
| Less: Allowance for credit losses (note (c)) | <u>(7,481)</u>        | <u>(7,378)</u>        |
|  | <b>113,410</b>        | 117,041               |
| Bills receivables (note (d))                 | <u>44,023</u>         | <u>40,683</u>         |
|  | <b><u>157,433</u></b> | <b><u>157,724</u></b> |

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:

|              | 2025<br>RMB'000       | 2024<br>RMB'000       |
|--------------|-----------------------|-----------------------|
| 0-90 days    | 109,726               | 111,008               |
| 91-120 days  | 1,871                 | 5,331                 |
| 121-180 days | 757                   | 252                   |
| 181-365 days | <u>1,056</u>          | <u>450</u>            |
|              | <b><u>113,410</u></b> | <b><u>117,041</u></b> |

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

- c) Impairment of trade receivables

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

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

|  | 2025<br>RMB'000     | 2024<br>RMB'000     |
|--|---------------------|---------------------|
| <b>At 1 January</b>                                    | 7,378               | 7,179               |
| Impairment loss recognised during the year (note 6(c)) | <u>103</u>          | <u>199</u>          |
| <b>At 31 December</b>                                  | <b><u>7,481</u></b> | <b><u>7,378</u></b> |

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

## 10. TRADE PAYABLES

|                | 2025<br>RMB'000 | 2024<br>RMB'000 |
|----------------|-----------------|-----------------|
| Trade payables | <u>162,684</u>  | <u>159,899</u>  |

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:

|             | 2025<br>RMB'000 | 2024<br>RMB'000 |
|-------------|-----------------|-----------------|
| 0–90 days   | 159,607         | 159,545         |
| 91–180 days | <u>3,077</u>    | <u>354</u>      |
|             | <u>162,684</u>  | <u>159,899</u>  |

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

## 11. DIVIDEND

The Board resolved not to recommend the payment of any final dividends for the year ended 31 December 2025 (2024: HK3.17 cents per share).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **MARKET AND INDUSTRY REVIEW**

During the Year Under Review, recurring geopolitical tensions, inflationary pressures and adjustments to monetary policies of major economies interacted with each other, resulting in continuously rising uncertainty in global economic operations. For the pharmaceutical industry, upstream raw material prices and logistics costs experienced periodic fluctuations, while compliance costs for international cooperation and cross-border businesses increased.

The domestic economy maintained moderate growth, with residents' health awareness and the proportion of health-related expenditure steadily increasing. Demand has extended from simple "symptom-based medication use" to daily health maintenance and chronic disease management. Although the growth rate in the OTC, Chinese patent medicine and big health sectors in which the Group has long been engaged slowed, their foundations remain solid and long-term potential remains clear.

#### **Macroeconomy improving with stability, healthcare consumption continues to grow**

During the Year Under Review, the RMB exchange rate exhibited a trend of initial weakening followed by stabilisation throughout the year. Periodic appreciation to some extent alleviated cost pressures associated with certain imported raw materials and cross-border procurement, while the structure of foreign trade accelerated its shift toward high-technology and high value-added sectors. For the pharmaceutical industry, this not only reduced severe cost-side fluctuations to a certain extent, but also prompted enterprises to place greater emphasis on diversification and flexibility in their supply chain layouts in order to enhance resilience against external shocks.

#### **Continuous deepening of centralised procurement reform and revitalisation of the traditional Chinese medicine industry**

During the Year Under Review, policies related to traditional Chinese medicine continued to improve. At the national level, higher requirements were introduced in areas such as the enhancement of traditional Chinese medicine quality, the construction of standard systems, and R&D evaluation and approval. Stricter regulations were established regarding raw material sources, processing techniques, quality control standards and traceability management. At the same time, special channels were introduced to support new varieties with genuine clinical demand and technological accumulation to accelerate their market launch. While raising the overall industry entry threshold, these measures also created clearer development opportunities for enterprises that adhere to standards and focus on long-term investment.

## **Healthcare system reform reshaping the pharmaceutical retail landscape**

During the Year Under Review, healthcare system reform continued to deepen in areas such as hierarchical diagnosis and treatment as well as pharmaceutical circulation, exerting a profound impact on the structure of the pharmaceutical market. Reform of medical insurance payment methods was further advanced. Diagnosis-Intervention Packet (DIP/DRG) payment coverage expanded to more than 90% of secondary and higher-level hospitals. Clinical medication decisions increasingly emphasised pharmacoeconomic evaluations. Varieties with high clinical value and superior cost-effectiveness gained more opportunities for use, while the use of adjuvant medicines and certain nutritional drugs was significantly restricted. Against this backdrop, the outflow of prescriptions further accelerated, creating incremental opportunities for retail pharmacies to undertake chronic disease medication and long-term prescription management. At the channel level, concentration among leading chain pharmacies continued to increase, professionalised retail formats expanded, and integration between online and offline channels accelerated. These developments have placed higher requirements on pharmaceutical distribution enterprises in terms of supply chain management, digital operations and professional service capabilities.

## **Transformation trends in the OTC industry and changes in pharmaceutical retail channels**

In 2025, China's OTC industry entered a critical stage of transformation from "scale expansion" to "structural optimisation" amid the steady recovery of the macroeconomy and the deepening of healthcare reform. According to data from the China Nonprescription Medicines Association, during the "14th Five-Year Plan" period, the overall industry size is expected to exceed RMB350 billion, with a compound annual growth rate of approximately 6%. Growth momentum is shifting from extensive distribution to brand strength and professional services.

This transformation process is accompanied by intertwined challenges and opportunities. On the one hand, the share of prescription drugs in retail terminals continues to increase, while the rapid expansion of online channels has fragmented traffic. Coupled with oversupply in physical retail terminals, traditional OTC enterprises that rely on channel coverage face growth pressure. On the other hand, the upgrading of health consumption concepts, intensified population ageing and the emergence of diversified consumption scenarios have created new growth opportunities for enterprises with strong brand heritage and product capabilities. Meanwhile, the deep implementation of the traditional Chinese medicine revitalisation strategy and the elderly population's preference for natural and mild therapies have created a synergistic effect, bringing unique development opportunities for OTC products of Chinese patent medicines.

Digital technology and the policy environment are jointly driving pharmacies to upgrade from simple transaction venues to hubs for health data interaction, professional consultation and personalised intervention. This transformation places higher demands on enterprises in terms of product structure adaptability, omni-channel coordination capabilities and organisational agility. As a representative enterprise that has long been deeply engaged in the OTC sector, the Group has demonstrated strong market resilience and transformation vitality through its deep accumulation in the agency distribution of Chinese patent medicines and health products. Its core product portfolio – including Nin Jiom Pei Pa Koa, Taiko Seirogan, and Kingworld Imada Red Flower Oil – has maintained stable demand amid market fluctuations due to long-established brand reputation, clear efficacy recognition and professional positioning in segmented scenarios such as respiratory care, gastrointestinal regulation and injury treatment.

## **1. *Structural challenges and transformation opportunities in the OTC industry***

During the Year Under Review, China's OTC industry entered a critical phase of deep adjustment and value restructuring. The entire industry exhibited characteristics of slowing growth, structural differentiation and restructuring of key players occurring simultaneously. Driven by the deepening of medical insurance payment reform, accelerated prescription outflow and the upgrading of health consumption concepts, the growth logic has shifted from extensive channel distribution expansion to value competition centred on brand strength, professionalism and scenario-based solutions.

Structural challenges are mainly concentrated in three aspects. First, the share of prescription drugs in retail terminals continues to rise, continuously squeezing terminal resources and gross margin space for traditional OTC categories. Second, online drug purchasing channels are expanding rapidly. According to Sinohealth Digital Technology, as of August 2025, the O2O market size increased by 29.6% year-on-year. Consumers' reliance on price transparency and delivery efficiency has increased, accelerating the diversion of traffic from traditional offline channels. Third, the problem of industry oversupply has become prominent, resulting in intensified terminal competition. According to Menet and China Drugstore, in the first three quarters of 2025, six listed chain pharmacies – Dashenlin Pharmaceutical Group, LBX Pharmacy Chain, Yifeng Pharmacy Chain, Yixintang Pharmaceutical Group, Shuyu Civilian Pharmacy, and Jianzhi Jia Health Pharmacy – closed more than 1,700 stores. According to Cailian Press, small independent pharmacies are accelerating their exit, and the industry is expected to see about 20% of small and medium-sized pharmacies eliminated in the future.

## **2. *Pharmaceutical retail channels: from “selling medicines” to “health solutions”***

During the Year Under Review, China's pharmaceutical retail channels, driven by policy guidance, technological progress and consumption upgrades, are accelerating their transformation from “drug sales points” to “community health service centres”. Leading chains are consolidating their dominant positions through scale expansion and professional operations, while deep integration between online and offline channels and accelerated O2O penetration are reshaping the circulation paths and terminal competition rules for OTC products.

In terms of channel structure, retail terminals show a clear structural differentiation characterised by “the strong becoming stronger”. This trend requires upstream manufacturers and brand owners to go beyond providing single products and instead possess the ability to form strategic cooperation with large chain pharmacies and deliver systematic product and service solutions.

The role of pharmacies is shifting from passive sales to proactive health management, with professional services becoming a core competitive advantage. In April 2025, the Ministry of Commerce of the People’s Republic of China, together with eleven other departments, jointly issued the Special Action Plan to Boost Consumption, encouraging retail pharmacies to expand value-added services such as health promotion, nutritional care and chronic disease management, and promoting the implementation of a pharmacy classification management system. Under this framework, Grade A pharmacies, by virtue of higher ratios of licensed pharmacists, prescription review capabilities and health testing services, obtain qualifications for prescription drug sales and favourable medical insurance policies, gradually forming a virtuous cycle of “professional image – increased customer traffic – improved gross margin”. Lower-grade pharmacies, on the other hand, face further narrowing profit margins due to rising compliance costs and restricted business scopes.

Digitalisation and omni-channel integration have become standard capabilities on the retail side. Data from Sinohealth Digital Technology CMH shows that from January to August 2025, the O2O pharmaceutical market grew by 29.6% year-on-year, mainly meeting consumers’ immediate needs such as “urgency, convenience and late-night purchases”, while B2C e-commerce covers planned medication purchases and health product consumption scenarios. The integration of online and offline channels has become increasingly mature, forming a closed loop of “online content-driven discovery + offline experiential services”. Improvements in drug traceability codes and real-time attendance systems for licensed pharmacists have made retail terminal operations more transparent and standardised. This environment benefits enterprises such as Kingworld Medicines Group Limited, which possess compliance and brand advantages, enabling them to establish deep strategic cooperation with Grade A pharmacies and build professional competitive barriers.

Diversification of consumption scenarios is also reshaping category structures. Consumers’ health needs are extending from single treatments to multi-dimensional scenarios such as sports protection, daily health maintenance, emotional management and lifestyle optimisation. The product boundaries of pharmacies are expanding from medicines to health supplements, medical devices and cosmeceuticals, forming a “one-stop health consumption” ecosystem. In response to these changes, the Group continues to deepen its layout in scenarios such as sports protection for safflower oil, respiratory care for Nin Jiom products and gastrointestinal care for Taiko Seirogan, forming a product portfolio with clear target scenario.

### **3. *Synergistic development of traditional Chinese medicine revitalisation and elderly health demand***

During the Year Under Review, the traditional Chinese medicine industry experienced significant acceleration in both institutional development and actual demand. According to data from Menet, in the first half of 2025, the National Medical Products Administration approved 14 new traditional Chinese medicine drugs for market launch, an increase of eight compared with the same period last year. These included five innovative traditional Chinese medicine drugs and eight compound preparations derived from classical ancient prescriptions. Optimisation of the evaluation and approval channels significantly shortened the time required for new drugs to reach the market. Relevant documents issued by the State Council of the People’s Republic of China set specific targets for improving the quality of traditional Chinese medicine. For example, by 2026, the coverage rate of digital workshops in the traditional Chinese medicine industry is expected to reach approximately 30%. Enterprises are also encouraged to introduce intelligent technologies in areas such as quality testing, decoction processes and full-process traceability, providing clear direction for industry upgrading.

Changes in population structure have further amplified the long-term demand foundation for the traditional Chinese medicine industry. The continuous release of health needs among “the elderly and the young” aligns closely with the advantages of traditional Chinese medicine in holistic conditioning and chronic disease management. In addition, the continuous release of policy dividends in the Greater Bay Area has created unique opportunities for integration within the traditional Chinese medicine industry chain. Approval procedures for traditional Chinese patent medicines from Hong Kong and Macao entering the Mainland market have been significantly simplified, providing differentiated advantages for enterprises with cross-border resources. As a beneficiary of Hong Kong Chinese patent medicines entering the Greater Bay Area, Kingworld Medicines Group Limited is actively studying secondary R&D projects based on the formula of Fengbao Jianfu Capsule, developing Hong Kong Chinese patent medicines targeting female and male functional health and focusing on the silver economy health segment.

Under the combined effects of policy guidance, demand upgrading and technological empowerment, the traditional Chinese medicine industry is breaking through the limitations of traditional medical scenarios and integrating deeply with diversified health consumption ecosystems. Leveraging its accumulation of classic products, scenario-based innovation capabilities and cross-border resource advantages, the Group has further strengthened its capability to provide integrated solutions across diversified health scenarios amid the dual waves of traditional Chinese medicine revitalisation and expanding consumption scenarios.

## **ANALYSIS OF KINGWORLD MEDICINES’ OPERATING STATUS IN 2025**

In 2025, the Chinese patent medicine market experienced the largest decline in the past decade during the first half of the year, and pressures arising from structural adjustments in the consumer market continued to ferment. In response to this situation, the Group dynamically optimised its product structure, deepened its channel layout and strengthened marketing innovation, resulting in full-year performance characterised by pressure in the first half and gradual stabilisation in the second half.

Although total annual sales decreased year-on-year, the Group demonstrated relatively strong adaptability and operational resilience in a counter-cyclical environment. Starting from the second half of the year, through measures such as endorsement by Zhou Shen, the Music Caravan Tour, precise development of sports and health scenarios, the inclusion of self-developed products on medical insurance procurement platforms, adjustments to e-commerce operating models and other initiatives, core businesses gradually restored growth momentum, laying a more solid foundation for the Group’s strategic upgrade from a traditional “brand agency” model to an “integrated R&D-production-sales” model.

During the Year Under Review, the Group's operating practices and strategic execution results in 2025 are mainly reflected in the following dimensions:

### **Overall performance: low at the beginning, stabilising thereafter**

In 2025, the Group's operating performance showed clear phased recovery characteristics. For the year ended 31 December 2025, the Group recorded total sales of RMB793,683,000, representing a year-on-year decrease of 17.9%. While sales scale contracted, management focused on maintaining a sound asset and liability structure and ensuring a cash flow safety buffer, strictly controlling non-essential expenditures, reasonably arranging procurement and shipment rhythms, maintaining close communication with partners to timely understand partner and industry developments, identify risks, and ensure inventory and receivables remained at controllable levels.

From a quarterly perspective, in the first half of the year, affected by the sluggish Chinese patent medicine market, medical insurance policies, channel destocking and weak terminal sell-through, the Group's sales declined by more than 20% year-on-year. Starting from the second half, as measures such as precise marketing activities with improved conversion rates, expansion of sports and health scenarios, volume release of self-developed products listed on procurement platforms, and adjustments to e-commerce operating models were gradually implemented, the quarterly decline in sales significantly narrowed, with certain segments turning from negative to positive. The operating rhythm shifted from "passive response" to "steady recovery."

Despite operating under pressure, the Group maintained a relatively stable financial position. As at the end of the period, cash and bank balances were maintained at reasonable levels. Short-term borrowings and long-term financing arrangements were aligned with operational needs and investment pacing, balancing liquidity and development space. During the Year Under Review, management continued to monitor accounts receivable turnover and inventory turnover as important indicators in assessing the operational quality of each business unit. From a business segment perspective, performance showed clear differentiation:

Regarding the OTC and agency business, the Shenzhen Jinyi OTC line remained the Group's primary source of revenue, achieving sales of RMB759,490,000 in 2025, representing a year-on-year decrease of 18.1%. Against the backdrop of weak overall demand for Chinese patent medicines in the first half of the year, the Group proactively adjusted shipment pacing to avoid imposing excessive inventory pressure on channels. In the second half, increased investment in brand promotion, advertising placement, terminal activities and training for core categories such as Nin Jiom Pei Pa Koa and Taiko Seirogan led to gradual recovery in sell-through in key cities and key chains, with the decline narrowing quarter by quarter from its peak in the second quarter.

Amid a complex external environment, Kingworld's Hong Kong business maintained relative stability, recording full-year sales of RMB8,534,000, representing a slight year-on-year decrease of 2.1%. Benefiting from product structure adjustments and deepened cross-border cooperation, the Hong Kong Foci segment performed outstandingly, recording sales of RMB11,359,000, representing a year-on-year increase of 55.5%, exceeding its annual target and demonstrating that the "Hong Kong medicine + cross-border" model has generated substantial traction on both the brand and channel sides.

In terms of e-commerce and new channel business, in 2025, the e-commerce business recorded sales of RMB12,290,000, representing a year-on-year decrease of 46.5%, mainly due to rising overall traffic costs, intensified platform competition and the Group's proactive reduction of inefficient advertising spending and accelerated inventory clearance. In response, the Group adjusted its e-commerce strategy from pursuing GMV scale to focusing more on return on investment and brand accumulation, gradually shifting its focus from shelf-based e-commerce to content-based e-commerce and live-streaming matrices, concentrating on brands with online advantages such as INNOPHARM and Carmex, laying groundwork for a healthier return to growth in 2026.

In cross-border and emerging channels, the Group leveraged its Hong Kong platform to explore various models including cross-border MALL and social e-commerce. Although the scale remains limited in the short term, channel feasibility has been validated, providing a testing ground for future expansion.

For the diagnosis and medical services, although the base remains small, the segment recorded significant growth, achieving sales of RMB2,010,000 in 2025, representing a year-on-year increase of 357.9%. This reflects initial success in the Group's exploration of grassroots healthcare cooperation, rehabilitation services and specialised disease management, providing practical foundations for future synergies with OTC and medical device segments to build comprehensive health scenarios.

Due to structural opportunities amid industry adjustment, the OTC business demonstrated resilience and opportunity despite operating pressure. First, upgrading health consumption concepts is driving demand transformation from post-illness treatment to daily management and early intervention, expanding demand for preventive care and chronic disease management, opening broad space for traditional Chinese medicine health preservation and functional health products. Second, rapid expansion of sports health scenarios provided growth opportunities. The Group's Kingworld Imada Red Flower Oil precisely entered this segment by continuously sponsoring national marathon and trail running events, significantly increasing brand penetration among sports populations and becoming an important lever for optimising product structure. Third, the "silver economy" became a core driver. According to the China Statistical Yearbook 2025, by the end of 2025, the population aged 60 and above reached 323 million, accounting for 23.0% of the total population. Demand for elderly health is evolving toward higher quality and longer-term orientation. Kingworld's Cistanche Laxative Oral Liquid primarily targets elderly populations with deficient constipation and will directly benefit from this trend. Since its launch in the second half, the product has demonstrated strong product power, with repurchase rates exceeding 30% in listed chain pharmacies. Taiko Seirogan benefited from changes in modern consumption habits. Fast food diets and high work pressure have increased gastrointestinal issues, driving year-by-year growth in gastrointestinal medications. The sales completion rate reached 100%, with year-on-year growth of %. In addition, the synergy between the traditional Chinese medicine revitalisation strategy and rising cultural confidence has built differentiated competitive barriers for classic Chinese patent medicines with clear efficacy recognition, such as Nin Jiom Pei Pa Koa and Taiko Seirogan.

In response to industry changes, the Group actively promoted product innovation, channel restructuring, and service upgrades. On the one hand, through the INNOPHARM brand, it positioned itself in the high-end fish oil and other nutritional supplement market, contributing over RMB20 million in cross-border and online sales in 2025, extending its reach from therapeutic drugs to health management products. On the other hand, it strengthened scenario-based marketing, combining event sponsorships, expansion into rural areas, and digital user operations to enhance brand professionalism and channel efficiency. Despite macroeconomic fluctuations, the Group's OTC business still achieved sales of RMB759 million in 2025, with core categories demonstrating resilience across economic cycles.

## **PRODUCT STRUCTURE OPTIMISATION: FOCUSING ON CONSUMER DEMAND AND UNLOCKING PRODUCT POTENTIAL FOR HIGH-QUALITY DEVELOPMENT**

In 2025, the Group focused on consumer demand and actively advanced strategic reconstruction of product structure. Under pressure on traditional agency categories, it consolidated core product fundamentals while accelerating cultivation of self-developed product lines, initially forming a tiered product portfolio driven by the “dual-engines of agency and self-developed products”, fully unlocking product potential to achieve high-quality development.

The safflower oil series achieved full-year sales of RMB50,000,000, representing only a slight year-on-year decrease of 2.9%, significantly outperforming industry averages. Through sponsorship of nine national sports events including the Shenzhen Marathon, Nanchang Marathon and Zhengzhou Marathon, reaching over 190,000 participants with brand exposure exceeding one billion times, the product was deeply bound to sports health scenarios and positioned as a “professional sports protection partner,” becoming a key support in resisting market volatility. The Nin Jiom series recorded RMB580,000,000 in Pei Pa Koa sales (down 21.2%) and RMB50,000,000 in lozenge sales (down 11.3%), affected by overall Chinese patent medicine demand decline and seasonality. The Group implemented nationwide touring music caravan tours and “Golden Store Manager” training to maintain brand popularity and market share. Taiko Seirogan recorded sales of RMB75,000,000, remaining stable year-on-year, reflecting stable demand in digestive system medication. Carmex recorded RMB4,350,000 in sales (down 16.1%) due to suspension of general trade imports resulting from delayed regulatory filing by the manufacturer under national imported cosmetics requirements.

The self-developed product line has rapidly emerged, becoming a highlight of product structure optimization and a new growth engine. Kingworld Zhuang Yao Jian Shen Pian (Strengthening Kidney Tablet) achieved annual sales of RMB1.5379 million, successfully completing medical insurance network listings in 23 core provinces and cities including Hubei, Hunan, Jiangsu, and Hebei, increasing coverage by over 30%, thereby laying a foundation for the product's future rapid growth and market expansion. Kingworld Gan Mao Qing (Cold Relief) achieved regional breakthroughs in the Shanghai market, expanding its distribution network from zero to 463 stores, with annual sales of nearly 100,000 boxes, successfully ranking second in market share for the local Gan Mao Qing (Cold Relief) capsule category, validating the Group's ability to cultivate regional markets and promote products effectively.

Against the backdrop of rising demand for the silver economy and functional health products, the Group is also actively developing innovative applications of and potentials of traditional Chinese medicine. The Group's exclusive dual-brand Cistanche Laxative Oral Liquid, with its patented formulation based on the principle of "tonifying to promote bowel movement and treating both symptoms and root causes", directly fills the market gap in the deficiency-type constipation segment. In particular, its characteristic of containing no stimulant ingredients makes it irreplaceable in scenarios involving chronic disease management and long-term conditioning. Moreover, the Group has closely targeted the pain point of constipation caused by Kidney-Yang deficiency among the elderly. Through the "Elderly Health Management Master 13730 Programme", pharmacy staff are empowered to transform into health consultants, while the public welfare initiative "Kingworld • Tongrun for Every Household – Calm and Healthy Action" conducts research and guides elderly people to pay attention to intestinal constipation health issues. Through these multi-pronged efforts, the Group has established both brand awareness and brand warmth among C-end consumers. With the rigid demand driven by the ageing trend, the blue-ocean opportunity of the "deficiency-type constipation" category, and the continuous increase in product distribution coverage, the product is expected to become another major blockbuster product in the future, with sales expected to increase significantly and the market continuing to expand, demonstrating enormous potential. Another exclusive patented imported product of the Group – Fengbao Jianfu Capsules – has deeply cultivated the gynaecological reproductive segment. This traditional Chinese medicine product holds a patent granted by the Hong Kong Intellectual Property Department for the prevention and treatment of infertility, and is supported by robust clinical evidence verified by Hong Kong University of Science and Technology, demonstrating that it can effectively and significantly increase levels of oestrogen and progesterone, thereby possessing very high clinical value in coordinated treatment within assisted reproductive technologies. During the Year under Review, leveraging public welfare initiatives, the product expanded into grassroots markets in Guangdong, Jiangxi, Jiangsu and other regions, benefiting women's reproductive health while also stimulating market demand. In terms of channels, the Group has not only consolidated out-of-hospital pharmacies and the third terminal through its strong distribution network across Greater China, but has also actively penetrated into the clinical segment. Against the backdrop of rising infertility rates, national encouragement of multiple births and policy support for assisted reproductive technologies, the Group believes that Jianfu Capsules, by leveraging favourable policy momentum, aligning with clinical demand, and relying on its strong product quality and solid clinical data support, will usher in a new growth window period under the Group's continued promotion.

The Group also cooperated with the Hong Kong University of Science and Technology to carry out forward-looking initiatives in the modernisation and application of traditional Chinese medicine. Leveraging the University's strong research capabilities and academic expertise, and combining traditional Chinese medicine theories with modern scientific research methods, the Group has conducted secondary development of the Fengbao Jianfu Capsules formulation. Research and development are underway for new patented products specifically targeting female and male menopause, with evidence-based validation of the new products' functionality, scientific rigor, and safety, providing comprehensive health support for the corresponding populations.

Leveraging the Group's robust intellectual property portfolio, as of December 31, 2025, the Group's Kingworld and related subsidiaries held over 300 valid trademarks, 116 software copyrights and one invention patent domestically and overseas. This intellectual property system has built a differentiated technological barrier for self-developed products and provides a sustainable innovation foundation for the dual-drive "agency + self-developed" strategy.

## **CHANNEL UPGRADE: FROM TRADITIONAL PHARMACIES TO OMNI-CHANNEL ECOSYSTEM**

During the Year Under Review, the Group continued to enhance its channel layout. Its offline sales network covered approximately 264,953 terminal outlets, including pharmacies and grassroots medical institutions, and its channel penetration capability remained industry-leading. During the period, the Group established Safflower Oil terminal flagship stores in a number of key chain pharmacies, further enhancing brand image and terminal display effectiveness and consolidating the shelf competitiveness of its core products.

Amid the wave of channel transformation, Kingworld Medicines deepened its strategic cooperation with leading national and regional chain pharmacies. During the year, 15 new strategic cooperation customers were added. The coverage rate of core products such as Nin Jiom Pei Pa Koa in Grade A pharmacies increased to 85%, and retail sales contributed more than 60% of the Group's OTC business. At the same time, the Group actively expanded into county-level markets and new channels such as cross-border MALLs. Leveraging professional product positioning, scenario-based marketing innovation and digital capability development, the Group achieved a role upgrade in retail channel transformation from a "supplier" to a "health solution partner," with retail business gross profit margin maintained at above 35%, representing a relatively high level within the industry.

In terms of e-commerce and emerging channels, the Group increased its deployment in content-based e-commerce and live-streaming sales. The INNOPHARM brand continued to enhance brand exposure on the Douyin platform through cooperation with influencers and high-frequency live streaming. The Carmex brand maintained stable growth in online channels. During the period, the Group participated in the China International Import Expo with dual-hall exhibition displays, effectively amplifying brand presence and accelerating inventory clearance in conjunction with dedicated online promotional campaigns. The coordinated development of online and offline channels gradually built a more resilient omni-channel sales system.

## **MARKETING STRATEGY INNOVATION AND EFFECTIVENESS**

During the Year Under Review, the Group systematically advanced marketing innovation along three major directions: "scenario-based, digitalised and professionalised." Against the backdrop of overall market pressure, the Group achieved dual improvement in brand influence and terminal conversion efficiency.

During the Year Under Review, the Group deeply analysed changes in consumer scenarios and carried out ecological marketing practices. The Nin Jiom "Dragon Boat Festival" activities stimulated pure sales growth and attracted traffic for terminal customers. At the same time, through the "Nin Jiom Good Voice Music Festival" Music Caravan tour touring 22 cities nationwide, respiratory health was deeply integrated with the music enthusiast community. Taiko Seirogan combined interactive formats such as camper van pop-up events and Lunar New Year elimination games, attracting nearly ten thousand participants and achieving 19,566 activity interactions in total, strengthening the association between the product and gastrointestinal health scenarios.

Changes in consumer health behaviour also drove scenario-based expansion of traditional Chinese medicine products. During the Year Under Review, the Group actively seized scenario-based opportunities and precisely positioned Kingworld Imada Red Flower Oil within sports protection scenarios by sponsoring national marathons and trail running events, directly reaching high-loyalty consumer groups and enhancing brand scenario recognition. At the same time, the Group continued to deepen digital marketing by strengthening brand-consumer interaction through social media content seeding and official self-media operations. Through its self-media matrix including public accounts and video channels, the Group continuously carried out popularisation of traditional Chinese medicine knowledge. The “Kingworld Health Home” WeChat official account positioned product science education at its core, expanding the influence of traditional Chinese medicine culture through digital means and strengthening consumer awareness of product efficacy.

In addition, the Group organised multiple professional training activities to enhance pharmacy staff understanding of products and recommendation capabilities, strengthening terminal conversion efficiency. The “Pharmacy Craftsman” programme trained 9,000 pharmacy staff to enhance professional recommendation capabilities and established the “Health Management Service Stations” in Jiangxi and other regions, integrating respiratory health consultation services for the Nin Jiom series, which drove a 15% increase in OTC sales. Marketing return on investment was monitored through a data cockpit system to achieve precise optimisation. Marketing efficiency increased by 20% in the second half of the year, effectively supporting performance recovery.

The Group took the cooperation between Nin Jiom and national singer Zhou Shen as an opportunity. Through the “Teacher’s Day” series of campaigns, leveraging Zhou Shen’s nationwide popularity and fan loyalty, brand marketing precisely integrated online and offline channels to form a multi-scenario communication matrix. This not only significantly enhanced brand exposure but also directly drove product sales in the short term, particularly achieving effective penetration among younger consumer groups.

## **LONGDE HEALTH INDUSTRIAL PARK CONSOLIDATES PLATFORM FOUNDATIONS AND VIGOROUSLY BUILDS AN ECOLOGICAL CLOSED LOOP**

As the Group’s core strategic platform for its deployment in the Greater Bay Area life and health industry, Longde Health Industrial Park anchors its development on the core direction of “Hong Kong Medicines Landing in Hong Kong.” Leveraging the locational advantages of the Longgang Baolong Science and Technology City within the Shenzhen-Guangzhou-Hong Kong-Macao Technology Innovation Corridor, the Park focuses on Hong Kong medicine introduction, industrial incubation, cross-border collaboration, and youth innovation and entrepreneurship in the Greater Bay Area. It aims to establish a full-chain pharmaceutical and health industry ecosystem platform, support deep integration and innovation of the Shenzhen-Hong Kong pharmaceutical industry, drive high-quality development of the Longgang biopharmaceutical industry cluster, and inject core momentum into the upgrading of the Greater Bay Area health industry.

During the Year under Review, the industrial agglomeration effect of Longde Health Industrial Park continued to be released. The Park cumulatively engaged with over 100 prospective partner clients and attracted high-potential pharmaceutical and health companies, including Zhen Tai Hong Kong, YunJing, and XingWu Biotech, further consolidating the core foundation for the operational landing of Hong Kong medicines and improving the localization of the Hong Kong medicine industry chain. The Park has actively built a “R&D-Translation-Industry” closed-loop ecosystem for pharmaceuticals and health. On the collaborative software side, Longde Health Industrial Park efficiently advanced the implementation of the “Hong Kong Medicines Landing in Hong Kong” strategy. It co-hosted cross-border pharmaceutical industry initiatives with relevant Hong Kong professional firms and coordinated with the Shenzhen Municipal Development and Reform Commission and Pharmaceutical Association to organize the “Medical Devices Voyage • Boundless Future” Longgang Station outbound activities. Furthermore, government-enterprise collaboration has broadened cross-border development channels for Park enterprises. The Park also hosted and co-hosted policy briefings and outbound pharmaceutical industry events in Longgang, leveraging Kingworld Medicines’s experience in “bringing in + going out” international expansion to provide in-depth interpretations of Shenzhen-Hong Kong pharmaceutical integration and support policies, bridging the “last mile” for policy implementation and creating platforms for exchange and learning for Shenzhen medical device companies, consolidating Shenzhen-Hong Kong industry resources, and supporting the globalization of local pharmaceutical and medical device brands. On the hardware infrastructure front, Longde Health Industrial Park leveraged Longgang District industrial policy support to advance the operation and management of innovative industrial facilities within the Park. It equipped the Park with professional facilities such as harmless treatment of pharmaceutical waste and centralized pharmaceutical wastewater treatment, providing high-quality industrial space and comprehensive supporting services to tenants and enhancing the Park’s industrial carrying capacity. During Year under Review, the Park received inspection and guidance from Shenzhen Municipal Committee members, the United Front Work Department, and other municipal and district leaders, further securing policy and resource support at the government level.

## **MEDICAL DEVICES BUSINESS: STEADY GROWTH AND INNOVATION UPGRADE OF DONG DI XIN SUBSIDIARY**

As the Group’s medical technology strategic pillar, Dong Di Xin Technology Co., Ltd. achieved steady growth driven by both domestic and international markets during the Year Under Review. Domestic sales increased by over 10% year-on-year, and international business covered more than 60 countries and regions worldwide, demonstrating strong counter-cyclical capability and technological barriers. The company continued to deepen its “Lean Production 6S” management system. Guided by the quality philosophy of “Do It Right the First Time,” it effectively improved production efficiency and reduced unit costs through process standardisation and optimisation of process control, ensuring that gross profit margin and net profit margin remained within target ranges. In terms of compliance and quality systems, during the Year Under Review, Dong Di Xin completed the renewal of EU MDR certification for core products such as physical rehabilitation therapy devices and electronic thermometers, and successfully passed international environmental management system certification, with validity extended to November 2028, providing a solid compliance foundation for international market expansion.

In terms of product innovation, the high-energy laser therapy device achieved large-scale mass production. The portable wireless shockwave therapy device (SW3200 Portable) was officially launched at the Shanghai CMEF exhibition. With its lightweight design of 960 grams and a service life of two million uses, it precisely meets the needs of home rehabilitation and sports protection scenarios and has obtained intention orders from distributors in multiple countries and regions. The handheld therapy device category recorded particularly significant growth, with sales proportion increasing from 28% at the beginning of the year to 35%, effectively driving overall gross profit margin improvement. In the domestic market, the company has cumulatively obtained 24 medical device registration certificates, completed advertising approvals for six major categories, approximately 300 customers have achieved procurement, and 110 medical institutions have entered hospitals through bidding and tendering processes. Penetration in grassroots medical institutions has steadily increased.

In the international market, the company actively responded to the challenges arising from the escalation of U.S. tariff policies, effectively managing risks through supply chain diversification and in-depth communication with customers. While stabilising European and American markets, it actively expanded into emerging markets in South America, Asia, Africa and the Middle East, and has achieved substantive shipments to new market customers. In September 2025, the company was invited to participate in the International Society for Medical Shockwave Treatments academic conference in Colombia, where it published a clinical application paper and delivered a keynote speech, gaining recognition from international experts and significantly enhancing academic influence. Research and development cooperation continued to deepen. The company collaborated with institutions including the Shenzhen Institutes of Advanced Technology of the Chinese Academy of Sciences to jointly advance technological breakthroughs in next-generation physical rehabilitation therapy devices, focusing on optimisation of treatment parameters and expansion of clinical application scenarios. The R&D projects have now entered a critical stage.

Innovation qualifications and intellectual property accumulation progressed steadily. In December 2025, the company successfully passed the re-examination for National High-Tech Enterprise status (valid until December 2028), and its “Specialised, Refined, Distinctive and Innovative” SME certification remained valid. During the Year Under Review, eight new patents were added, including two utility model patents and six design patents. Cumulatively, the company holds four invention patents, 26 utility model patents, seven design patents and 13 software copyrights. The steady performance of the Dong Di Xin segment not only contributed stable cash flow to the Group, but also strengthened the Group’s comprehensive solution capabilities in home health management and sports rehabilitation scenarios through synergy of the “medical devices + OTC pharmaceuticals” product matrix, providing important support for medium- to long-term ecological development.

## **DEVELOPMENT TRENDS OF THE PHARMACEUTICAL INDUSTRY IN 2026 AND STRATEGIC OPPORTUNITIES FOR KINGWORLD MEDICINES**

### **Grasping consumption trends and collaborating with partners to provide health services**

In 2026, the competitive focus of China's pharmaceutical industry will gradually shift from pure comparison of scale and channels to comparison of product value, operational efficiency and synergy capability. Policy dividends will gradually shift from inclusive support to precise selection. Compliance costs will become an invisible threshold for small and medium-sized enterprises. Enterprises possessing full-chain quality traceability and ESG disclosure capabilities will obtain priority access to channels. On the consumer side, a complex landscape characterised by generational division and overlapping demands will emerge. On the one hand, the silver-haired population's demand for chronic disease management and functional maintenance will continue to deepen, driving Chinese patent medicines to participate more in conditioning and intervention before diseases become clinically apparent. On the other hand, Generation Z is rising as a new main force in health consumption. Their preference for convenience, social attributes and visualised efficacy compels traditional OTC products to evolve toward "ready-to-eat, snack-like and content-oriented" forms. The boundary between health products and fast-moving consumer goods is increasingly blurred. In response, the Group will establish a flexible supply chain system, adopt a mechanism of small-batch rapid launch to test consumer feedback to enrich the product portfolio, build a product matrix and implement upgrades and iterations. At the same time, in terms of product forms and packaging, the Group will more precisely position products according to the preferences of target consumer groups.

At the supply chain level, the normalisation of early warnings for regional public health emergencies is prompting enterprises to shift from pursuing ultimate efficiency to building resilient networks. Multi-warehouse collaboration and flexible production will become core capabilities. Technology applications are entering a value realisation stage. AI will no longer remain only at the marketing level but will penetrate into deeper areas such as medication adherence management and personalised health intervention. Pharmacies will gradually evolve from commodity transaction venues into regional health service nodes. The Group may rely on its core products to establish professional health service stations around NKA and LKA customers.

### **PROMOTING BUSINESS TRANSFORMATION AND UPGRADING WITH "PRECISE RESOURCE ALLOCATION" AS THE DIRECTION**

In terms of product strategy, the Group will continue to enhance brand rejuvenation image and popularity through celebrity endorsement. Together with offline chain pharmacies, it will carry out tours around major historical cities and scenic spots across China to consolidate the market share and reputation of Nin Jiom Pei Pa Koa and Taiko Seirogan. It will continue the scenario-based cooperation model between Kingworld Imada Red Flower Oil and marathon and other sports events, further strengthening the professional association between products and sports protection demand. At the same time, it will cooperate with local public welfare institutions in various regions to carry out community outreach initiatives, including public lectures and services, to deepen penetration in grassroots medical institutions and county-level markets, and gradually enhance product accessibility and terminal sell-through efficiency.

In terms of channel development, the Group will focus on enhancing the quality of cooperation with leading national and regional chain pharmacies, expand the scale of “terminal flagship stores” for major products among the Top 100 national chains and regional chains, and continuously empower frontline pharmacy staff through training programmes such as the “Pharmacy Craftsman” and “Golden Store Manager” initiatives to strengthen professional recommendation capabilities. Meanwhile, digital transformation will enter a critical implementation stage. The intelligent flow management system is planned to be officially launched in the first quarter of 2026, aiming to improve supply chain visualisation and inventory turnover efficiency, and to promote improvement and focus in the sales team’s work efficiency. The e-commerce business will focus on building the INNOPHARM product matrix and conversion of DouyinA3 target consumer groups, expand cooperation in shelf-based e-commerce and interest-based e-commerce, continue INNOPHARM’s content-oriented operational experience on the Douyin platform, and focus on precise target audience reach and conversion efficiency enhancement. At the level of innovation synergy, the Group will steadily promote the product launch of projects such as Cistanche Probiotics in collaboration with the Hong Kong University of Science and Technology and actively follow regulatory coordination policy developments in the Guangdong-Hong Kong-Macao Greater Bay Area. Following the simplified approval and launch of Hou Tsao Powder in Mainland China in October 2025, the Group will continue to explore compliant cross-border product introduction pathways. Longde Health Industrial Park, as the Group’s industrial incubation platform, will continue to leverage its resource integration function to support the cultivation and transformation of potential projects.

## **FACILITATING BRAND OVERSEAS EXPANSION, ENHANCING RISK RESISTANCE AND PROMOTING INTERNATIONALISATION**

Dong Di Xin Technology under the Group is one of the innovators and drivers in the global electro-physical therapy and rehabilitation equipment sector. Its core technologies integrate infrared, ultrasound, low-frequency, medium-frequency, electromagnetic field and shockwave physical therapy methods, combining clinical medicine and bioelectronics to form an applied bioscience technology system. Its products are exported to more than 60 countries and regions, possessing strong international compliance capabilities and multiple international certifications. Its products are also widely recognised overseas and export performance remains stable. The Group facilitates the successful overseas expansion of these technology-intensive products, enriching business diversification and enhancing risk resistance capability. Dong Di Xin plays a complementary role in the Group’s industrial chain synergy, brand overseas expansion and revenue structure optimisation. In the future, significant development opportunities will arise in premium positioning, expansion into emerging markets and integration of AI medical technologies.

## **STEADY ADVANCEMENT OF M&A PLANS AND IMPROVEMENT OF INDUSTRIAL CHAIN LAYOUT**

Looking ahead to 2026, the Group has formally signed cooperation agreements with Taiko Pharmaceutical Co., Ltd. and Etta Trading Company Limited to introduce Taiko Seirogan Tablets into the China market. The product adopts a sugar-coated tablet dosage form and utilises natural plant ingredients to address diarrhoea needs of adults and children. This cooperation represents further deepening following the Group’s previous successful promotion of Taiko Seirogan, further enriching the Group’s gastrointestinal medication product matrix, enhancing competitiveness in the gastrointestinal medication segment, strengthening layout depth in digestive health scenarios, and bringing new growth momentum to the relevant business segments.

In addition, at the initial stage of the year, the Group has actively advanced the acquisition of a well-known Hong Kong pharmaceutical enterprise project to further improve the layout of the big health industry chain. A subsidiary of the Group entered into a memorandum of understanding with the vendor to acquire a target company principally engaged in pharmaceutical manufacturing and sales and holding real estate properties, involving an amount exceeding RMB66 million, including RMB41.5 million for relevant business and production equipment (excluding vehicles) and RMB25 million for real estate properties. Within five working days after signing the memorandum, the Group paid a deposit of more than HK\$3.3 million to the vendor, demonstrating transaction sincerity. If completed in the first quarter, the acquisition will directly contribute to first half performance. With reference to the Group's fixed deposits and cash balance exceeding RMB240 million as at the end of June 2025, the Group maintains sound financial strength sufficient to fully settle the consideration with internal resources. After the acquisition, cash and bank balances will still be maintained at approximately RMB180 million, reserving ample room for potential future mergers and acquisitions. The target company possesses a mature production system, well-known domestic and overseas brands and high-quality fixed assets, highly compatible with the Group's three-dimensional distribution network covering 34 provinces and municipalities nationwide as well as Hong Kong and Macao. This will amplify brand influence and release synergistic effects, particularly benefiting the overseas channel expansion of the Group's self-developed products such as Kingworld Imada Red Flower Oil and Fengbao Jianfu Capsules and other core products. Market response has also been positive. On the day following the announcement, the share price increased by nearly 4%. The price-to-sales ratio is only 0.32 times, lower than the industry average of 0.42 times, indicating potential for valuation re-rating. This initiative not only consolidates the Group's comprehensive competitiveness in the pharmaceutical and big health sector, but also deepens its globalisation strategy and injects diversified momentum into sustainable growth.

## **OPERATING OUTLOOK AND INDUSTRY ADVANTAGES OF KINGWORLD MEDICINES IN 2026**

### **Adhering to the core operating theme of “stabilising scale, enhancing efficiency and strengthening structure”**

In 2026, the Group will adhere to the core operating theme of “stabilising scale, enhancing efficiency and strengthening structure”. While maintaining its existing principal businesses, the Group will focus its resources on products and segments with medium- to long-term growth potential, avoiding dispersed investment. At the product level, the Group will further consolidate the market positions of established brands such as Nin Jiom, Taiko Seirogan and Red Flower Oil in respiratory, gastrointestinal, sports health and daily household medication scenarios, enhance brand premium capability and improve terminal sell-through efficiency. At the same time, the Group will continue to promote the market introduction and volume expansion of its self-developed product lines, gradually increasing the proportion of proprietary products in overall sales, thereby laying a foundation for future profitability. At the regional and channel levels, the Group will continue to deepen the coordinated development between the Mainland and Hong Kong markets, capture policy dividends relating to proprietary Chinese medicines in the Guangdong-Hong Kong-Macao Greater Bay Area, and actively expand into key provinces and cities with growth potential, so as to enhance penetration in core channels and increase single-store output levels.

To support the achievement of its operating targets in 2026, the Group will implement refined management around several key operating indicators: focusing on terminal sell-through and inventory turnover efficiency; continuously optimising sales rhythm and supply chain coordination; reducing channel pressure and enhancing capital utilisation efficiency; increasing the sales proportion of high gross margin products and self-developed products to improve the overall gross profit structure and gradually restore profitability; strengthening the precision and return on market investment through digital tools and scenario-based marketing to enhance the conversion effectiveness of brand placements and promotional activities; and continuously advancing compliance operations and risk control to ensure business sustainability and stability under a tightening regulatory environment. The Group expects that through continuous optimisation of key operating indicators, its overall operational resilience and risk resistance capability will be further strengthened.

In response to the transformation of the pharmaceutical industry from “scale competition” to “quality and innovation competition”, the Group regards research and development innovation as an important driver for medium- to long-term development. In 2026, the Group will continue to increase resource investment in self-developed products, focusing on proprietary Chinese medicines and health-related products with clinical value and market potential, gradually improving its proprietary product pipeline and enhancing product differentiation competitiveness.

Meanwhile, the Group will further optimise its talent structure and incentive mechanisms around core areas such as marketing, product management and compliance operations, strengthen the development of professional and younger teams, and enhance organisational execution and innovative vitality. The management believes that a stable talent team with a long-term vision will provide important support for the Group’s sustainable development in the future.

## **FUTURE STRATEGY OF “PARALLEL DEVELOPMENT OF AGENCY AND PROPRIETARY BRANDS”**

The Group owns a number of established brands with high market recognition in niche segments. The relevant products have established stable positions in consumers’ minds, at terminal pharmacies and in grassroots markets. Such products demonstrate strong counter-cyclical capability and are able to maintain relatively stable market demand against the backdrop of industry fluctuations and increasingly rational consumption, thereby providing the Group with continuous cash flow and an operational safety cushion.

Secondly, the Group has established an extensive and well-structured omni-channel sales network, effectively connecting diversified channel formats including chain pharmacies, grassroots medical institutions and online platforms. Under the trends of pharmacy grading management and increasing industry concentration, the Group’s years of accumulated terminal coverage capability and customer relationships will help enhance the sell-through efficiency and channel bargaining power of its core products.

In addition, the Group possesses mature experience in marketing and channel operations. In recent years, it has continuously explored precise promotion models centred on scenarios such as filial piety culture, sports health and household standby medicines, gradually shifting from a “single promotion-oriented” approach to “co-construction of brand and scenarios”, which helps enhance return on market investment and reduce reliance on a single promotion model.

The Group is steadily advancing the optimisation of its business structure from an agency-oriented model to a model featuring the “parallel development of agency and proprietary brands”. As the self-developed product lines are gradually introduced into the market and enter the growth stage, the Group’s product structure is expected to continue to improve, thereby supporting future enhancements in gross profit margin and profitability. On the other hand, the Group’s presence in the Guangdong-Hong Kong-Macao Greater Bay Area enables it to flexibly capture structural opportunities arising from innovation in proprietary Chinese medicine policies, facilitation of cross-border registration and international cooperation. Through the integration of resources in Hong Kong and the Mainland, the Group is expected to develop differentiated advantages in product introduction, brand incubation and external cooperation, thereby enhancing overall strategic flexibility.

At the same time, the Group continues to promote digital management and marketing capability building, which will help strengthen data-driven decision-making, improve organisational efficiency, and provide a replicable and scalable management foundation for future business expansion. The accumulation of such capabilities will gradually be transformed into long-term strategic value amid the industry’s shift from “resource-driven” to “capability-driven” competition.

## **CORPORATE CULTURE AND SUSTAINABLE DEVELOPMENT**

### **Fulfilling the mission of “benefiting society” and performing esg social value in multiple dimensions**

The Group actively fulfils its corporate social responsibilities. During the Year Under Review, it carried out pragmatic public welfare initiatives across multiple dimensions, including disaster relief, inclusive healthcare, cultural inheritance, ecological protection and disease prevention and control, thereby practicing its corporate mission of “benefiting mankind and nourishing all living beings” through concrete actions. In response to the earthquake disaster in Shigatse, Tibet, the Group promptly donated urgently needed medicines and funds to stand together with the affected communities in overcoming difficulties. Following the fire incident in Tai Po, Hong Kong, the Group swiftly donated RMB300,000 in designated relief funds for post-disaster health assistance to the elderly, and on the day following the disaster delivered urgently needed supplies worth HK\$100,000 to the resettlement sites for victims, demonstrating its capability for rapid response and precise assistance. During the Chung Yeung Festival, the Group donated 1,500 “Exclusive Elderly Care Packages” through the Shenzhen Charity Federation to safeguard the health of senior citizens. During the “Double 11” business peak season, the Group collaborated with communities to provide winter supplies and interactive care to busy couriers, demonstrating social warmth towards workers in new forms of employment.

In terms of inclusive healthcare and support for grassroots medical services, the Group focused on women’s health and well being. In collaboration with the Shenzhen Charity Federation and the Shenzhen Caring Action Foundation, it donated nearly RMB3 million worth of Fengbao Jianfu Capsules to grassroots medical networks in Guangdong, Hunan, Jiangxi and other regions, safeguarding women’s health with professionalism and care. The Group actively responded to public health initiatives of the Shantou Public Welfare Foundation and the Shenzhen Foundation by donating Kingworld Imada Red Flower Oil. At the same time, it joined hands with communities to conduct public education campaigns on mosquito prevention and eradication, focusing on promoting key measures such as “eliminating stagnant water, eradicating mosquitoes and preventing multiple diseases”, and calling on residents to jointly prevent and control mosquito-borne infectious diseases such as chikungunya fever and dengue fever, thereby strengthening community health protection.

Cultural inheritance and ecological protection are also important dimensions of the Group's social responsibility. The Group donated funds to support the construction of Baosheng Temple Academy in Luoyuan County, Fujian, and the cultural development of the Chaoshan Chen Weinan Cultural Centre, contributing to the inheritance and promotion of outstanding traditional Chinese culture. It also donated RMB200,000 to the 3rd Shenzhen-Hong Kong-Macao Youth Creative Design Competition to encourage youth development and promote cross-regional cultural exchange. It provided scholarships to Guangdong Food and Drug Vocational College to illuminate students' pursuit of knowledge. It also donated RMB300,000 to the Shenzhen Paradise International Foundation for ecological conservation, designated for biodiversity protection in South China, taking practical actions to safeguard clear waters and green mountains. Stable and continuous investment in social responsibility not only strengthens trust between the enterprise and society, but also lays a sound reputational foundation for the long-term development of the brand.

### **Strengthening the cultivation of a younger talent pipeline and consolidating talent reserves**

Talent has always been the core resource for the sustainable development of Kingworld Medicines. During the Year Under Review, the Group continued to promote the rejuvenation and professionalisation of its management team. Through a combination of internal training and external recruitment, it gradually formed a talent pipeline with a reasonable structure and clear hierarchy.

The Group attaches great importance to staff training and capability enhancement. During the Year Under Review, it organised various types of training activities covering key areas such as product knowledge, intellectual property protection, marketing strategies and induction training for new employees, with thousands of participants in total, continuously enhancing the professional competence and market sensitivity of the team. As the business environment and technological conditions evolve rapidly, the Group has also gradually introduced training models that are more closely aligned with practical needs, promoting knowledge renewal and capability transformation.

In terms of talent development mechanisms, Kingworld's Business School has continued to deepen its "practical training + mentorship" development model, integrating theoretical training with frontline practical experience to accelerate the growth of young employees. At the same time, through school-enterprise partnership programmes such as the "Kingworld Class", the Group has steadily introduced new talents with professional backgrounds, reserving young talent for its long-term development.

As at 31 December 2025, the Group had a total of 728 employees, of whom 142 were based at the Shenzhen headquarters, 246 were engaged in sales and marketing across 36 regions, and 340 were employed by Dong Di Xin Technology. A stable workforce size and a healthy talent structure provide solid support for the execution of the Group's strategy.

## **PROMOTING DIGITALISATION AND INTELLIGENT DEVELOPMENT TO EMPOWER MANAGEMENT UPGRADING**

The year 2025 was an important year for the Group in advancing management system upgrading and digital transformation. During the Year Under Review, the Group continuously improved its digital infrastructure and gradually established a data-centric management support system through system upgrades and process optimisation.

The Group upgraded its SMART information system and market activity management module, realising closed-loop management throughout the entire process from budget preparation and execution to report analysis. Meanwhile, the application of a data cockpit and mobile marketing tools has enabled management and frontline teams to grasp in real time product sell-through, account status and market performance, effectively reducing management costs arising from manual reconciliation and information delays.

Digitalisation is not only an efficiency tool, but also an important lever for driving transformation in management models. Through continuous promotion of digitalisation and intelligent development, the Group is gradually evolving from a traditional marketing management model to a more refined, visualised and replicable intelligent management system, laying a foundation for future business expansion and organisational upgrading.

## **ENHANCING RISK AND COMPLIANCE MANAGEMENT SYSTEMS TO IMPROVE OPERATIONAL RESILIENCE**

Against the backdrop of increasing external uncertainties, the Group regards risk management and compliance operations as important safeguards for sustainable development. During the Year Under Review, in response to Sino-US trade frictions and changes in the macro environment, the Group continuously strengthened compliance awareness and improved internal control and risk monitoring mechanisms to ensure that all business activities complied with relevant laws, regulations and regulatory requirements.

Through strengthening supply chain management, diversifying cooperation arrangements and enhancing internal process control, the Group mitigated the impact of external shocks on its operations. Meanwhile, management regularly reviews the business structure and resource allocation to ensure that operating strategies are aligned with risk tolerance, thereby enhancing overall risk resistance capability.

The Group believes that a sound compliance and risk management system will help safeguard operational stability amid a complex and volatile market environment and provide a solid foundation for long-term and sustainable development in the future.

## **HONOURS**

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

### **Corporate Honours:**

- Shenzhen Top 500 Enterprises (for consecutive years);
- Shenzhen Federation of Industry • Outstanding Enterprise in Fulfilling Social Responsibility;
- Shenzhen Health Industry Product Technology Innovation Case;
- Shenzhen Health Industry Service Model Innovation Case;
- Gelonghui Golden Award – Annual Outstanding Company • Annual Excellence in Medical and Health Enterprises Award.

### **Product Honours:**

#### ***Kingworld Imada Red Flower Oil – Officially Designated External Medicinal Oil:***

- 2025 Xtep T-Power Running Club “Running the Jianghu” Greater Bay Area Race;
- The 20th Asian Marathon Championships and 2025 Jiaying Marathon;
- Jinggangshan Trail Race/UTSS Shennongjia Forest Trail Run;
- Longji 100km Mountain Race/Changzhou West Taihu Lake Half Marathon;
- Nanchang Marathon/Shenzhen Marathon/Zhengzhou Marathon;
- Fuzhou Marathon/Nanchang Marathon.

### **Nin Jiom Pei Pa Koa Series:**

- 2025 Healthy China • Brand List;
- 2025 Healthy China • Brand Value List • Ranked 17th in Brand Value;
- “One Call Teacher, A Lifetime Teacher” Gratitude to Teachers Campaign, consecutively winning four gold, four silver and two bronze industry awards.

### **Minshan Xiao Yao Wan:**

- The Top Popularity Award of Hong Kong Pharmacies 2024-2025.

## **Public Welfare Honours:**

- Kingworld Foundation received for the first time the Guangdong Poverty Alleviation and Relief Red Cotton Cup Bronze Award (Provincial Level);
- Kingworld Medicines ranked 23rd in the “2024 Shenzhen Charity Donation Ranking – Corporate Donation List”;
- Kingworld Caring Health Foundation ranked 49th in the “Social Organisations Charity Donation Income Ranking”.

## **Personal Honours of Group Leadership**

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

- Invited to attend the National September 3rd Military Parade;
- Outstanding Contribution Award from the Chaoshan Overseas Economic Promotion Association;
- Honorary Consultant of the 23rd International Teochew Associations Convention;
- Honorary President of the 5th Council of the Zhao Song Prince of Wei Research Association.

### ***Ms. Chan Lok San (Executive Director):***

- Selected for Southern Media Group’s “The Most Beautiful Her”;
- Outstanding Individual Award for Fulfilling Social Responsibility.

### ***Mr. Zhao Jianwei (Assistant to the Chairman):***

- Outstanding Entrepreneur among Overseas Chinese Businessmen;
- Executive Committee Member of the Shenzhen Federation of Industry and Commerce.

### ***Ms. Zhao Weiyang (Assistant to the Chairman):***

- Outstanding Member of the Luohu District Committee CPPCC;
- Shenzhen New Generation Innovation and Entrepreneurship Leader.

## **FINANCIAL REVIEW**

### **1. Revenue**

Revenue of the Group for the Year Under Review was approximately RMB917,341,000, representing a decrease of approximately RMB143,741,000 or 13.5% from approximately RMB1,061,082,000 for the year ended 31 December 2024. The decrease was mainly a result of the slowdown in the demand of the related products in the market.

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

For the Year Under Review, cost of sales for the Group amounted to approximately RMB669,436,000, representing a decrease of approximately RMB121,200,000 or 15.3% from approximately RMB790,636,000 for the year ended 31 December 2024. The decrease in cost of sales was in line with the decrease in sales volume. Gross profit for the Year Under Review was approximately RMB247,905,000 representing a decrease of approximately RMB22,541,000 or 8.3% from approximately RMB270,446,000 for the year ended 31 December 2024. Gross profit margin increased from 25.5% for the year ended 31 December 2024 to 27.0% for the year ended 31 December 2025. Such increase is a result of the increase in proportion of revenue from products with relatively higher gross profit margin to total revenue, in particular the medical devices including electrophysical therapy and rehabilitation equipment, manufactured by Dong Di Xin, 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 RMB15,525,000, representing a decrease of approximately RMB13,017,000 or 45.6% from approximately RMB28,542,000 for the year ended 31 December 2024. The decrease was mainly due to the decrease in promotion fee income and bank government grants.

### **4. Selling and distribution costs**

For the Year Under Review, selling and distribution costs amounted to approximately RMB77,732,000, representing a decrease of approximately RMB21,107,000 or 21.4% from approximately RMB98,839,000 for the year ended 31 December 2024. This decrease was primarily attributable to the decrease in bonus, salaries and consultancy.

### **5. Administrative expenses**

For the Year Under Review, administrative expenses amounted to approximately RMB99,154,000, representing an increase of approximately RMB8,497,000 or 9.4% from approximately RMB90,657,000 for the year ended 31 December 2024. This increase was mainly due to the increase in depreciation and agency fee.

## **6. Finance costs**

For the Year Under Review, finance costs amounted to approximately RMB14,045,000, representing an increase of approximately RMB763,000 or 5.7% from approximately RMB13,282,000 for the year ended 31 December 2024. 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 RMB57,433,000, representing a decrease of approximately RMB38,086,000 or 39.9% from approximately RMB95,519,000 for the year ended 31 December 2024. The decrease in profit before taxation was mainly due to the decrease in gross profit, other revenue and other income and share of results of a joint venture.

## **8. Income tax**

For the Year Under Review, income tax expenses for the Group amounted to approximately RMB18,541,000, representing a decrease of approximately RMB2,512,000 or 11.9% from approximately RMB21,053,000 for the year ended 31 December 2024. The decrease was mainly due to the decrease in profit before taxation. The effective tax rate for the Year Under Review was 32.8%, compared to 22.0% for the year ended 31 December 2024. The details are set out in Note 7 to the consolidated financial statements in this announcement.

## **9. Profit for the year**

As a result of the foregoing, the Group recorded a net profit for the Year Under Review of approximately RMB38,892,000, representing a decrease of approximately RMB35,574,000 or 47.8% when compared to approximately RMB74,466,000 for the year ended 31 December 2024.

## **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 RMB11,282,000, representing a decrease of approximately RMB30,275,000 or 72.9% from approximately RMB41,557,000 for the year ended 31 December 2024. The decrease in profit for the year attributable to owners of the Company was mainly due to the decrease 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 2025 amounted to approximately RMB157,433,000, representing a decrease of approximately RMB291,000 or 0.2% from approximately RMB157,724,000 as at 31 December 2024. The decrease was mainly due to the decrease in sales in December 2025 when compared to the same period in 2024.

### 2. Inventories

As at 31 December 2025, inventories owned by the Group amounted to approximately RMB133,286,000, representing an increase of approximately RMB13,069,000 or 10.9% when compared to that of RMB120,217,000 as at 31 December 2024. The main reason for the increase in inventories was the increase in finished goods.

### 3. Right-of-use assets

As at 31 December 2025, right-of-use assets amounted to approximately RMB109,473,000. As at 31 December 2024, right-of-use assets of the Group amounted to approximately RMB108,362,000. 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 2025, the net book value of property, plant and equipment owned by the Group amounted to approximately RMB340,325,000, representing an increase of approximately RMB24,978,000 or 7.9% from approximately RMB315,347,000 as at 31 December 2024. 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 2025, trade payables of the Group amounted to approximately RMB162,684,000, representing an increase of approximately RMB2,785,000 or 1.7% from approximately RMB159,899,000 as at 31 December 2024. The increase was mainly due to the increase in purchased goods in December 2025 when compared to the same period in 2024.

## **CAPITAL STRUCTURE**

### **1. Indebtedness**

The total indebtedness of bank loans of the Group, which will be due within one year as at 31 December 2025, was approximately RMB265,006,000 (31 December 2024: approximately RMB225,644,000). The bank loans which will be due over one year as at 31 December 2025 was approximately RMB149,380,000 (31 December 2024: RMB161,952,000). 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 2025, 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 21.8% (31 December 2024: approximately 21.6%). The increase was mainly due to the decrease in total equity.

### **3. Pledge of assets**

As at 31 December 2025, the Group had pledged investment properties, right-of-use assets and property, plant and equipment to certain banks in the amount of approximately RMB114,000,000, RMB91,106,000 and RMB138,795,000, respectively. As at 31 December 2024, the Group pledged investment properties, right-of-use assets, property, plant and equipment to certain banks in the amount of approximately RMB107,000,000, RMB94,257,000 and RMB15,526,000, 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 RMB48,836,000 and RMB63,272,000 for the years ended 31 December 2025 and 31 December 2024, 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 2.70% to 3.18%. Details on the effective interest rate and maturity profile of the Group's total borrowings are set out in Note 28 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 announcement.

As at 31 December 2025, the Group had cash and cash equivalents of approximately RMB264,410,000 (31 December 2024: approximately RMB235,299,000) which was mainly generated from operations of the Group.

## CAPITAL COMMITMENT

As at 31 December 2025, the Group had capital commitment of approximately RMB16,999,000 (31 December 2024: approximately RMB12,553,000).

## MATERIAL ACQUISITION AND DISPOSAL BY THE GROUP

During the year ended 31 December 2025, the Group did not make any material acquisition or disposal.

## LITIGATION

As at 31 December 2025, 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, 2023 Annual Report and 2024 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, 2024 Interim Report and 2025 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. In February 2025, 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 and the litigation has come to an end.

## **FUTURE OUTLOOK**

### **Summary and outlook**

According to the industry research report of Global Growth Insights, the global healthcare and health market size will expand steadily, increasing from US\$5.62 billion in 2025 to US\$6.01 billion in 2026, further to US\$6.43 billion in 2027, and ultimately reaching US\$11.04 billion by 2035. This growth trajectory reflects a compound annual growth rate of 7.0% during the forecast period from 2026 to 2035.

In 2026, the macroeconomic environment and industry development will continue to face certain challenges, including uncertainties relating to the pace of global and Chinese economic recovery, geopolitical factors and changes in regulatory policies. Nevertheless, the fundamentals of the healthcare industry remain solid. Benefiting from the continuous release of residents’ demand for health management, ongoing optimisation and upgrading of industry structure, and sustained empowerment by technological innovation, the industry’s long-term growth momentum remains favourable.

Looking ahead, the Group will adhere to its established development direction and advance in synergy with employees and partners. While prudently managing risks, it will actively capture development opportunities with greater certainty, continuously enhance its core competitiveness, and promote high-quality and sustainable business development.

### ***Deepening the “15th Five-Year Plan” strategic layout and forging new momentum for global development***

The Group will closely follow national policy directions, actively integrate into the overall development plan of the “15th Five-Year Plan”, and deepen its presence along the global health industry value chain. In terms of internationalisation strategy, we will fully leverage the geographical advantage of the France company INNOPHARM as a gateway to Europe, efficiently explore and introduce high-quality products that meet the needs of the Chinese market, with a focus on emerging health sectors such as sleep disorders, mental health and sports rehabilitation. At the same time, INNOPHARM will be developed into a core platform for the Group’s overseas market consultation and resource coordination, providing strategic support for global business expansion.

In the future, the Group will seize the historic opportunity arising from the launch of the “China-ASEAN Regional Pharmaceutical Trading and Centralised Procurement Platform”, actively participate in cross-border pharmaceutical trade, and promote proprietary brands represented by Kingworld Imada Red Flower Oil into international markets. The Group will fully leverage the role of Hong Kong Foci as a bridgehead in the Greater Bay Area, and capitalise on policy dividends arising from the forthcoming establishment of the Hong Kong version of the FDA (Hong Kong Centre for Medical Products Regulation, CMPR) and the introduction of the “First-tier Approval” mechanism, to accelerate the entry of Hong Kong proprietary Chinese medicines into the Mainland market through simplified registration procedures. Through this dual-engine model of “bringing in” and “going global”, the Group aims to establish a new development paradigm in which domestic and international dual circulation mutually reinforce each other, thereby building sustainable global competitive advantages.

### ***Driving comprehensive innovation with AI to build core competitiveness in healthcare***

As the application of artificial intelligence technology in the pharmaceutical and health industry continues to deepen, the Group will further increase its investment in AI and digitalisation, promoting deep integration between technology and business scenarios. In 2026, the Group plans to officially launch its “AI Digital Platform” to provide more precise data support for operational decision-making and market expansion in areas such as marketing forecasting, user profiling analysis and personalised product information services.

In the future, the Group will integrate AIGC technologies to continuously enhance the efficiency of e-commerce content production and marketing conversion, and explore algorithm-driven human-machine collaboration models to further unleash organisational efficiency. We believe that AI is not only an efficiency tool, but will also become an important engine for reshaping pharmaceutical marketing models and user service experiences, thereby building long-term competitive barriers for the Group.

### ***Continuously optimising the product matrix and cultivating new growth drivers with sales exceeding RMB100 million***

In terms of product strategy, the Group will continue to pursue the parallel development approach of “blockbuster products” and “laddered cultivation”. While consolidating the foundation of core products such as Nin Jiom series, Taiko Seirogan and Imada Red Flower Oil, the Group will concentrate resources on scaling key products with growth potential, striving to cultivate potential products such as Cistanche Laxative Oral Liquid, Zhuang Yao Jian Shen Pian (Strengthening Kidney Tablet) and Jianfu Capsules into new growth engines in sales scale.

In addition, the Group will continue to enrich its product reserves. On the one hand, it will introduce agency brands with established market foundations, such as French health products; on the other hand, it will accelerated the R&D, commercialization and scaling-up of proprietary Chinese medicine characteristic categories, and advance the listing process of self-developed products such as Red Flower Dragon’s Blood Health Patch. A multi-tiered and structurally clear product matrix will help diversify operational risks and enhance the stability and sustainability of overall profitability.

## ***Leveraging the Longde Industrial Park as a strategic fulcrum to build a new health industry ecosystem in the Greater Bay Area***

As an important vehicle for the Group's medium- to long-term development, the Longde Life and Health Industrial Park will accelerate investment attraction and industrial incubation in 2026. The Group plans to introduce more pharmaceutical and health-related projects aligned with its strategic direction, and fully leverage its existing sales network, brand promotion and market operation capabilities to provide end-to-end support for enterprises entering the park, from product incubation to market implementation.

Through a development model of “heavy-asset appreciation + light-asset operation”, the Group aims to gradually build the Longde Industrial Park into an influential life and health industry platform in the Guangdong-Hong Kong-Macao Greater Bay Area, promoting deep integration of industry, capital and market resources. The management believes that the steady advancement of the park's operations will bring new growth opportunities to the Group and further strengthen its pivotal position within the regional health industry ecosystem.

### **HUMAN RESOURCES AND TRAINING**

As at 31 December 2025, the Group had a total of 732 employees, of whom 123 worked at the Group's headquarters in Shenzhen, and 266 were stationed in 34 regions mainly responsible for sales and marketing, and 343 worked at Dong Di Xin. The total staff cost for the Year Under Review amounted to approximately RMB120,861,000 (2024: approximately RMB132,850,000). 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**

The Board resolved not to recommend the payment of any final dividends for the year ended 31 December 2025 (2024: HK3.17 cents per share).

## 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 Tuesday, 26 May 2026 to Friday, 29 May 2026 (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, 22 May 2026.

## SHARE OPTION SCHEME

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

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

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

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

- (b) The total number of shares issued and to be issued upon the exercise of options granted to each participant (including both exercised and outstanding options) under the New Share Option Scheme and any other share option schemes of the Company in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue.
- (c) The subscription price of a share in respect of any particular option granted under the New Share Option Scheme shall be a price solely determined by the Board and notified to the relevant participant and shall be at least the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average of the closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of the Company's shares on the date of grant of the option.

- (d) An option may be exercised in accordance with the terms of the New Share Option Scheme at any time during a period as the Board may determine, which shall not exceed 10 years from the date of grant subject to the provisions of early termination thereof.
- (e) Any grant of an option to a director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by the Independent Non-executive Directors (excluding any Independent Non-executive Director who is the grantee of the option).
- (f) The New Share Option Scheme shall be valid and effective for a period of ten years commencing on the Adoption Date (that is, 20 August 2021).

All share options granted under the Share Option Scheme were lapsed as at 31 December 2021. No share option was granted under the New Share Option Scheme during the Year Under Review. 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 announcement (subject to adjustment in the event of sub-division of Shares, consolidation of Shares or bonus issue in accordance with the Award Scheme Rules) with effect from 13 July 2022. Please refer to the announcement of the Company dated 13 July 2022 for further details.

At the beginning and the end of the financial year ended 31 December 2025, the number of Shares available for grant under the scheme mandate of the Share Award Scheme were 34,292,000 and 31,428,000 respectively.

Up to 31 December 2024 and during the year ended 31 December 2025, the Trustee had purchased in aggregate of 44,608,000 and nil shares of the Company, respectively, from the market for the purpose of the Share Award Scheme. The Board resolved to grant the Award with an aggregate of 3,457,600 Awarded Shares on 4 July 2025 to 70 Selected Participants under the Share Award Scheme at nil consideration, among which 1,397,600 Awarded Shares were granted to 19 Selected Participants who are Connected Grantees and 2,060,000 Awarded Shares were granted to 51 Selected Participants who are Non-connected Grantees. The Awarded Shares represent approximately 0.55% 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\$0.558 per Share. Subject to the acceptance by the Grantees, the Awarded Shares shall be vested in the Grantees on 4 July 2025. As such, at the beginning and the end of the financial year ended 31 December 2025, the Trustee holds 32,900,000 and 30,036,000 shares on trust for the Share Award Scheme, respectively. Please refer to the announcement of the Company dated 4 July 2025 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 2025 | 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 2025 | The number of awards cancelled together with the purchase price of the cancelled awards | The number of awards which lapsed in accordance with the terms of the scheme in 2025 |
|--|--------------------|----------------------------------|--------------------|---|---------------------------------|---|--|
| <b>Directors</b>   |                    |                                  |                    |   |                                 |   |  |
| Mr. Zhao Li Sheng (趙利生)                                      | 4 July 2025        | 168,000                          | 4 July 2025        | 0.55  | 168,000                         | nil   | nil  |
| Ms. Chan Lok San (陳樂燊)                                       | 4 July 2025        | 140,000                          | 4 July 2025        | 0.55  | 140,000                         | nil   | nil  |
| Mr. Zhou Xuhua (周旭華)   | 4 July 2025        | 57,600                           | 4 July 2025        | 0.55  | 57,600                          | nil   | nil  |
| Mr. Zhang Jianbin (張建斌)                                      | 4 July 2025        | 76,000                           | 4 July 2025        | 0.55  | 76,000                          | nil   | nil  |
| Mr. Duan Jidong (段繼東)  | 4 July 2025        | 76,000                           | 4 July 2025        | 0.55  | 76,000                          | nil   | nil  |
| Mr. Wong Cheuk Lam (黃焯琳)                                     | 4 July 2025        | 76,000                           | 4 July 2025        | 0.55  | 76,000                          | nil   | nil  |
| <b>Employees/Other Grantees</b>                              |                    |                                  |                    |   |                                 |   |  |
| <b>(Excluding the Directors)</b>                             |                    |                                  |                    |   |                                 |   |  |
| Employees/Other Grantees                                     | <u>4 July 2025</u> | <u>2,864,000</u>                 | <u>4 July 2025</u> | <u>0.55</u>   | <u>2,864,000</u>                | <u>nil</u>  | <u>nil</u>   |

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.

## **GOING CONCERN**

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

## **PUBLIC FLOAT**

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

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

For the year ended 31 December 2025, 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 2025, the Company did not hold any Treasury Shares.

## **CORPORATE GOVERNANCE**

The Board strives to uphold the principles of corporate governance set out in the Corporate Governance Code (the “**CG Code**”) in force during the Year Under Review as set out in Appendix C1 to the Listing Rules, and adopted various measures to enhance the internal control system, the Directors’ continuing professional training and other areas of practice of the Company. While the Board strives to maintain a high level of corporate governance, it also works hard to create value and achieve maximum return for its Shareholders. The Board will continue to conduct review and improve the quality of corporate governance practices with reference to local and international standards.

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

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

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

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

## **AUDIT COMMITTEE**

The Company established an audit committee (the “**Audit Committee**”) on 5 November 2010 and has formulated its written terms of reference, which have from time to time been modified in accordance with the prevailing provisions of the CG Code. The Audit Committee has three members, namely Mr. Duan Jidong, 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 2024, the unaudited consolidated interim financial statements of the Group for the six months ended 30 June 2025 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 2025, this results announcement, the annual report, the accounting principles and practices adopted by the Group, as well as the risk management and internal control systems of the Group for the Year Under Review, and agreed with the accounting treatments adopted by the Group, and was of the opinion that the preparation of the financial statements in this results announcement complies with the applicable accounting standards and the requirements under the Listing Rules and adequate disclosures have been made.

## **EVENTS AFTER THE REPORTING PERIOD**

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

## **DISCLOSURE OF INFORMATION**

This results announcement is published on the website of the Stock Exchange (<http://www.hkexnews.hk>) under "Listed Company Information" and the website of the Company (<http://www.kingworld.com.cn>) under "Investor Relations". The annual report for the year ended 31 December 2025 containing all necessary information as required by the Listing Rules will be sent to the Shareholders in due course, and will be published on the website of the Stock Exchange (<http://www.hkexnews.hk>) under "Listed Company Information" and the website of the Company (<http://www.kingworld.com.cn>) under "Investor Relations".

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

Hong Kong, 31 March 2026

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