



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

**2025**  
**ANNUAL REPORT**



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# Healthy Life with KINGWORLD

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



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# Corporate Information

## DIRECTORS

### *Executive Directors*

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

### *Independent Non-executive Directors*

Mr. Duan Jidong  
Mr. Wong Cheuk Lam  
Dr. Chu Xiaoping  
Mr. Zhang Jianbin (*resigned with effect from 1 August 2025*)

## AUDIT COMMITTEE

Mr. Wong Cheuk Lam (*Chairman*)  
Mr. Duan Jidong  
Dr. Chu Xiaoping  
Mr. Zhang Jianbin (*resigned with effect from 1 August 2025*)

## REMUNERATION COMMITTEE

Mr. Zhang Jianbin (*Chairman*) (*resigned with effect from 1 August 2025*)  
Dr. Chu Xiaoping (*Chairman*) (*re-designated as Chairman with effect from 1 August 2025*)  
Mr. Duan Jidong  
Mr. Wong Cheuk Lam

## NOMINATION COMMITTEE

Mr. Duan Jidong (*Chairman*)  
Mr. Wong Cheuk Lam  
Dr. Chu Xiaoping  
Mr. Zhang Jianbin (*resigned with effect from 1 August 2025*)

## COMPANY SECRETARY

Mr. Chan Hon Wan

## AUTHORISED REPRESENTATIVES

Mr. Zhao Li Sheng  
Mr. Chan Hon Wan

## REGISTERED OFFICE

Ocorian Trust (Cayman) Limited  
Windward 3, Regatta Office Park  
PO Box 1350  
Grand Cayman KY1-1108  
Cayman Islands

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Guangdong Province  
The PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Kowloon  
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Ocorian Trust (Cayman) Limited  
Windward 3, Regatta Office Park  
PO Box 1350  
Grand Cayman KY1-1108  
Cayman Islands

# Corporate Information

## PRINCIPAL BANKS

China Construction Bank  
Shenzhen Luohu Sub-branch  
East Section  
Financial Centre  
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Shenzhen  
Guangdong Province  
The PRC

Industrial Bank  
Shenzhen Overseas Chinese Town Sub-branch  
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9028 Shennan Avenue, Nanshan  
Shenzhen  
Guangdong Province  
The PRC

Nanyang Commercial Bank  
Hong Kong, Western Branch  
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Hong Kong

## BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited  
17/F, Far East Finance Centre  
16 Harcourt Road  
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## LEGAL ADVISORS TO THE COMPANY

Howse Williams  
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## AUDITOR

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## STOCK CODE

01110

## WEBSITE ADDRESS

[www.kingworld.com.cn](http://www.kingworld.com.cn)

# Financial Highlights

	For the year ended 31 December		Changes Increase/ (Decrease)
	2025 RMB'000	2024 RMB'000	
<b>Financial Highlights</b>			
Revenue	<b>917,341</b>	1,061,082	(13.5)%
Cost of sales	<b>(669,436)</b>	(790,636)	(15.3)%
Gross profit	<b>247,905</b>	270,446	(8.3)%
Profit before taxation	<b>57,433</b>	95,519	(40.8)%
Profit for the year	<b>38,892</b>	74,466	(49.0)%
Profit attributable to owners of the Company	<b>11,282</b>	41,557	(75.1)%
Basic earnings per share (RMB cents)	<b>1.92</b>	7.22	(75.5)%
Proposed final dividends per share (HK cents)	<b>Nil</b>	3.17	N/A

	As at 31 December		Changes Increase/ (Decrease)
	2025	2024	
<b>Liquidity and Asset-liability Ratio</b>			
Current ratio <sup>(1)</sup>	<b>1.08</b>	1.18	(8.5)%
Quick ratio <sup>(2)</sup>	<b>0.85</b>	0.95	(10.5)%
Gearing ratio <sup>(3)</sup>	<b>21.8%</b>	21.6%	0.9%

Notes:

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

## Chairman's Statement

Dear Shareholders,

On behalf of Kingworld Medicines Group Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”), I am pleased to announce the annual results for the year ended 31 December 2025 (the “**Year Under Review**”). I would also like to express my sincere gratitude to all shareholders for their long-term support and trust in the Group. The year 2025 marks a critical year for concluding the national “14th Five-Year Plan” and planning the layout for the “15th Five-Year Plan”. In the face of profound changes in the macro environment and structural adjustments in the pharmaceutical industry, the Group has consistently maintained strategic focus, adhered to the main theme of high-quality development, and actively captured new opportunities arising from industrial upgrading and evolving consumer trends.

Leveraging its solid industry chain foundation and continuously strengthened brand development, all colleagues of the Group worked together during the Year Under Review to demonstrate resilience in its core businesses amid challenges and achieved stable operations. Through optimizing our product portfolio, expanding strategic channels and accelerating digital integration, we have accumulated momentum for future sustainable growth. As a result, the implementation path of the Group's Fifth Five-Year Plan has become clearer, and the foundation for its execution has been further strengthened.



# Chairman's Statement

## *Intensifying geopolitical risks reshape the global supply chain landscape*

In 2025, the global economy was characterized by high uncertainty, low growth and strengthened risk control. The China-U.S. trade frictions entered the "2.0 stage", with pharmaceutical raw material prices fluctuating significantly throughout the year, while cross-border compliance and logistics costs rose markedly.

China's economy demonstrated resilience. During the Year Under Review, China's GDP recorded a year-on-year growth of approximately 5.0%, with the secondary and tertiary industries growing by 3.9% and 4.5% respectively, reflecting the coordinated recovery of the real economy and the service economy. Public health awareness continued to increase, and the proportion of healthcare-related expenditures in household spending steadily rose. Consumer behavior has shifted from simply "seeing a doctor when sick" to placing greater emphasis on daily health maintenance and long-term management. With the growing elderly population, demand related to bone and joint protection, intestinal regulation, and sleep quality has increased significantly. The Group's products such as Kingworld Imada Red Flower Oil and Cistanche Laxative Oral Liquid are precisely positioned around sports protection and elderly health scenarios, enabling them to maintain favourable development prospects under this broader trend.

The development of the Guangdong-Hong Kong-Macao Greater Bay Area has continued to advance, and the collaborative drug regulatory mechanism has been further improved. The national drug regulatory authorities have introduced simplified arrangements for Hong Kong and Macao proprietary Chinese medicines to enter the Mainland market, opening an institutional pathway for enterprises with cross-border resources. Leveraging Hong Kong's role as an "international gateway" and more than three decades of cross-border operational experience, the Group has collaborated with international partners such as the French company INNOPHARM to diversify geopolitical risks while accelerating the Mainland registration of Hong Kong medicines and strengthening supply chain compliance. Looking ahead, the Group will further improve its "domestic + international" dual-circulation layout: domestically enhancing supply chain resilience and risk forecasting capabilities, and internationally leveraging Hong Kong as a gateway to expand overseas channels for traditional Chinese medicine and healthcare products, thereby laying a solid foundation for long-term stable growth amid a volatile environment.

## *Stricter policies and innovation jointly drive industry transformation*

In 2025, regulatory and supportive policies for China's pharmaceutical industry were implemented simultaneously. On the one hand, reforms surrounding drug pricing and procurement order continued to deepen. While maintaining reasonable price reductions, these arrangements placed greater emphasis on clinical value and quality stability, guiding medical institutions to prioritize products with clear efficacy and controllable risks while ensuring accessibility. On the other hand, the top-level design for traditional Chinese medicine and innovative drugs continued to be refined, with clearer requirements established from standard systems to lifecycle supervision, thereby creating a more favourable development environment for enterprises with solid compliance foundations and technological accumulation.

# Chairman's Statement

In response to the profound changes in the policy environment, the Group adheres to the principle of “compliance first, quality as the foundation”, proactively embracing regulatory upgrades and regarding its compliance system as the cornerstone of brand credibility and the core of its competitive barriers. Going forward, the Group will closely align with policy directions, continuously strengthen quality management and compliance construction, and accelerate the cultivation of innovative products, striving to consolidate its long-term competitive advantages amid the industry's process of improving quality and efficiency.

In 2025, driven by the deepening of healthcare reforms and consumption upgrading, the OTC industry is shifting from “scale expansion” to “structural optimization”. Population ageing and the popularization of the “preventive healthcare” concept have opened medium- to long-term opportunities for proprietary Chinese medicines and health management products. The Group has advanced its transformation around the strategy of “intensive channel cultivation + digital empowerment”, laying the foundation for the product innovation and channel restructuring described below.

## **Deepening brand development with resilient core businesses**

During the Year Under Review, the Group's core businesses demonstrated strong resilience, and its market foundation became increasingly solid. We continued to deepen our relationships with strategic partners including Nin Jiom Medicine Manufactory and Taiko Pharmaceutical, while actively expanding into new product categories such as INNOPHARM Fish Oil, the Kingworld-branded product series and Cistanche Laxative Oral Liquid, injecting new vitality into the product portfolio.

In terms of channel development, we continuously improved our channel layout. Our offline sales network covered approximately 264,953 terminal outlets, including pharmacies and grassroots medical institutions, maintaining industry-leading channel penetration capabilities. In terms of marketing models, we embraced innovation and systematically advanced marketing transformation in three directions: “scenario-based, digitalized and professionalized”. Through scenario-based marketing innovation and digital capability development, we upgraded toward the role of a “health solution partner”, while promoting coordinated online and offline development and gradually building a more resilient omni-channel sales system.

These initiatives not only optimized our product portfolio and channel structure, achieving improvements in both brand influence and terminal conversion efficiency amid overall market pressure, but also laid a solid foundation for the Group to navigate industry cycles and capture future opportunities.



# Chairman’s Statement

### *Deep channel cultivation and digital empowerment improve operational quality and efficiency*

Centered on the transformation strategy of “channel cultivation + digital empowerment”, the Group made substantial progress during the Year Under Review. We actively responded to market changes and explored breakthrough approaches during the inventory clearance process by leveraging digital tools to gain precise consumer insights and accelerate product circulation. At the same time, we continued to optimize supply chain management, enhancing its resilience and efficiency while achieving notable results in cost reduction.

Through in-depth cultivation of strategic channels and the exploration of digital marketing, we effectively improved terminal sales efficiency, creating broad opportunities for the volume growth of products with new validity periods and new product categories. These efforts have not only strengthened the Group’s operational foundation but also enabled us to respond more agilely to consumer demand in a complex market environment and achieve high-quality development.



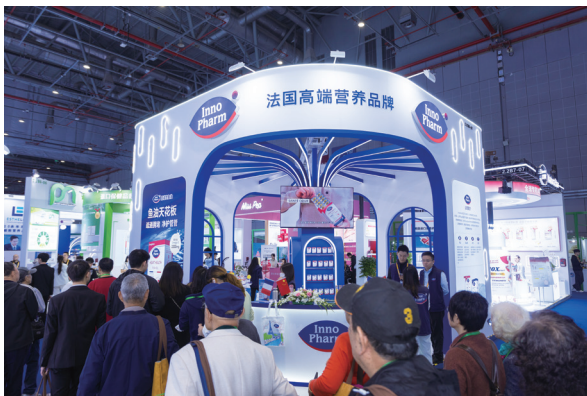
### *Dual domestic and international market drivers demonstrate technological strength and R&D innovation capability*

Relying on the strong international compliance capabilities of Dong Di Xin Technology Co., Ltd., which holds multiple international certifications, the Group’s international business now covers more than 60 countries and regions worldwide, achieving steady growth driven by both domestic and international markets while demonstrating strong counter-cyclical resilience and technological barriers. Dong Di Xin has currently established core technological layouts in several segments including infrared thermometry, low- and medium-frequency physiotherapy, and ultrasound therapy. During the Year Under Review, Dong Di Xin passed the international environmental management system certification. Core products including physical rehabilitation therapy devices and thermometers fully passed the international MDR certification. New products such as high-energy laser therapy devices have entered mass production, wireless shockwave therapy devices have been launched to the market, and the R&D collaboration for a new generation of physical rehabilitation therapy devices has entered a critical development phase, which will usher in a new chapter for high-end physical rehabilitation therapy equipment.

## Chairman’s Statement

In addition, the Group’s acquired French company INNOPHARM is a technology-driven research and development enterprise with deep expertise in the pharmaceutical and health sectors, committed to providing consumers with high-quality nutritional supplements based on scientific evidence. The INNOPHARM Fish Oil series produced using patented supercritical carbon dioxide extraction technology achieves a peak purity of 97% in Omega-3 fatty acid purification, placing its technology at the leading level of the industry. During the Reporting Period, INNOPHARM Fish Oil delivered an impressive performance at the China International Import Expo in Shanghai, where the Health Products Pavilion and the France Pavilion jointly showcased the brand through high-level dialogue and global resource connections, fully demonstrating its scientific strength and market potential as a high-end nutrition brand.

Looking ahead, the Group will introduce more high-end technological products to the market, fully demonstrating its outstanding market insight, product R&D innovation capabilities, and continuously improving ability to capture market opportunities.



### *Caring for employees and building a sustainable future together*

During the Year Under Review, the Group continued to deepen its “people-oriented” corporate culture and systematically established employee career development pathways and a comprehensive protection system. Throughout the year, various training activities were conducted covering multiple dimensions including product knowledge, intellectual property protection, compliance management and digital marketing strategies, effectively enhancing the team’s professional capabilities and market sensitivity. At the same time, the Group promoted a large number of promising young sales talents into management positions, making the management team structure more youthful and diversified, injecting innovative vitality and forward-looking perspectives into the organization.

The Group places high importance on employee well-being and long-term development, continuously improving its welfare protection system and strengthening cross-cultural team integration mechanisms to create an open and inclusive workplace environment. Through the virtuous cycle of “cultivation – practice – advancement”, employees’ professional capabilities resonate with the Group’s development strategy. This mutually beneficial talent ecosystem has become a core driving force for the Group to withstand external challenges and achieve high-quality development.

# Chairman's Statement

## FUTURE OUTLOOK

Although the global economic environment continues to face various uncertainties, as major economies gradually enter a cycle of interest rate cuts, the global economy is expected to achieve moderate recovery under a pattern of "low growth and low inflation". Against the macro backdrop of China's commitment to high-quality development, expanding domestic demand and stimulating consumption, the pharmaceutical industry will continue to upgrade in quality under the dual drivers of policy regulation and innovation. Compliance capability, product innovation and operational efficiency will become key components of corporate core competitiveness.

Guided by the "Fifth Five-Year Plan", the Group will systematically advance three major strategic initiatives. At the product level, the Group will fully leverage the policy advantages of the Guangdong-Hong Kong-Macao Greater Bay Area to continuously introduce high-quality Hong Kong and Macao proprietary Chinese medicines, while accelerating market penetration of its own brands. It will focus on expanding differentiated products such as INNOPHARM Fish Oil, Zhuang Yao Jian Shen Pian (Strengthening Kidney Tablet), Kingworld Cistanche Laxative Oral Liquid and Jianfu Capsule, while deepening cooperation with the Hong Kong University of Science and Technology on frontier projects including proprietary Chinese medicines, forming a dual-driven model of "agency + self-developed". At the ecosystem level, the Group will fully leverage the platform value of the Kingworld + Longde Life and Health Industrial Park ("**Longde Health Industrial Park**"), integrate global pharmaceutical industry chain resources, accelerate the incubation of strategically significant innovative projects, and build an international hub for traditional Chinese medicine to help more high-quality traditional Chinese medicine products reach the global stage. At the technology level, the Group will actively explore the deep application of artificial intelligence in health management, consumer insight and new product development, driving the enterprise's strategic transition from "digitalization" to "intelligentization" and comprehensively enhancing R&D efficiency and market responsiveness.

## ACKNOWLEDGEMENT

The year 2025 was one in which challenges and opportunities coexisted, with transformation intertwined with resilience. Amid geopolitical volatility and tightening regulatory environments, the Group successfully anchored its high-quality development strategy and stabilized its fundamentals. I would like to extend my highest respect and most sincere gratitude to the members of the board of directors (the "**Board**"), management and all employees for their invaluable contributions to the Group's development. I also sincerely thank our shareholders, investors and partners for their unwavering trust and strong support. It is the steadfast companionship of all parties that has given us the confidence and strength to navigate through cycles.

Looking ahead to 2026, although risks of slower global economic growth remain, the pharmaceutical industry will still embrace a key window for quality upgrading. Guided by the "Fifth Five-Year Plan", the Group will deepen the dual drive of introducing Hong Kong medicines and independent innovation, accelerate the expansion of core categories including INNOPHARM Fish Oil, Zhuang Yao Jian Shen Pian (Strengthening Kidney Tablet), Kingworld Cistanche Laxative Oral Liquid and Jianfu Capsule, fully unleash the platform value of Longde Health Industrial Park, and explore the limitless possibilities of AI empowering industrial upgrading. Despite potential challenges ahead, we will remain committed to our original mission of "serving the community and benefiting the world", taking innovation as our sail and compliance as our helm, working together with all stakeholders to write a new chapter of high-quality development for Kingworld Medicines and move toward an even brighter future.

**Mr. Zhao Li Sheng**  
*Chairman of the Board*

Hong Kong, 31 March 2026

# 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

# Management Discussion and Analysis

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.

# Management Discussion and Analysis

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.

# Management Discussion and Analysis

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.

## Management Discussion and Analysis

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.



# Management Discussion and Analysis

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:

# Management Discussion and Analysis

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.

## Management Discussion and Analysis

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.

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# Management Discussion and Analysis

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.

## Management Discussion and Analysis

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.



# Management Discussion and Analysis

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.



## Management Discussion and Analysis

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.



# Management Discussion and Analysis

## 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.



## Management Discussion and Analysis

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.



## Management Discussion and Analysis

### *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 location 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.



## Management Discussion and Analysis



### **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.

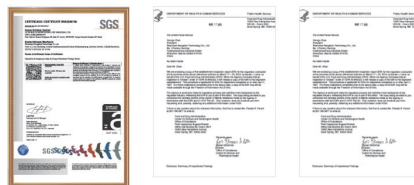
In terms of product innovation, the high-energy laser therapy device achieved large-scale mass production. The portable wireless shockwave therapy device (SW3200 Portable) was officially launched at the Shanghai CMEF exhibition. With its lightweight design of 960 grams and a service life of two million 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.



# Management Discussion and Analysis

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.



# Management Discussion and Analysis

## 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.

## Management Discussion and Analysis

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 electrophysical 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.

# Management Discussion and Analysis

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.

# Management Discussion and Analysis

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.

# Management Discussion and Analysis

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.

## Management Discussion and Analysis



In terms of inclusive healthcare and support for grassroots medical services, the Group focused on women's health and wellbeing. 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.



## Management Discussion and Analysis

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.

## Management Discussion and Analysis



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.

# Management Discussion and Analysis

## HONOURS

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

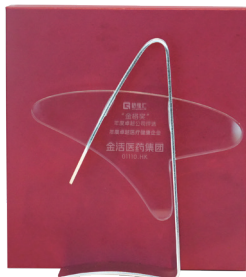
### Corporate Honours:

- 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 Jiaxing 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.



# Management Discussion and Analysis

## 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.



# Management Discussion and Analysis

## 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.



# Management Discussion and Analysis

## Ms. Chen Leshen (Executive Director):

- Selected for Southern Media Group's "The Most Beautiful Her";
- Outstanding Individual Award for Fulfilling Social Responsibility.



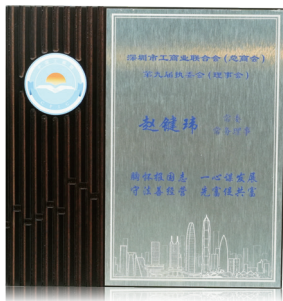
## Ms. Zhao Weiying (Assistant to the Chairman):

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



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

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



# Management Discussion and Analysis

## 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 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.

# Management Discussion and Analysis

## 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 32.3%, compared to 22.0% for the year ended 31 December 2024. The details are set out in Note 8 to the consolidated financial statements in this report.

## 9. Profit for the year

As a result of the foregoing, the Group recorded a net profit for the Year Under Review of approximately 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 increase in construction-in-progress during the Year Under Review.

# Management Discussion and Analysis

## 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.

## CASH FLOWS

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

During the Year Under Review, the Group's cash and cash equivalents increased by approximately RMB29,111,000, which mainly comprised the net cash inflow generated from operating activities with the amount of approximately RMB84,559,000, net cash outflow used in investing activities with the amount of approximately RMB20,105,000, net cash outflow used in financing activities with the amount of approximately RMB30,815,000 and the foreign exchange difference of approximately RMB4,528,000. Details of cash flows of the Group are set out in pages 97 and 98 of the "Consolidated Statement of Cash Flows" in this report.

## CAPITAL STRUCTURE

### 1. Indebtedness

The total indebtedness of bank loans of the Group, which will be due within one year as at 31 December 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.

# Management Discussion and Analysis

## 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 3.53%. 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 report.

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.

# Management Discussion and Analysis

## 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.

# Management Discussion and Analysis

## *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.

# Management Discussion and Analysis

## 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 RMB120,992,000 (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).

# Directors' and Senior Management's Biographies

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

## DIRECTORS

### EXECUTIVE DIRECTORS

**Mr. Zhao Li Sheng (趙利生)**, aged 67, was appointed as an executive Director of the Company on 25 September 2008. He is the co-founder of the Group and the chairman of the Company. He is primarily responsible for the Group's overall strategic planning and business management. He has over 30 years of experience in business management and development in the distribution of pharmaceutical and healthcare products. He was also appointed as the chairman of Shenzhen Kingworld Industry Company Limited ("**SZ Industry**") in 1994 and the general manager and chairman of SZ Kingworld Medicine Company Limited ("**SZ Kingworld**") in 1996. Mr. Zhao was qualified as a senior business manager by the Business Management Qualification Accreditation Committee of Hubei Province in December 2002. Mr. Zhao was a member of the standing committee (常委) of the 4th, 5th and 6th Shenzhen Committee of the Chinese People's Political Consultative Conference (深圳市政協第四、第五及第六屆委員會). Mr. Zhao was the vice-president of The Fifth Council of the Shenzhen General Chamber of Commerce (深圳市總商會(工商聯)第五屆理事會) in 2005. He was the honorary president of the Federation of Hong Kong Chiu Chow Community Organisations, the permanent honorary president of International Teochew Youth Federation, a member of the Greater China Council of The Nature Conservancy (TNC), an honorary director of Friends of Hong Kong Association Limited, and a standing council member (常務理事) of the Third Session of China Overseas Friendship Association (第三屆中華海外聯誼會) in 2008 and a standing council member (常務理事) of the Third China Economic and Social Council (第三屆中國經濟社會理事會) in 2009. Currently, he is the vice president (副會長) of the Shenzhen Healthcare Association (深圳市保健協會) and the Fifth Council of the Pharmaceutical Profession Association (深圳市醫藥行業協會第五屆理事會). He is also the chairman of the Youth Chawnese Committee of Shenzhen (深圳潮人海外經濟促進會青年委員會). He is (i) the spouse of Ms. Chan Lok San, an executive Director of the Company; and (ii) the father of Mr. Zhao Kin Wai (趙鍵璋), a member of the senior management of the Company.

## Directors' and Senior Management's Biographies

**Ms. Chan Lok San (陳樂樂)**, aged 62, was appointed as an executive Director of the Company on 25 September 2008. She is the co-founder of the Group. She is primarily responsible for the Group's financial planning and human resources management. She has over 27 years of experience in the pharmaceutical industry as well as over 16 years of experience in property management. Ms. Chan has been working for SZ Industry since 1994 and SZ Kingworld since 1996, respectively. She has been the vice chairlady of SZ Kingworld and SZ Industry since 2005 and 2006, respectively, and the vice chairlady of Shenzhen Kingworld Lifeshine Pharmaceutical Company Limited since 2005 and the legal representative of Shenzhen Kingworld Department Store Property Management Company Limited and Shenzhen King Gibson Golf Company Limited. In 2004, she received an EMBA master degree in integrated business administration from Sun Yat-Sen University, and was the culture and art consultant of Beijing Jingshan Central Axis, the vice-president of Federation of Shenzhen Industries, a visiting professor of Guangdong Food and Drug Vocational College (廣東省食品藥品職業學院), and a consultant of the Alumni Association of Lingnan College Sun Yat-sen University. In 2011, she was appointed as a committee of Shenzhen Golf Society and a vice-chairlady of Shenzhen Clothing Society. She served various roles in the society such as the vice program supervisor (副班長) and project consultant of the first Cross-Strait Exchange Program of Lingnan College Sun Yat-sen University, the executive vice-president, the president of Shenzhen Branch and the honorary president of the EMBA Alumni Association of Sun Yat-sen University (中山大學EMBA同學聯合會), the former president of the Couples' Club of Lingnan College Sun Yat-sen University (中大嶺院儷人行俱樂部), and a former consultant of the first session of the Development Advisory Committee of the EDP Education Center of Lingnan College Sun Yat-sen University (中大嶺院EDP教育中心第一屆發展顧問委員會). She was also a member of the Global Foundation of Distinguished Chinese (世界傑出華人基金會) in 2003. Since 25 December 2012, she has served as the chairlady of the EMBA Alumni Association of Sun Yat-Sen University. Currently, she is also the director (理事) of Sun Yat-Sen University Entrepreneur Alumni Association (Third Session) (第三屆中山大學企業家校友聯合會). She is (i) the spouse of Mr. Zhao Li Sheng, an executive Director of the Company; and (ii) the mother of Mr. Zhao Kin Wai (趙鍵璋), a member of the senior management of the Company.

**Mr. Zhou Xuhua (周旭華)**, aged 59, was appointed as an executive Director of the Company on 3 August 2009. He has been the general manager of SZ Kingworld since 2009. He is primarily responsible for the business development and operations of SZ Kingworld. He was the business manager of SZ Industry between 1994 and 1995 and was the regional manager and deputy general manager of SZ Kingworld after he joined SZ Kingworld in 1996. He has 28 years of experience in the pharmaceutical industry. Mr. Zhou has worked as a clerk and was later promoted to become a supervisor of Shenzhen International Arcade between 1987 and 1993. He completed his education at Shenzhen Finance School (深圳市財經學校) in 1987.

# Directors' and Senior Management's Biographies

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Duan Jidong (段繼東)**, aged 60, was appointed as an independent non-executive Director of the Company on 5 November 2010. He has approximately 35 years of experience in the pharmaceutical industry. Mr. Duan received a bachelor degree in medicine at The Shanghai Railway Medical Institute (上海鐵道醫學院) in 1989, and was a surgeon with the Central Hospital of Shenyang Railway Bureau (原瀋陽鐵路局中心醫院) from 1989 to 1994 and worked in the Beijing Mundipharma Pharmaceutical Company Limited (北京萌蒂製藥有限公司) from 1994 to 1998. Mr. Duan served as the chairman and legal representative of Kunming Baker Norton Pharmaceutical Company Limited from December 2002 to April 2006, a director of Holley Pharmaceutical (Chongqing) Co., Ltd. (重慶華立藥業股份有限公司, stock code : 000607), a company listed on the Shenzhen Stock Exchange, from 2005 to 2006, and a director of Wuhan Jianmin Pharmaceutical Groups Corp, Ltd. (武漢健民藥業集團股份有限公司, stock code: 600976), a company listed on the Shanghai Stock Exchange, from 2004 to 2006. He was a chief executive officer from 2002 to 2005, and a director from 2004 to 2006, of Kunming Pharmaceutical Group Corporation, Ltd. (昆明製藥集團股份有限公司, stock code: 600422), a company listed on the Shanghai Stock Exchange. From April 2008 to April 2011, he was an independent non-executive director of Zhejiang CONBA Pharmaceutical Company Limited (浙江康恩貝製藥股份有限公司, stock code: 600572), a company listed on the Shanghai Stock Exchange. Since February 2013, he has been an independent non-executive Director of Yan He Medicines Company Limited (仁和藥業股份有限公司, stock code : 000650), a company listed on the Shenzhen Stock Exchange. Currently, he is the chairman of Beijing Strategy & Action Enterprise Management Consulting Company Limited (北京時代方略企業管理諮詢有限公司).

**Mr. Wong Cheuk Lam (黃焯琳)**, aged 57, was appointed as an independent non-executive Director of the Company on 5 November 2010. He has over 30 years of experience in accounting and finance fields. Mr. Wong obtained a bachelor degree in arts from the University of Hong Kong in 1992 and a master degree in business from Victoria University of Technology, Australia in 1997. Mr. Wong is a member of the Hong Kong Institute of Certified Public Accountants, a member of CPA Australia and a Certified Taxpay Strategist (PRC). He is also an associate member of Hong Kong Chartered Governance Institute and an associate member of the Chartered Governance Institute. From 1994 to 2003, Mr. Wong worked in accounting positions in Sakura Finance Asia Limited, BOCI Securities Limited and Going Accounting Services Company. He worked at Zhengzhou China Resources Gas Company Limited (鄭州華潤燃氣股份有限公司), a company previously named Zhengzhou Gas Company Limited and was listed on the Stock Exchange as a company secretary from 2003 to January 2013, a chief financial officer from July 2005 to January 2013 and a financial controller from October 2007 to July 2010. From February 2015 to May 2015, Mr. Wong worked in Genvon Group Limited (currently named Beijing Enterprises Medical and Health Industry Group Limited), a company listed on the Main Board of the Stock Exchange (stock code: 2389), as financial controller and deputy company secretary. From May 2015 to June 2016, Mr. Wong was the CFO and company secretary of ASR Logistics Holdings Limited (currently named Beijing Sports and Entertainment Industry Group Limited), a company listed on the Main Board of the Stock Exchange (stock code: 1803). From August 2018 to October 2019, Mr. Wong was employed as the deputy company secretary of China Shun Ke Long Holdings Limited (中國順客隆控股有限公司), a company listed on the Main Board of the Stock Exchange (Stock code: 974). Since March 2020, Mr. Wong has worked in Megain Holding (Cayman) Co., Limited (美佳音控股有限公司) a company listed on the Main Board of the Stock Exchange (Stock code: 6939) as the company secretary.

## Directors' and Senior Management's Biographies

**Mr. Zhang Jianbin (張建斌)**, aged 65, was appointed as an independent non-executive Director of the Company on 1 August 2013. Mr. Zhang has over 33 years of experience in teaching and researching in the management aspect of marketing, services marketing and brand marketing, and in project consultation work. Mr. Zhang obtained a bachelor degree in engineering (industrial management engineering profession) from Wuhan University of Technology (formerly known as Wuhan Institute of Technology) in June 1982. Mr. Zhang completed a USA MBA program (organised by the graduate school of Columbia University and other universities) of Beijing Information Science & Technology University (formerly known as Beijing Institute of Machinery) in September 1986, and obtained a doctor's degree of economics (industrial economics profession) from the College of Economics, Jinan University in July 1999. Mr. Zhang worked in the Management Engineering Faculty of Wuhan University of Technology (formerly known as Wuhan Institute of Technology) as a teaching assistant and a lecturer from July 1982 to March 1989. He worked in the Management Engineering Faculty of Guangdong University of Technology (formerly known as Guangdong Institute of Technology) as a lecturer and an associate professor and served as the deputy director, director and deputy head of the Teaching and Research Department from March 1989 to June 1998. Mr. Zhang has been teaching at Jinan University since July 1998 and is an associate professor and a tutor to master's degree research students at the Management School of Jinan University. Mr. Zhang was also the director of the MBA Department and deputy director of the MBA education centre from 2003 to 2005. Mr. Zhang was a chief marketing consultant of the Fourth Shoe Factory (第四皮鞋廠) in Wuhan city from 1987 to 1989. He was a factory director of Zhongshan Precision Instrument Factory (中山先能精密儀器廠) from 1991 to 1992 and a manager of the Planning Department of Guangdong International Mass Advertising Media Company (廣東國際大眾廣告傳播公司) from 1992 to 1993. From 1993 to 1995, Mr. Zhang was a general manager of Guangdong Design and Planning Company (廣東創世紀設計策劃公司) and was a marketing consultant of Guangdong Construction Real Estate Company (廣東建業房地產公司) from 1995 to 1996. He was a marketing consultant of Guangdong Yihe Real Estate (Group) (廣東頤和地產(集團)有限公司) from 1997 to 2002 and a consultant of Guangdong Persian Technology Company Limited (廣東波斯科技股份有限公司) from 2002 to 2012. Mr. Zhang resigned as an independent non-executive Director of the Company on 1 August 2025.

**Dr. Chu Xiaoping (儲小平)**, aged 70, was appointed as an independent non-executive Director of the Company on 1 September 2024. Dr. Chu has extensive experience in corporate advisory for listed companies with his main research fields including enterprise theory, private enterprise (including private family business), organizational behavior and human resource management.

## Directors' and Senior Management's Biographies

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

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

### SENIOR MANAGEMENT

**Mr. Chan Hon Wan (陳漢雲)**, aged 65, was appointed as the financial controller and company secretary of the Company on 25 June 2009. Currently, he is also the authorised representative of the Company. He is responsible for the management of the Group's financial matters. Mr. Chan has over 40 years of experience in auditing and accounting fields. He served as a financial controller of Fairwood Fast Food Limited from 1995 to 1998. He also worked as a corporate finance director of Texwood Limited from 2000 to 2005 and a business director of Texwood Group from 2006 to 2008, respectively. Mr. Chan received a bachelor degree in economics from Macquarie University Australia in 1986. In 2005, he received a master degree in science (accountancy) from the Hong Kong Polytechnic University. He is an associate member of the Institute of Chartered Accountants in Australia and an associate member of the Hong Kong Institute of Certified Public Accountants.

**Ms. Fang Danna (方丹娜)**, aged 60, has been the financial manager of SZ Kingworld since 1995. She is primarily responsible for the management of SZ Kingworld's financial policies. Ms. Fang has 34 years of experience in the accounting industry. She worked for the accounting department of Shenzhen Xinwei Electronics Company Limited (深圳新偉電子有限公司) in 1989 before she joined SZ Industry as a financial manager in 1995. Ms. Fang completed a course in accounting from Wuhan University (武漢大學) in 1991.

## Directors' and Senior Management's Biographies

**Mr. Zhao Kin Wai (趙鍵璋)**, aged 35, joined the Group in 2017 as an assistant to the Chairman. He is mainly responsible for the informatization, product introduction and Longde business of the Group. Mr. Zhao obtained a master's degree from Columbia University in 2016. He is proficient in mathematics and business, and has working experience as a real estate financial analyst in the United States. He is the founding president of The Hong Kong Nanshan Federation of Youth Groups (香港南山青年協會), the president of Shenzhen Hong Kong Youth Association (深圳香港青年總會), and the executive vice chairman of Shenzhen Teochew Youth Association (深圳潮青會). He has been a CPPCC member in Nanshan District, Shenzhen since 2021. Mr. Zhao Kin Wai is the son of Mr. Zhao Li Sheng, the Chairman and an executive Director of the Company, and Ms. Chan Lok San, an executive Director of the Company.

**Mr. Liu Jinwu (劉金武)**, aged 47, is the deputy controller of the pharmaceutical department of SZ Kingworld. He is mainly responsible for the market planning, promotion and market management of various products of the pharmaceutical department. Mr. Liu has over 19 years of experience in marketing and management operations. In 2005, he worked in the marketing department of Shenzhen Jie Nuo Import and Export Trading Company (深圳傑諾進出口貿易公司). Mr. Liu graduated from Hunan College of Traditional Chinese Medicine majoring in traditional Chinese medicine in 2002. He joined SZ Kingworld in 2007.

**Mr. Xie Yaoliang (謝耀樑)**, aged 55, is the executive sales and marketing general manager of SZ Kingworld. He is mainly responsible for the sales of the pharmaceutical segment. Mr. Xie has over 26 years of experience in the pharmaceutical field. In 2014, he completed the relevant courses of the Zhongda Kingworld EMBA Seminar (中大金活EMBA課程研修班) of Sun Yat-sen University. Mr. Xie joined SZ Kingworld in 1999.

**Ms. Zhang Yingxia (張迎霞)**, aged 50, is the controller of the operation management center SZ Kingworld. She is mainly responsible for the coordination and management of pharmaceutical business operations and the data construction of the Group. Ms. Zhang has over 24 years of experience in the pharmaceutical industry. She graduated from Nanjing University majoring in international affairs in 1995, and graduated from Nanjing Academy of Political Science majoring in law in 2004. Ms. Zhang joined SZ Kingworld in 2008.

**Mr. Xing Guang Qian (邢光前)**, aged 45, is the controller of Zhejiang-Shanghai region of SZ Kingworld. He is primarily responsible for the sales and management in Beijing, Shanghai, Zhejiang, Jiangxi and Shandong. Mr. Xing has over 24 years of experience in the pharmaceutical industry. He was a lecturer at Zhejiang Dianzi University from 2014 to 2017. Mr. Xing completed the relevant courses of Innovative Development EMBA Advanced Seminar (創新發展EMBA高級研修班) of Shanghai Jiao Tong University in 2020. He joined SZ Kingworld in 2013.

**Mr. Fang Jia Zhi (方嘉治)**, aged 43, is the manager of the investment center of Kingworld Medicines Group Limited. He is primarily responsible for affairs of the investment center of the Group. Mr. Fang has over 18 years of experience in corporate restructuring and investment related fields. From 2007 to 2010, he served as the head of the securities department of SZ Kingworld, where he participated in the preparation for the listing of the Company; from November 2010 to February 2015, he served as controller, deputy manager and manager of the investment center of SZ Kingworld successively, where he participated in and was responsible for project research, equity participation and acquisition matters. Since August 2015, he has successively served as the manager and deputy director of the investment development centre of the Group, and currently serves as the director, responsible for the investment business of the Group. Since 2021, he has served as a supervisor of Fat Chi Medicine Company Limited (佛慈藥廠有限公司), a Hong Kong company. Mr. Fang graduated from School of Law of Huaqiao University majoring in law in 2006. He joined SZ Kingworld in 2007.

## Directors' and Senior Management's Biographies

**Mr. Huang Zhihui (黃志輝)**, aged 34, is the manager of the audit and supervision center of the Group. He is primarily responsible for formulating, implementing and reviewing the internal control of SZ Kingworld. Mr. Huang completed accounting related courses at Central South University in 2019. He joined SZ Kingworld in 2016.

**Ms. Wang Hui (王慧)**, aged 42, executive controller of Human Resource Center of SZ Kingworld. She is responsible for human resource management of the Group. Ms. Wang has over 19 years of experience in the human resource management field. She has been worked for Human Resource Center of Philips Respiration since 2007. She served as training manager of DOVINIE from 2010 to 2016 and training consultant of Shenzhen Jiufu Chaoneng (深圳玖富超能) from 2016 to 2018. Ms. Wang obtained Master degree in Human Resource Management from Keele University of UK in 2007. She joined SZ Kingworld in 2018.

**Mr. Chen Yong (陳勇)**, aged 53, manager of the finance department of SZ Kingworld. He is primarily responsible for the finance work of SZ Kingworld Medicine (深圳金活醫藥) and Dong Di Xin. Mr. Chen has over 33 years of experience in the financial accounting industry. He worked for accounting department of Yuan Cheng CCB House Credit (源城建行房信) in 1994, accounting department of Zhuhai Red Flag CCB (珠海紅旗建行) in 1997 and finance department of Shenzhen Mumianhua Hotel (深圳市木棉花酒店) in 2001. Mr. Chen obtained financial practice qualification from Ministry of Personnel of the People's Republic of China in 2000. He obtained intermediate certificate in accounting from Ministry of Finance of the People's Republic of China in 2006. Mr. Chen graduated from Foshan Agricultural and Animal Husbandry College (佛山農牧高等專科學校) in 1994. He joined SZ Kingworld in 2004.

**Mr. Chen Yueyue (陳躍躍)**, aged 44, controller of SZ Kingworld in East China. He is primarily responsible for the sales management. Mr. Chen has over 14 years of experience in the medicine sales industry. He graduated from Nanjing University of Chinese Medicine in 2005. Mr. Chen joined SZ Kingworld in 2011.

**Mr. Ceng Yun (曾濶)**, aged 55, is the controller of the Hong Kong wholesale department of SZ Kingworld. He is primarily responsible for the cross-border e-commerce wholesale business of the Company. Mr. Ceng has 29 years of experience as a sales manager in the pharmaceutical industry. Mr. Ceng completed a master degree in industrial economics from Nanchang University (南昌大學) in 2001. He joined SZ Kingworld in 1996.

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

# Corporate Governance Report

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

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

# Corporate Governance Report

## BOARD OF DIRECTORS

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

As at 31 December 2025, the Board comprises a total of six Directors, being three executive Directors (the "**Executive Directors**"), and three independent non-executive Directors (the "**Independent Non-executive Directors**"). Mr. Zhao Li Sheng, Ms. Chan Lok San and Mr. Zhou Xuhua served as Executive Directors and Mr. Duan Jidong, Mr. Wong Cheuk Lam and Dr. Chu Xiaoping served as Independent Non-executive Directors. These Independent Non-executive Directors, who have different business and professional backgrounds, have brought valuable experience and expertise for the best interests of the Group and its Shareholders. Each Independent Non-executive Director, except Dr. Chu Xiaoping, has been appointed for a 3-years term of services. Dr. Chu Xiaoping has been appointed for a 1-year term of services. Biographical details of and the relationship between the Directors are set out in the paragraph headed "Directors' and Senior Management's Biographies" of this annual report.

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

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

Throughout the Year Under Review and up to the date of this report, the Company has complied with the requirements under Rules 3.10(1) and (2) and 3.10A of the Listing Rules and has appointed three Independent Non-executive Directors, representing more than one-third of the number of Directors at the Board, with at least one Independent Non-executive Director possessing the appropriate professional qualifications, or accounting or related financial management expertise.

## Corporate Governance Report

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

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

Accordingly, Mr. Zhao Li Sheng and Mr. Duan Jidong shall retire at the forthcoming annual general meeting of the Company. The retiring Directors, all being eligible, offer themselves for re-election.

# Corporate Governance Report

## BOARD DIVERSITY POLICY

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

As at 31 December 2025, the Group employed a total of 732 employees, the overall gender ratio in the workforce for male to female was male 47.8% to female 52.2%.

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

## BOARD COMMITTEES

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

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

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

# Corporate Governance Report

## 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, the results announcement, this annual report, the accounting principles and practices adopted by the Group, as well as the risk management and internal control systems of the Group for the Year Under Review, and agreed with the accounting treatments adopted by the Group, and was of the opinion that the preparation of the financial statements in this annual report complies with the applicable accounting standards and the requirements under the Listing Rules and adequate disclosures have been made.

## REMUNERATION COMMITTEE

The Company established a remuneration committee (the “**Remuneration Committee**”) on 5 November 2010 and has formulated its written terms of reference, which have from time to time been modified in accordance with the prevailing provisions of the CG Code. The terms of reference were updated on 30 December 2022, in accordance with the prevailing provision of the CG Code. The Remuneration Committee has three members, namely Mr. Duan Jidong, Dr. Chu Xiaoping and Mr. Wong Cheuk Lam, who are Independent Non-executive Directors. Dr. Chu has been appointed as the chairman of the Remuneration Committee.

# Corporate Governance Report

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

During the Year Under Review, in relation to the grant of share awards dated 4 July 2025 pursuant to the Share Award Scheme, the Remuneration Committee reviewed, approved and recommended the share awards granted to the Directors and senior managers of the Group to the Administration Committee of the Share Award Scheme and the Board, respectively. The Remuneration Committee considered appropriate for the Company to grant share awards to the the Directors and senior managers of the Group with a vesting period less than 12 months as set out in rule 17.03(F) and without performance targets and clawback mechanism applied to the share awards granted to the Directors and senior managers of the Group. The Remuneration Committee was aware that the purposes of the Share Award Scheme were, including but not limited to, to recognise the past contributions, to provide incentives in retaining talents and to attract suitable personnel for further development of the Group. Having considered that (i) the Directors and senior managers of the Group contributed directly to the overall business performance of the Group, and (ii) the grant of share awards was a recognition of their respective past contributions to the Group, the Remuneration Committee was of the view that the grant of share award to the Group's directors and senior managers on 4 July 2025 would be in line with the purposes of the Share Award Scheme.

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

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

## NOMINATION COMMITTEE

The Company established a nomination committee (the "**Nomination Committee**") on 5 November 2010 and has formulated its written terms of reference, which have from time to time been modified in accordance with the prevailing provisions of the CG Code. The Nomination Committee has three members, namely Mr. Duan Jidong, Dr. Chu Xiaoping and Mr. Wong Cheuk Lam. Mr. Duan has been appointed as the chairman of the Nomination Committee.

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

# Corporate Governance Report

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

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

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

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

## **BOARD/COMMITTEE MEETINGS AND INDIVIDUAL ATTENDANCE**

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

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

# Corporate Governance Report

Details of the attendance records of Directors on Board meetings and board committee meetings for the year ended 31 December 2025 are as follows:

Name of Directors	Board of Directors	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
<b>Executive Directors</b>					
Mr. Zhao Li Sheng ( <i>Chairman</i> )	5/5	–	–	–	1/1
Ms. Chan Lok San	5/5	–	–	–	1/1
Mr. Zhou Xuhua	5/5	–	–	–	1/1
<b>Independent Non-executive Directors</b>					
Mr. Duan Jidong	5/5	2/2	3/3	2/2	1/1
Mr. Wong Cheuk Lam	5/5	2/2	3/3	2/2	1/1
Dr. Chu Xiaoping	5/5	2/2	3/3	2/2	1/1
Mr. Zhang Jianbin (resigned on 1 August 2025)	3/5	1/2	2/3	1/2	1/1

Subsequent to the year ended 31 December 2025 and up to the date of this report, the Board held another Board meeting in March 2026 for the main purposes of approving the annual results of the Group for the year ended 31 December 2025 and this annual report for publication and formulating business development strategies. All Directors attended such meeting.

## TRAINING AND SUPPORT OF DIRECTORS

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

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

# Corporate Governance Report

Name of Directors	Training received
Mr. Zhao Li Sheng	— Reading materials/attending external and in house seminars and programmes
Ms. Chan Lok San	— Reading materials/attending external and in house seminars and programmes
Mr. Zhou Xuhua	— Reading materials/attending external and in house seminars and programmes
Mr. Duan Jidong	— Reading materials/attending external and in house seminars and programmes
Mr. Wong Cheuk Lam	— Reading materials/attending external and in house seminars and programmes
Dr. Chu Xiaoping	— Reading materials/attending external and in house seminars and programmes
Mr. Zhang Jianbin (resigned on 1 August 2025)	— Reading materials/attending external and in house seminars and programmes

## RESPONSIBILITIES OF THE DIRECTORS AND EXTERNAL AUDITORS

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

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

## BUSINESS COMPLIANCE AND ANTI-CORRUPTION

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

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

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

# Corporate Governance Report

During the Year Under Review, there were no reported legal proceedings regarding any corrupt practices of our employees relating to bribery, extortion, fraud and/or money laundering. Though the Group did not provide any internal anti-corruption training to Directors and employees during the Year Under Review, they are encouraged to attend anti-corruption training provided by external parties at the Company's expenses.

## REMUNERATION OF EXTERNAL AUDITORS

For the year ended 31 December 2025, the remuneration paid to the external auditors in Hong Kong and the PRC, for audit services amounted to approximately RMB1,532,000 (equivalent to approximately HK\$1,666,000).

For the year ended 31 December 2025, the total remuneration for the permissible non-audit services provided by the external auditors amounted to RMB581,000 (equivalent to approximately HK\$534,000), mainly represents remuneration for interim review services.

## INTERNAL CONTROL, RISK MANAGEMENT AND INTERNAL COMPLIANCE GUIDELINES

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

The Board has assigned internal audit department to conduct a review on the internal control system, work flow and risk management system of the Group on an annual basis. The result for the year ended 31 December 2025 was satisfactory. Such systems and work flow are compliant with the internal compliance guidelines of the Group.

For the year ended 31 December 2025, through reviews conducted by the Audit Committee and study results from the internal audit department, the Board has conducted a review on the effectiveness of internal control system, the risk management system and the internal compliance guidelines, and has come to the conclusion that such systems and guidelines have been effectively and adequately executed and followed.

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

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

# Corporate Governance Report

## CORPORATE GOVERNANCE MEASURES

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

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

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

## DIRECTORS' INSURANCE

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

## COMPANY SECRETARY

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

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

## CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2025, there had been no significant change in the Company's constitutional documents, a copy of which is available on the websites of the Stock Exchange and the Company.

# Corporate Governance Report

## SHAREHOLDERS' RIGHTS

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

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

### *Procedures for directing Shareholders' enquiries to the Board*

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

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

## INVESTOR RELATIONS

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

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

On behalf of the Board

**Kingworld Medicines Group Limited**

**Mr. Zhao Li Sheng**

*Chairman of the Board*

Hong Kong, 31 March 2026

# Report of the Directors

The Directors have pleasure in presenting the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2025 (the “**Financial Statements**”).

## PRINCIPAL BUSINESS

The Company is an investment holding company. The Group is principally engaged in (i) distribution of imported branded pharmaceutical and healthcare products in the PRC; and (ii) manufacturing and sales of electrotherapeutic, physiotherapeutic devices and general medical examination devices. As at 31 December 2025, the Group managed a portfolio of eleven categories with more than sixty products including pharmaceutical products, healthcare products, general foodstuffs and medical products from fourteen suppliers and/or manufacturers in Japan, the United States, Canada, Hong Kong, Taiwan, Thailand and the PRC. Many of the products distributed by the Group are established brand names including Nin Jiom Chuan Bei Pei Pa Koa, Taiko Seirogan, Kingworld Imada Red Flower Oil and Innopharm product series. Amongst these brands, Nin Jiom Chuan Bei Pei Pa Koa has always been the best-seller product of the Group and is also the best-selling Chinese medical cough relieving product in the PRC, which is the leading product with the largest market share.

## RESULTS AND DIVIDENDS

Profit of the Group for the year ended 31 December 2025 and the state of affairs of the Company and the Group as at that date are set out in the Financial Statements on pages 92 to 201 of this report.

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).

## POLICY ON PAYMENT OF DIVIDENDS

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

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

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

# Report of the Directors

## 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.

## BUSINESS REVIEW

A review of the business of the Group for the Year Under Review and a discussion on the Group's future business development are provided in the "Management Discussion and Analysis" on pages 11 to 46. An analysis of the Group's performance during the Year Under Review using financial key performance indicators is provided in the five-year "Financial Summary" on page 202. No important event affecting the Group has occurred since the end of the Year Under Review.

## ENVIRONMENTAL POLICY

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

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

## COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

# Report of the Directors

## RELATIONSHIP WITH STAKEHOLDERS

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

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

## KEY RISKS AND UNCERTAINTIES

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

### *Market Risk*

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

### *Foreign exchange risk*

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

### *Liquidity Risk*

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

### *Operational Risk*

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

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

## LITIGATION AND CONTINGENT LIABILITIES

Save as disclosed in the paragraph headed "Litigation" on page 43 of this report, as at 31 December 2025, the Group did not have any material contingent liabilities, legal proceedings or potential proceedings.

## SHARE OPTION SCHEME

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

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

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

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

- (b) The total number of shares issued and to be issued upon the exercise of options granted to each participant (including both exercised and outstanding options) under the New Share Option Scheme and any other share option schemes of the Company in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue.
- (c) The subscription price of a share in respect of any particular option granted under the New Share Option Scheme shall be a price solely determined by the Board and notified to the relevant participant and shall be at least the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average of the closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of the Company's shares on the date of grant of the option.
- (d) An option may be exercised in accordance with the terms of the New Share Option Scheme at any time during a period as the Board may determine, which shall not exceed 10 years from the date of grant subject to the provisions of early termination thereof.

## Report of the Directors

- (e) Any grant of an option to a director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by the Independent Non-executive Directors (excluding any Independent Non-executive Director who is the grantee of the option).
- (f) The New Share Option Scheme shall be valid and effective for a period of ten years commencing on the Adoption Date (that is, 20 August 2021).

All share options granted under the Share Option Scheme were lapsed as at 31 December 2021. No share option was granted under the New Share Option Scheme during the Year Under Review. The New Share Option Scheme was terminated by the Board on 14 April 2025.

### SHARE AWARD SCHEME

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

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

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

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

At the beginning and the end of the financial year ended 31 December 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.

## Report of the Directors

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	Number of awards vested in 2025	The number of awards cancelled in 2025	The number of awards which lapsed in accordance with the terms of the scheme in 2025
				of the shares immediately before the date on which the awards were granted (HK\$ per share)		together with the purchase price of the cancelled awards	
<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 (陳樂樂)	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 (Excluding the Directors)</b>							
Employees/Other Grantees	4 July 2025	2,864,000	4 July 2025	0.55	2,864,000	nil	nil

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

# Report of the Directors

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.

## **BORROWINGS**

Details of the Group’s bank borrowings as at 31 December 2025 are set out in Note 28 to the consolidated financial statements.

## **EQUITY-LINKED AGREEMENTS**

During the year ended 31 December 2025, other than the Share Option Scheme of the Company as disclosed above, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the Year Under Review or subsisted at the end of the year.

## **DIRECTORS’ INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE**

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

## **PERMITTED INDEMNITY PROVISION**

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

## **GOING CONCERN**

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

# Report of the Directors

## PUBLIC FLOAT

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

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

For the year ended 31 December 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.

## SHARE CAPITAL

Details of the share capital of the Company are set out in Note 31 to the consolidated financial statements.

## RESERVES

Details of change in reserves of the Group and the Company are set out on page 96 of the "Consolidated Statement of Changes in Equity" and Note 31 to the consolidated financial statements.

## CHARITY DONATIONS

Charity donations made by the Group during the Year Under Review was approximately RMB10,689,000 (2024: approximately RMB9,574,000).

## PROPERTY, PLANT AND EQUIPMENT

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

## INVESTMENT PROPERTIES

The Group's investment properties were revalued as at 31 December 2025, increase in fair value of investment properties arising on revaluation amounting to approximately RMB6,840,000 has been charged to the consolidated statement of profit or loss. Details of the Group's investment properties as at 31 December 2025 are set out in Note 14 of the consolidated financial statements and on pages 203 to 204 of this report.

# Report of the Directors

## PRE-EMPTIVE RIGHTS

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

## SUBSIDIARY COMPANIES

Details of the major subsidiary companies of the Company as at 31 December 2025 are set out in Note 15 to the consolidated financial statements.

## DIRECTORS

The Directors of the Company during the year ended 31 December 2025 and up to the date of this report have been:

### *Executive Directors*

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

### *Independent Non-executive Directors*

Mr. Duan Jidong  
Mr. Wong Cheuk Lam  
Dr. Chu Xiaoping  
Mr. Zhang Jianbin (*resigned on 1 August 2025*)

## BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management of the Company are set out on pages 47 to 53 under the section headed "Directors' and Senior Management's Biographies" in this annual report.

## CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

# Report of the Directors

## REMUNERATIONS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

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

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

The five highest paid individuals of the Group in the Year Under Review include 2 Directors (2024: 3 Directors). Details of the five highest paid individuals are set out in Note 12 to the consolidated financial statements.

## SERVICE CONTRACTS OF DIRECTORS

### *Executive Directors*

Each of the Executive Directors has entered into a service contract with the Company for a term of three years commencing from the Listing Date and may be terminated by not less than three months' prior notice in writing served by either party to the other. Subject to the retirement and re-election at the annual general meeting of the Company in accordance with (inter alia) the Articles of Association, the latest service contract was renewed on 25 November 2025 until being terminated pursuant to the terms of the service contract.

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

	<b>RMB'000</b>
Mr. Zhao Li Sheng	1,468
Ms. Chan Lok San	1,328
Mr. Zhou Xuhua	415

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

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

# Report of the Directors

## *Independent Non-executive Directors*

Each of the Independent Non-executive Directors (other than Dr. Chu Xiaoping) has signed a letter of appointment with the Company for a term of three years commencing on the Listing Date and may be terminated by giving three months' notice in writing thereof by either party to the other. Subject to the retirement and re-election at the annual general meeting of the Company in accordance with (inter alia) the Articles of Association, the latest letter of appointment was renewed on 25 November 2025 until being terminated pursuant to the terms of the letter of appointment. Dr. Chu Xiaoping has signed a letter of appointment with the Company for a term of one year commencing from 1 September 2024, which may be terminated by giving three months' notice in writing by either party to the other. The latest letter of appointment was renewed on 1 September 2025.

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

	<b>RMB'000</b>
Mr. Duan Jidong	257
Mr. Wong Cheuk Lam	271
Dr. Chu Xiaoping	266
Mr. Zhang Jianbin ( <i>resigned on 1 August 2025</i> )	169

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

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

## **DIRECTORS' INTERESTS IN COMPETING BUSINESS**

Save as disclosed under the paragraph headed "Continuing Connected Transactions", during the year ended 31 December 2025, no Director is considered to have interests in the businesses which compete or are likely to compete directly or indirectly with the businesses of the Group.

# Report of the Directors

## DISCLOSURE OF INTERESTS

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

As at 31 December 2025, the interests and short positions held by the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange, were as follows:

#### (i) Interest in the shares in the Company:

Name of Directors	Capacity/Nature of Interest	Number of shares in the Company held	Approximate percentage of the Company's total issued share capital
Zhao Li Sheng <sup>(Note 1)</sup>	Beneficial owner	24,888,000	4.00%
	Interest of spouse	90,588,000	14.55%
	Interest of a controlled corporation	297,812,250	47.84%
Chan Lok San <sup>(Note 2)</sup>	Beneficial owner	588,000	0.09%
	Interest of spouse	322,700,250	51.84%
	Interest of a controlled corporation	90,000,000	14.46%
Zhou Xuhua <sup>(Note 3)</sup>	Beneficial owner	353,600	0.06%
	Interest of spouse	2,380,000	0.38%
Duan Jidong	Beneficial owner	288,000	0.05%
Wong Cheuk Lam	Beneficial owner	288,000	0.05%

Notes:

- In addition to 24,888,000 shares which are beneficially owned by Mr. Zhao Li Sheng (“**Mr. Zhao**”), Mr. Zhao is deemed (by virtue of the SFO) to be interested in 388,400,250 shares in the Company. These shares are held in the following capacities:
  - 297,812,250 shares are held by Golden Land International Limited (“**Golden Land**”). Mr. Zhao is the beneficial owner of the entire issued share capital of Golden Land, therefore, Mr. Zhao is deemed to be interested in the 297,812,250 shares held by Golden Land. Mr. Zhao is also the sole director of Golden Land.

## Report of the Directors

- (b) 588,000 shares are held by Ms. Chan Lok San (“**Ms. Chan**”), the spouse of Mr. Zhao, in her own name and 90,000,000 shares are held by Golden Morning International Limited (“**Golden Morning**”). Ms. Chan, is the beneficial owner of the entire issued share capital of Golden Morning, therefore, Mr. Zhao is also deemed to be interested in the 588,000 shares held by Ms. Chan and 90,000,000 shares held by Golden Morning.
2. Ms. Chan is deemed (by virtue of the SFO) to be interested in 413,288,250 shares in the Company. These shares are held in the following capacities:
- (a) 588,000 shares are held by Ms. Chan in her own name and 90,000,000 shares are held by Golden Morning. Ms. Chan is the beneficial owner of the entire issued share capital of Golden Morning, therefore, Ms. Chan is deemed to be interested in the 90,000,000 shares held by Golden Morning. Ms. Chan is also the sole director of Golden Morning.
- (b) 24,888,000 shares are held by Mr. Zhao Li Sheng, the spouse of Ms. Chan, in his own name and 297,812,250 shares are held by Golden Land. Mr. Zhao is the beneficial owner of the entire issued share capital of Golden Land, therefore, Ms. Chan is also deemed to be interested in the 24,888,000 shares held by Mr. Zhao and the 297,812,250 shares held by Golden Land.
3. 353,600 shares are held by Mr. Zhou Xuhua (“**Mr. Zhou**”), in his own name and Mr. Zhou is also deemed (by virtue of the SFO) to be interested in 2,380,000 shares in the Company held by his spouse, Ms. Huang Xiaoli.

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

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

As at 31 December 2025, save as disclosed above, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange.

Save as disclosed above, as at 31 December 2025, none of the Directors is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

## Report of the Directors

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

As at 31 December 2025, so far as was known to the Directors, the interests or short positions held by the following persons (other than the Directors) in the shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or the interests or short positions recorded in the register kept by the Company under section 336 of the SFO were as follows:

#### Interests in the Shares

Name of Shareholders	Capacity/Nature of Interest	Number of shares in the Company held	Approximate percentage of the Company's total issued share capital
Golden Land	Beneficial owner	297,812,250	47.84%
Golden Morning	Beneficial owner	90,000,000	14.46%
Zhao Li Sheng <sup>(Note 1)</sup>	Beneficial owner	24,888,000	4.00%
	Interest of spouse	90,588,000	14.55%
	Interest of a controlled corporation	297,812,250	47.84%
Chan Lok San <sup>(Note 2)</sup>	Beneficial owner	588,000	0.09%
	Interest of spouse	322,700,250	51.84%
	Interest of a controlled corporation	90,000,000	14.46%
Sinopharm Healthcare Fund L.P.	Beneficial owner	28,879,117	4.64%
Sinopharm Capital Limited <sup>(Note 3)</sup>	Interest of a controlled corporation	28,879,117	4.64%
	Beneficial owner	1,312,687	0.21%
Sun Hill Capital Investments Limited <sup>(Note 4)</sup>	Interest of a controlled corporation	30,191,804	4.85%
Wu Aimin <sup>(Note 5)</sup>	Interest of a controlled corporation	30,191,804	4.85%

Notes:

1. In addition to 24,888,000 shares which are beneficially owned by Mr. Zhao, Mr. Zhao is deemed (by virtue of the SFO) to be interested in 388,400,250 shares in the Company. These shares are held in the following capacities:
  - (a) 297,812,250 shares are held by Golden Land. Mr. Zhao is the beneficial owner of the entire issued share capital of Golden Land, therefore, Mr. Zhao is deemed to be interested in the 297,812,250 shares held by Golden Land. Mr. Zhao is also the sole director of Golden Land.
  - (b) 588,000 shares are held by Ms. Chan, the spouse of Mr. Zhao, in her own name and 90,000,000 shares are held by Golden Morning. Ms. Chan is the beneficial owner of the entire Issued share capital of Golden Morning, therefore, Mr. Zhao is also deemed to be interested in the 588,000 shares held by Ms. Chan and 90,000,000 shares held by Golden Morning.

## Report of the Directors

2. Ms. Chan is deemed (by virtue of the SFO) to be interested in 413,288,250 shares in the Company. These shares are held in the following capacities:
  - (a) 588,000 shares are held by Ms. Chan in her own name and 90,000,000 shares are held by Golden Morning. Ms. Chan is the beneficial owner of the entire issued share capital of Golden Morning, therefore, Ms. Chan is deemed to be interested in the 90,000,000 shares held by Golden Morning. Ms. Chan is also the sole director of Golden Morning.
  - (b) 24,888,000 shares are held by Mr. Zhao, the spouse of Ms. Chan, in his own name and 297,812,250 shares are held by Golden Land. Mr. Zhao is the beneficial owner of the entire issued share capital of Golden Land, therefore, Ms. Chan is also deemed to be interested in the 24,888,000 shares held by Mr. Zhao and the 297,812,250 shares held by Golden Land.
3. The corporate substantial shareholder notice filed by Sinopharm Capital Limited indicated that it controlled 1.79% interest in Sinopharm Healthcare Fund L.P.
4. The corporate substantial shareholder notice filed by Sun Hill Capital Investments Limited indicated that it controlled 100% interest in Sinopharm Capital Limited and indirectly controlled 1.79% interest in Sinopharm Healthcare Fund L.P.
5. The individual substantial shareholder notice filed by Wu Aimin indicated that he controlled 85% interest in Sun Hill Capital Investments Limited, indirectly controlled 100% interest in Sinopharm Capital Limited, and 1.79% interest in Sinopharm Healthcare Fund L.P.

Save as disclosed above, to the best knowledge of the Directors of the Company, as at 31 December 2025, no person (other than the Directors) had any interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or any interest or short positions recorded in the register kept by the Company under section 336 of the SFO.

### DIRECTORS' RIGHTS IN ACQUIRING SHARES AND DEBENTURES

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

# Report of the Directors

## DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed under the paragraph headed "Continuing Connected Transactions", as at 31 December 2025 and during any time for the year ended 31 December 2025, there was no contract of significance (as defined in Appendix D2 to the Listing Rules) subsisting in which a Director is or was materially interested, whether directly or indirectly.

Save as disclosed under the paragraph headed "Continuing Connected Transactions", as at 31 December 2025 and during any time for the year ended 31 December 2025, there was no contract of significance in relation to the Company's business subsisting to which the Company, its subsidiary, its holding company or a subsidiary of its holding company was a party and in which a Director has or had, or at any time during that period, in any way, whether directly or indirectly, a material interest.

Save as disclosed under the paragraph headed "Continuing Connected Transactions", as at 31 December 2025 and during any time for the year ended 31 December 2025, none of the Directors was in any way, directly or indirectly, materially interested in any contract of significance entered into or proposed to be entered into with the Company in relation to the Company's business.

## MANAGEMENT CONTRACTS

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

## CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2025, the Group entered into various transactions with certain individuals and entities that are regarded as connected persons of the Company (as defined under Chapter 14A of the Listing Rules). Details of these individuals and entities are set out in Note 37 to the consolidated financial statements.

The recurring related party transactions set out in Note 37 to the consolidated financial statements fall within the definition of "continuing connected transaction" under Chapter 14A of the Listing Rules while the key management remuneration set out in Note 11 to the consolidated financial statements do not fall within the definition of "connected transaction" or "continuing connected transaction" under Chapter 14A of the Listing Rules. The Company has complied with the relevant disclosure requirements in accordance with Chapter 14A of the Listing Rules.

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

## Report of the Directors

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

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

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

Transaction	Member of the Group	Connected person	Actual transaction amounts for the year ended 31 December 2025	Annual cap for the year ended 31 December 2025
			RMB'000	RMB'000
Purchase and distribution of Pharmaceutical and Healthcare Products from SZ Kingworld Lifeshine	SZ Kingworld	SZ Kingworld Lifeshine	26,003	83,856
Purchase and distribution of Pharmaceutical and Healthcare Products from Yuen Tai	HK Kingworld/ SZ Kingworld	Yuen Tai	34	4,837

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

#### **2024 SZ Kingworld Lifeshine Master Distribution Agreement**

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

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

## Report of the Directors

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

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

### ***2024 Yuen Tai Master Distribution Agreement***

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

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

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

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

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

- (i) in the ordinary and usual course of business of the Group;
- (ii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and
- (iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

## Report of the Directors

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

- (i) have received the approval of the Board;
- (ii) did not involve the provision of goods or services by the Group;
- (iii) have been entered into in accordance with the relevant agreements governing the transactions; and
- (iv) did not exceed the respective annual caps as disclosed in the Circular and announcement of the Company dated 15 December 2023.

### PLEDGE OF ASSETS

As at 31 December 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.

### LIQUIDITY AND CAPITAL RESOURCES

The Group has met its working capital needs mainly through cash generated from operations and various long and short-term bank borrowings. For the Year Under Review, the effective interest rate for the Group's bank loans ranged from 2.70% to 3.18%. Taking into account the cash flow generated from operations and the long and short-term bank borrowing facilities available to the Group, the Directors are of the view that the Group has sufficient working capital to meet its current liquidity demand and the liquidity demand within at least 12 months from the date of this report.

As at 31 December 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.

### MAJOR CUSTOMERS AND SUPPLIERS

During the Year Under Review, the total revenue of the Group's five largest customers accounted for approximately 24.8% of the Group's revenue, in which revenue from the largest customer of the Group accounted for approximately 9.3% of the total revenue of the Group. During the same period, total purchases of the Group's five largest suppliers accounted for approximately 84.2% of the Group's total purchase, in which purchase from the largest supplier of the Group accounted for approximately 75.9% of the total purchase of the Group.

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

# Report of the Directors

## TAX RELIEF AND EXEMPTION

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

## EMPLOYEE BENEFITS

Details of the employee benefits of the Group for the year ended 31 December 2025 are set out in Note 34 to the consolidated financial statements. No forfeited contributions (by the Group on behalf of employees who leave the defined contribution plans prior to vesting fully in such contributions) can be used by the Group to reduce the existing level of contributions. In order to continue to maintain the sustainable development of the Group's competitiveness, the Group has paid close attention to the external competitiveness, internal fairness of its remuneration structure and the cost-effectiveness of employee's remuneration and performance management with emolument policy in place. For the year ended 31 December 2025, employees' remuneration (including the directors and senior management of the Group) comprised of basic salary, bonus and shares awarded under the Share Award Scheme.

## EVENT AFTER THE REPORTING PERIOD

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

## AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2025 have been audited by Crowe (HK) CPA Limited ("**Crowe**"). Crowe will retire as auditor at the conclusion of the forthcoming annual general meeting and being eligible, offer themselves for re-appointment. A resolution will be submitted to the forthcoming annual general meeting of the Company for the re-appointment of Crowe as the auditor of the Company.

On behalf of the Board

**Kingworld Medicines Group Limited**

**Mr. Zhao Li Sheng**

*Chairman of the Board*

Hong Kong, 31 March 2026

# Independent Auditor's Report



國富浩華(香港)會計師事務所有限公司

**Crowe (HK) CPA Limited**

Member Crowe Horwath International

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

## TO THE SHAREHOLDERS OF KINGWORLD MEDICINES GROUP LIMITED

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

### OPINION

We have audited the consolidated financial statements of Kingworld Medicines Group Limited (the “**Company**”) and its subsidiaries (the “**Group**”) set out on pages 92 to 201, which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

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

# Independent Auditor's Report

## KEY AUDIT MATTERS

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

### *The Key Audit Matter*

#### **(a) Impairment of goodwill**

(Refer to notes 2(j)(ii) and 16 to the consolidated financial statements)

At 31 December 2025, the Group has goodwill of RMB90,693,000 arising from the acquisition of subsidiary in 2015.

For the purpose of impairment testing, the goodwill was allocated to the manufacturing and sales of electrotherapeutic and physiotherapeutic devices and general medical examination devices cash-generating unit ("CGU") and tested for impairment at least annually.

The recoverable amount of the CGU has been determined based a value in use calculation using five-year cash flow projection, which requires management to make assumptions about the future including budgeted sales, gross profit ratio and growth rates and to determine an appropriate market discount rate.

The Group appointed an independent professional valuer to perform valuation for the recoverable amount, being value in use, of the CGU, to which goodwill is allocated, and made reference to the independent professional valuation.

### *How the matter was addressed in our audit*

We reviewed and challenged the impairment analysis prepared by the management as outlined below:

With regard to the overall impairment assessments performed by the management, we evaluated the design of internal controls in place to determine any asset impairment.

We reviewed and challenged the appropriateness of the models, key assumptions and estimates used by management and the valuers for determining the recoverable value of the goodwill. We also assessed historical accuracy in management's forecasting process.

We evaluated and challenged the key assumptions used in the valuation model and performed sensitivity analysis around key drivers of cash flow forecasts, including unit of sales, gross margins, growth rates and operating costs.

We reviewed the calculation of discount rate used for determining the value in use, taking into account the cost of capital of the Group and comparable companies, and challenged the reasonableness of the methodology and assumptions applied in determining the discount rate.

# Independent Auditor's Report

## KEY AUDIT MATTERS *(Continued)*

### *The Key Audit Matter*

#### **(b) Impairment of trade receivables**

(Refer to notes 2(j)(i), 22, 32(a) and 33(d) to the consolidated financial statements)

At 31 December 2025, trade receivables amounted to approximately RMB113 million, net of allowance for expected credit losses of approximately RMB7.5 million, for which there was no collateral as security for settlement. In the normal ordinary course of its business, the Group grants its customers with credit period up to 120 days after billing. This may give rise to the risk of bad debt losses arising from unfavorable changes in the customers' abilities to settle their trade debts after year end.

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

### *How the matter was addressed in our audit*

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

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

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

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

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

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

We also assessed the adequacy of the Group's disclosures in respect of trade receivables made in notes 22 and 32(a) to the consolidated financial statements.

# Independent Auditor's Report

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

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

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

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

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

## RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

# Independent Auditor's Report

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

# Independent Auditor's Report

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

### **Crowe (HK) CPA Limited**

*Certified Public Accountants*

Hong Kong, 31 March 2026

### **Liu, Mok Lan, Cliny**

Practising Certificate Number P07270

# Consolidated Statement of Profit or Loss

For the year ended 31 December 2025

	Note	2025 RMB'000	2024 RMB'000
<b>Revenue</b>	4	<b>917,341</b>	1,061,082
Cost of sales		<b>(669,436)</b>	(790,636)
<b>Gross profit</b>		<b>247,905</b>	270,446
Other revenue and other income	6	<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 at fair value through profit or loss	20	<b>(3,221)</b>	(4,249)
Fair value gain on investment properties	14	<b>6,840</b>	5,164
Impairment loss on trade and other receivables	7(c)	<b>(103)</b>	(3,110)
Loss on de-registration of an associate	17	<b>(5,098)</b>	–
<b>Profit from operations</b>		<b>63,163</b>	89,704
Finance costs	7(a)	<b>(14,045)</b>	(13,282)
Share of results of a joint venture	18	<b>6,784</b>	18,187
Share of results of associates	17	<b>1,531</b>	910
<b>Profit before taxation</b>	7	<b>57,433</b>	95,519
Income tax	8	<b>(18,541)</b>	(21,053)
<b>Profit for the year</b>		<b>38,892</b>	74,466
<b>Attributable to:</b>			
Owners of the Company		<b>11,282</b>	41,557
Non-controlling interests		<b>27,610</b>	32,909
<b>Profit for the year</b>		<b>38,892</b>	74,466
<b>Earnings per share</b>	10		
Basic and diluted (RMB cents)		<b>1.92</b>	7.22

The notes on pages 99 to 201 form part of these consolidated financial statements.

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2025

	Note	2025 RMB'000	2024 RMB'000
<b>Profit for the year</b>		<b>38,892</b>	74,466
<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	19	<b>(11,117)</b>	(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		<b>(5,440)</b>	3,945
		<b>(16,557)</b>	173
<b>Total comprehensive income for the year</b>		<b>22,335</b>	74,639
<b>Attributable to:</b>			
<b>Owners of the Company</b>		<b>(5,275)</b>	41,730
<b>Non-controlling interests</b>		<b>27,610</b>	32,909
		<b>22,335</b>	74,639

The notes on pages 99 to 201 form part of these consolidated financial statements.

# Consolidated Statement of Financial Position

At 31 December 2025

	Note	2025 RMB'000	2024 RMB'000
<b>Non-current assets</b>			
Right-of-use assets	13	109,473	108,362
Property, plant and equipment	13	340,325	315,347
Investment properties	14	126,460	126,027
Goodwill	16	90,693	90,693
Interests in associates	17	12,001	10,858
Interest in a joint venture	18	91,552	84,769
Financial assets at fair value through other comprehensive income	19	50,239	64,203
Financial assets at fair value through profit or loss	20	7,903	7,541
		<b>828,646</b>	807,800
<b>Current assets</b>			
Inventories	21	133,286	120,217
Trade and bills receivables	22	157,433	157,724
Deposits, prepayments and other receivables	23	48,437	80,226
Financial assets at fair value through profit or loss	20	10,176	14,302
Cash and cash equivalents	24	264,410	235,299
		<b>613,742</b>	607,768
<b>Current liabilities</b>			
Contract liabilities	25	66,402	59,934
Trade payables	26	162,684	159,899
Accruals and other payables	27	57,045	54,157
Bank loans	28	265,006	225,664
Lease liabilities	29	6,802	4,356
Income tax payable	30(a)	7,365	10,858
		<b>565,304</b>	514,868
<b>Net current assets</b>		<b>48,438</b>	92,900
<b>Total assets less current liabilities</b>		<b>877,084</b>	900,700
<b>Non-current liabilities</b>			
Bank loans	28	149,380	161,952
Lease liabilities	29	12,678	10,465
Deferred tax liabilities	30(b)	26,175	22,751
		<b>188,233</b>	195,168
<b>NET ASSETS</b>		<b>688,851</b>	705,532

The notes on pages 99 to 201 form part of these consolidated financial statements.

# Consolidated Statement of Financial Position

At 31 December 2025

	Note	2025 RMB'000	2024 RMB'000
<b>CAPITAL AND RESERVES</b>	31		
Share capital		53,468	53,468
Reserves		564,233	586,324
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		<b>617,701</b>	639,792
<b>NON-CONTROLLING INTERESTS</b>		<b>71,150</b>	65,740
<b>TOTAL EQUITY</b>		<b>688,851</b>	705,532

Approved and authorised for issue by the board of directors on 31 March 2026.

**Mr. Zhao Li Sheng**  
*Director*

**Ms. Chan Lok San**  
*Director*

The notes on pages 99 to 201 form part of these consolidated financial statements.

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2025

	Attributable to owners of the Company								Non-controlling interests	Total Equity
	Share capital	Share premium	Statutory reserve	Fair value reserve	Exchange reserve	Capital reserve	Retained profits	Total		
	RMB'000 (note 31(a))	RMB'000 (note 31(b))	RMB'000 (note 31(c))	RMB'000 (note 31(d))	RMB'000 (note 31(e))	RMB'000 (note 31(f))	RMB'000	RMB'000		
<b>At 1 January 2025</b>	<b>53,468</b>	<b>139,408</b>	<b>48,641</b>	<b>(26,266)</b>	<b>(16,728)</b>	<b>(22,354)</b>	<b>463,623</b>	<b>639,792</b>	<b>65,740</b>	<b>705,532</b>
<b>Profit for the year</b>	-	-	-	-	-	-	<b>11,282</b>	<b>11,282</b>	<b>27,610</b>	<b>38,892</b>
<b>Other comprehensive income/(loss) for the year</b>										
- Exchange difference arising from the translation of foreign operations	-	-	-	-	(5,440)	-	-	(5,440)	-	(5,440)
- Fair value change on financial assets	-	-	-	(11,117)	-	-	-	(11,117)	-	(11,117)
<b>Total comprehensive income for the year</b>	-	-	-	<b>(11,117)</b>	<b>(5,440)</b>	-	<b>11,282</b>	<b>(5,275)</b>	<b>27,610</b>	<b>22,335</b>
<b>Dividend relating to 2024 (note 9(b))</b>	-	-	-	-	-	-	<b>(18,146)</b>	<b>(18,146)</b>	-	<b>(18,146)</b>
<b>Dividend paid to non-controlling interests of subsidiaries</b>	-	-	-	-	-	-	-	-	<b>(22,500)</b>	<b>(22,500)</b>
<b>Derecognition of financial assets at fair value through other comprehensive income</b>	-	-	-	<b>(208)</b>	-	-	<b>208</b>	-	-	-
<b>Capital contribution from non-controlling interests of a subsidiary (note 15(c))</b>	-	-	-	-	-	-	-	-	<b>300</b>	<b>300</b>
<b>Shares purchased for the share award scheme (note 35)</b>	-	-	-	-	-	<b>(295)</b>	-	<b>(295)</b>	-	<b>(295)</b>
<b>Equity-settled share award transactions (note 35)</b>	-	-	-	-	-	<b>1,625</b>	-	<b>1,625</b>	-	<b>1,625</b>
<b>At 31 December 2025</b>	<b>53,468</b>	<b>139,408</b>	<b>48,641</b>	<b>(37,591)</b>	<b>(22,168)</b>	<b>(21,024)</b>	<b>456,967</b>	<b>617,701</b>	<b>71,150</b>	<b>688,851</b>
<b>At 1 January 2024</b>	<b>53,468</b>	<b>139,408</b>	<b>48,641</b>	<b>(22,494)</b>	<b>(20,673)</b>	<b>(21,162)</b>	<b>441,846</b>	<b>619,034</b>	<b>80,318</b>	<b>699,352</b>
<b>Profit for the year</b>	-	-	-	-	-	-	<b>41,557</b>	<b>41,557</b>	<b>32,909</b>	<b>74,466</b>
<b>Other comprehensive income/(loss) for the year</b>										
- Exchange difference arising from the translation of foreign operations	-	-	-	-	3,945	-	-	3,945	-	3,945
- Fair value change on financial assets	-	-	-	(3,772)	-	-	-	(3,772)	-	(3,772)
<b>Total comprehensive income for the year</b>	-	-	-	<b>(3,772)</b>	<b>3,945</b>	-	<b>41,557</b>	<b>41,730</b>	<b>32,909</b>	<b>74,639</b>
<b>Dividend relating to 2023 (note 9(b))</b>	-	-	-	-	-	-	<b>(19,780)</b>	<b>(19,780)</b>	-	<b>(19,780)</b>
<b>Dividend paid to non-controlling interests of subsidiaries</b>	-	-	-	-	-	-	-	-	<b>(48,597)</b>	<b>(48,597)</b>
<b>Capital contribution from non-controlling interests of a subsidiary (note 15(a))</b>	-	-	-	-	-	-	-	-	<b>1,110</b>	<b>1,110</b>
<b>Shares purchased for the share award scheme (note 35)</b>	-	-	-	-	-	<b>(4,805)</b>	-	<b>(4,805)</b>	-	<b>(4,805)</b>
<b>Equity-settled share award transactions (note 35)</b>	-	-	-	-	-	<b>3,613</b>	-	<b>3,613</b>	-	<b>3,613</b>
<b>At 31 December 2024</b>	<b>53,468</b>	<b>139,408</b>	<b>48,641</b>	<b>(26,266)</b>	<b>(16,728)</b>	<b>(22,354)</b>	<b>463,623</b>	<b>639,792</b>	<b>65,740</b>	<b>705,532</b>

The notes on pages 99 to 201 form part of these consolidated financial statements.

# Consolidated Statement of Cash Flows

For the year ended 31 December 2025

	Note	2025 RMB'000	2024 RMB'000
<b>Operating activities</b>			
<b>Profit before taxation</b>		<b>57,433</b>	95,519
<b>Adjustments for:</b>			
Depreciation of property, plant and equipment	7(c)	<b>15,326</b>	11,487
Depreciation of right-of use assets	7(c)	<b>10,669</b>	8,664
Finance costs	7(a)	<b>14,045</b>	13,282
Bank interest income	6	<b>(4,718)</b>	(6,146)
Interest income from a loan to an associate	6	–	(119)
Dividends received from financial assets at fair value through profit or loss	6	<b>(976)</b>	(436)
Dividends received from financial assets at fair value through other comprehensive income	6	<b>(3,208)</b>	(1,660)
Loss on disposal of property, plant and equipment	7(c)	<b>1,736</b>	338
Gain on lease termination	6	<b>(69)</b>	(371)
Impairment loss on property, plant and equipment	7(c)	–	1,231
Impairment loss on trade receivables	7(c)	<b>103</b>	199
Impairment loss on other receivables	7(c)	–	2,911
Fair value loss on financial assets at fair value through profit or loss	20	<b>3,221</b>	4,249
Share of results of a joint venture	18	<b>(6,784)</b>	(18,187)
Share of results of associates	17	<b>(1,531)</b>	(910)
Fair value gain on investment properties	14	<b>(6,840)</b>	(5,164)
Reversal of write-down of inventories, net	21	<b>(3,924)</b>	(2,290)
Loss on de-registration of an associate	17	<b>5,098</b>	–
Reversal of over-accrued expenses in prior years	6	<b>(357)</b>	–
Equity-settled share award expenses	7(b)	<b>1,625</b>	3,613
<b>Changes in working capital</b>			
Increase in inventories		<b>(9,446)</b>	(299)
Decrease/ (increase) in trade and bills receivables		<b>117</b>	(5,224)
Decrease in deposits, prepayments and other receivables		<b>26,282</b>	42,060
Increase in contract liabilities		<b>6,498</b>	2,723
Increase in trade payables		<b>2,860</b>	10,307
(Decrease)/ increase in accruals and other payables		<b>(3,991)</b>	1,233
<b>Cash generated from operations</b>		<b>103,169</b>	157,010
Income tax paid		<b>(18,610)</b>	(21,190)
<b>Net cash generated from operating activities</b>		<b>84,559</b>	135,820

The notes on pages 99 to 201 form part of these consolidated financial statements.

# Consolidated Statement of Cash Flows

For the year ended 31 December 2025

	Note	2025 RMB'000	2024 RMB'000
<b>Investing activities</b>			
Payment for purchase of property, plant and equipment		(29,643)	(41,090)
Refund of capital from financial assets at fair value through other comprehensive income		208	3,000
Proceeds from disposal of financial assets at fair value through profit or loss		–	2,093
Proceeds from disposal of property, plant and equipment		428	–
Bank interest received		4,718	6,146
Interest received from a loan to an associate		–	119
Dividends received from financial assets at fair value through profit or loss		976	436
Dividends received from financial assets at fair value through other comprehensive income		3,208	1,660
<b>Net cash used in investing activities</b>		<b>(20,105)</b>	<b>(27,636)</b>
<b>Financing activities</b>			
Proceeds from new bank loans	24	430,219	436,149
Repayment of bank loans	24	(399,296)	(391,703)
Capital element of lease rentals paid	24	(7,052)	(6,704)
Interest element of lease rentals paid	24	(1,007)	(641)
Interest on bank loans paid	24	(13,038)	(12,641)
Payments for purchase of shares for the share award scheme	35	(295)	(4,805)
Dividend paid to shareholders of the Company	9(b)	(18,146)	(19,780)
Dividend paid to non-controlling interests of subsidiaries	15	(22,500)	(48,597)
Capital contribution from non-controlling interests of a subsidiary		300	1,110
<b>Net cash used in financing activities</b>		<b>(30,815)</b>	<b>(47,612)</b>
<b>Net increase in cash and cash equivalents</b>		<b>33,639</b>	<b>60,572</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>235,299</b>	<b>173,678</b>
Effect of foreign exchange rate changes		(4,528)	1,049
<b>Cash and cash equivalents at end of year</b>	24	<b>264,410</b>	<b>235,299</b>

The notes on pages 99 to 201 form part of these consolidated financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 1. GENERAL INFORMATION

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

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

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

### a) *Statement of compliance*

These financial statements have been prepared in accordance with all applicable 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 (the “**HKICPA**”) and accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Material accounting policy information adopted by the Group are disclosed below.

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

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

The consolidated financial statements for the year ended 31 December 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 (see note 2(f));
- financial assets at fair value through other comprehensive income (see note 2(e)); and
- financial assets at fair value through profit or loss (see note 2(e)).

The preparation of financial statements in conformity with 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.

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

Judgements made by management in the application of HKFRS Accounting Standards that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 33.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

### c) *Subsidiaries and non-controlling interests*

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

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

### d) Associates and joint ventures

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

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

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

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

### e) Other investments in equity securities

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

### f) *Investment properties*

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

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

### g) *Property, plant and equipment*

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

- interests in leasehold land and buildings where the Group is the registered owner of the property interest;
- right-of-use assets arising from leases over freehold or leasehold properties where the Group is not the registered owner of the property interest; and
- items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see note 2(h)).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

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

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

- buildings held for own use situated on leasehold land under operating leases are depreciated on a straight-line basis over the shorter of their estimated lives, being no more than 50 years and the unexpired term of the lease.
- leasehold land over the remaining lease terms
- leasehold improvements 5 years or over the remaining term of the lease, if shorter
- furniture, fixtures and office equipment 5 to 10 years
- machineries 10 years
- motor vehicles 5 years

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

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

*(Continued)*

### *h) Leased assets*

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

### *i) As a lessee*

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

*(Continued)*

### *h) Leased assets (Continued)*

#### *i) As a lessee (Continued)*

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

### *h) Leased assets (Continued)*

#### *ii) As a lessor*

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

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

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

### *i) Inventories*

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

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

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

*(Continued)*

### *j) Credit losses and impairment of assets*

#### *i) Credit losses from financial instruments*

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

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

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

#### **Measurement of ECLs**

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

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

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

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

##### Measurement of ECLs (Continued)

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

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

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

##### General approach

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

*(Continued)*

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

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

##### **General approach (Continued)**

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

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

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

##### **Simplified approach**

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

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

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

##### Significant increases in credit risk

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

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

- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

*(Continued)*

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

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

##### **Credit-impaired financial assets**

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

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

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or past due event;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

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

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

##### Write-off policy

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

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

#### ii) Impairment of other non-current assets

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

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

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

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

- Calculation of recoverable amount

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

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

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

- Recognition of impairment losses

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

- Reversals of impairment losses

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

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

#### iii) Interim financial reporting and impairment

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

### **k) Contract assets and contract liabilities**

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

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

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

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

### **l) Trade and other receivables**

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

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

### **m) Trade and other payables**

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

*(Continued)*

### ***n) Interest-bearing borrowings***

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

### ***o) Cash and cash equivalents***

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

### ***p) Income tax***

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

### p) *Income tax (Continued)*

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

### p) *Income tax (Continued)*

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

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

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

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

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

### q) *Provisions and contingent liabilities*

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

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

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

### r) *Borrowing costs*

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

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

### s) *Translation of foreign currencies*

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

### s) *Translation of foreign currencies (Continued)*

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

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

### t) *Revenue and other income*

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

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

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

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

#### i) *Sale of goods*

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

### t) *Revenue and other income (Continued)*

#### ii) *Rental income from operating leases*

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

#### iii) *Dividend income*

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

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

#### iv) *Interest income*

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

#### v) *Promotional income*

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

#### vi) *Government grants*

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

(Continued)

### u) i) *Business combinations or asset acquisitions*

#### ***Optional concentration test***

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

#### ***Asset acquisitions***

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

#### ***Business combinations***

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

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

#### ***Business combinations (Continued)***

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Incomes Taxes* and HKAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date;
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

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

#### ***Business combinations (Continued)***

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

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

### u) ii) *Goodwill*

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

(Continued)

### v) *Employee benefits*

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

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

#### *Defined benefit plan obligations*

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

#### ii) *Share-based payments*

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

### v) *Employee benefits (Continued)*

#### iii) *Share award scheme*

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

#### iv) *Termination benefits*

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

### w) *Research and development costs*

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

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

### x) *Related parties*

- a) A person, or a close member of that person's family, is related to the Group if that person:
- i) has control or joint control over the Group;
  - ii) has significant influence over the Group; or
  - iii) is a member of the key management personnel of the Group or the Group's parent.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

### x) *Related parties (Continued)*

- b) An entity is related to the Group if any of the following conditions applies:
- i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - iii) Both entities are joint ventures of the same third party.
  - iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
  - vi) The entity is controlled or jointly controlled by a person identified in (a).
  - vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

### y) Segment reporting

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

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

## 3. APPLICATION OF AMENDMENTS TO HKFRS ACCOUNTING STANDARDS

The Group has applied the following amendments to HKFRS Accounting Standards as issued by the HKICPA to these financial statements for the current accounting period:

The Group has applied the amendments to HKAS 21 ("Lack of Exchangeability") issued by the HKICPA to these financial statements for the current accounting period. 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 period.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 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 RMB'000	2024 RMB'000
<b>Revenue from contracts with customers 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	259,139	248,409
	917,341	1,061,082
<b>Timing of revenue recognition</b>		
At a point in time	917,341	1,061,082

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

## 5. SEGMENT REPORTING

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

- Distribution sales of pharmaceutical and healthcare products: this segment distributes and sells branded imported pharmaceutical and healthcare products, primarily in Hong Kong and the PRC.
- Manufacturing and sales of electrotherapeutic and physiotherapeutic devices and general medical examination devices: this segment manufactures and sells electrotherapeutic and physiotherapeutic devices and general medical examination devices, which are carried out by Shenzhen Dong Di Xin Technology Company Limited ("**Dong Di Xin**").

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 5. SEGMENT REPORTING *(Continued)*

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

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

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 5. SEGMENT REPORTING (Continued)

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

Information regarding the Group's reportable segments as provided to the Group's directors for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2025 and 2024 is set out below.

	Distribution sales of pharmaceutical and healthcare products				Manufacturing and sales of electrotherapeutic and physiotherapeutic devices and general medical examination devices		Total	
	Hong Kong		PRC		PRC			
	2025 RMB'000	2024 RMB'000	2025 RMB'000	2024 RMB'000	2025 RMB'000	2024 RMB'000	2025 RMB'000	2024 RMB'000
Revenue from external customers	15,224	21,317	750,870	914,401	259,063	248,275	1,025,157	1,183,993
Inter-segment revenue	-	-	2,480	4,754	-	-	2,480	4,754
<b>Reportable segment revenue</b>	<b>15,224</b>	<b>21,317</b>	<b>753,350</b>	<b>919,155</b>	<b>259,063</b>	<b>248,275</b>	<b>1,027,637</b>	<b>1,188,747</b>
<b>Reportable segment (loss)/profit (adjusted EBITDA)</b>	<b>(10,237)</b>	<b>(16,708)</b>	<b>28,507</b>	<b>61,133</b>	<b>85,507</b>	<b>82,856</b>	<b>103,777</b>	<b>127,281</b>
(Reversal of write-down)/write down of inventories, net	-	867	(3,924)	(544)	-	(2,613)	(3,924)	(2,290)
Research and development expenses	-	-	-	-	21,799	17,593	21,799	17,593
<b>Reportable segment assets</b>	<b>29,772</b>	<b>34,223</b>	<b>639,285</b>	<b>548,060</b>	<b>335,071</b>	<b>317,946</b>	<b>1,004,128</b>	<b>900,229</b>
(including interest in a joint venture)	-	-	91,552	84,769	-	-	91,552	84,769
Additions to non-current segment assets during the year	1,134	1,198	2,639	15,267	11,706	7,238	15,479	23,703
<b>Reportable segment liabilities</b>	<b>4,581</b>	<b>1,285</b>	<b>373,422</b>	<b>322,260</b>	<b>87,275</b>	<b>84,474</b>	<b>465,278</b>	<b>408,019</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 5. SEGMENT REPORTING (Continued)

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

	2025 RMB'000	2024 RMB'000
<b>Revenue</b>		
Reportable segment revenue	1,027,637	1,188,747
Elimination of inter-segment revenue	(2,480)	(4,754)
Elimination of Group's share of revenue of joint venture	(107,816)	(122,911)
Consolidated revenue (note 4)	917,341	1,061,082
<b>Profit</b>		
Reportable segment profit (adjusted EBITDA) derived from the Group's external customers and a joint venture	103,777	127,281
Other revenue and other income	15,525	28,542
Fair value loss on financial assets at fair value through profit or loss	(3,221)	(4,249)
Depreciation and amortisation	(25,995)	(20,151)
Finance costs	(14,045)	(13,282)
Unallocated head office and corporate expenses	(18,608)	(22,622)
Consolidated profit before taxation	57,433	95,519

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 5. SEGMENT REPORTING (Continued)

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

	2025 RMB'000	2024 RMB'000
<b>Assets</b>		
Reportable segment assets	<b>1,004,128</b>	900,229
	<b>1,004,128</b>	900,229
Financial assets at fair value through other comprehensive income	<b>50,239</b>	64,203
Financial assets at fair value through profit or loss	<b>18,079</b>	21,843
Unallocated head office and corporate assets	<b>369,942</b>	429,293
Consolidated total assets	<b>1,442,388</b>	1,415,568
<b>Liabilities</b>		
Reportable segment liabilities	<b>465,278</b>	408,019
	<b>465,278</b>	408,019
Current tax liabilities	<b>7,365</b>	10,858
Deferred tax liabilities	<b>26,175</b>	22,751
Unallocated head office and corporate liabilities	<b>254,719</b>	268,408
Consolidated total liabilities	<b>753,537</b>	710,036

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 5. SEGMENT REPORTING (Continued)

### c) Geographic Information

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

	Revenues from external customers		Specified non-current assets	
	2025 RMB'000	2024 RMB'000	2025 RMB'000	2024 RMB'000
PRC	656,056	808,945	742,228	706,246
Hong Kong	16,986	15,284	28,276	29,810
	<b>673,042</b>	824,229	<b>770,504</b>	736,056
Other countries outside the PRC:				
The United States of America	100,961	108,986	–	–
The United Kingdom	1,033	8,970	–	–
France	20,152	12,413	–	–
Germany	29,899	42,726	–	–
Italy	26,997	26,175	–	–
Spain	3,497	2,654	–	–
Mexico	10,298	7,832	–	–
Others	51,462	27,097	–	–
	<b>244,299</b>	236,853	–	–
	<b>917,341</b>	1,061,082	<b>770,504</b>	736,056

### d) Information about major customers

There was no customer accounted for 10% or more of the total revenue of the Group for the years ended 31 December 2025 and 2024.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 6. OTHER REVENUE AND OTHER INCOME

	2025 RMB'000	2024 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 at fair value through profit or loss	976	436
Dividend income from financial assets at fair value through other comprehensive income	3,208	1,660
Promotional service income	1,778	19,829
	<b>14,002</b>	31,193
<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 (note 13(a))	69	371
Scrape sales	207	–
Reversal of over-accrued expenses in prior years	357	–
Others	131	327
	<b>1,523</b>	(2,651)
	<b>15,525</b>	28,542

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 7. PROFIT BEFORE TAXATION

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

	2025 RMB'000	2024 RMB'000
<b>a) Finance costs</b>		
Interest on bank loans	13,038	12,641
Interest on lease liabilities (note 13(a))	1,007	641
	<b>14,045</b>	13,282
<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	1,625	3,613
	<b>120,992</b>	132,850
<b>c) Other items</b>		
Auditor's remuneration		
– Audit services	1,532	1,538
– Non-audit services	580	124
Cost of inventories (note 21)	619,033	742,666
Depreciation (note 13)		
– Property, plant and equipment	15,326	11,487
– Right-of-use assets	10,669	8,664
Impairment loss on trade receivables (note 22(c))	103	199
Impairment loss on other receivables (note 23)	–	2,911
Impairment loss on property, plant and equipment (note 13)	–	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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

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

	2025 RMB'000	2024 RMB'000
Hong Kong Profits Tax		
– Current year	1,125	353
– Over-provision in prior years	–	(201)
PRC Enterprise Income Tax		
– Current year	13,317	21,276
– Under/(over)-provision in prior years	675	(4,757)
Deferred tax (note 30(b))		
– Origination and reversal of temporary differences	3,424	4,382
	<b>18,541</b>	21,053

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 Dong Di Xin, which is chargeable at a preferential income tax rate of 15% (2024: 15%).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

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

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

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

	2025 RMB'000	2024 RMB'000
Profit before taxation	57,433	95,519
Notional tax on profit before taxation, calculated at the rates applicable in the jurisdiction concerned	10,696	19,529
Tax effect of non-deductible expenses	3,532	6,190
Tax effect of non-taxable income	(4,751)	(4,944)
Tax effect of prior years' tax losses utilised	(29)	(519)
Tax effect of unrecognised temporary differences	(506)	658
Tax effect of unused tax losses not recognised	8,924	5,097
Under-provision/(over-provision) in prior years	675	(4,958)
Actual tax expense	18,541	21,053

- c) As at 31 December 2025, the undistributed profits of the Company's PRC subsidiaries amounted to approximately RMB193,516,000 (2024: RMB235,712,000) with potential deferred tax liabilities of approximately RMB9,676,000 (2024: RMB11,786,000). Deferred tax liabilities related to withholding tax on the distributable profits of the Company's PRC subsidiaries amounted to approximately RMB8,415,000 (2024: RMB6,694,000) (note 30(b)) has been provided for as at 31 December 2025 taking into account its future profit distribution policy.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 9. DIVIDENDS

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

	2025 RMB'000	2024 RMB'000
Final dividend proposed after the end of the reporting period of Nil (2024: HK3.17 cents (equivalent to RMB2.98 cents)) per ordinary share	–	18,550

No dividend has been paid or declared by the Company for the year ended 31 December 2025.

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

	2025 RMB'000	2024 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK3.17 cents (equivalent to approximately RMB2.92 cents) (2024: HK3.38 cents (equivalent to approximately RMB3.18 cents))	18,146	19,780

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 10. EARNINGS PER SHARE

### a) *Basic earnings per share*

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

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

### 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

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

	Directors' fees	Salaries, allowances and benefits in kind	Equity-settled share based payment expenses	Discretionary bonuses	Retirement scheme contributions	2025 Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Executive directors:</b>						
Zhao Li Sheng (chief executive officer)	-	1,468	77	-	-	1,545
Chan Lok San	-	1,241	65	70	17	1,393
Zhou Xuhua	-	370	28	13	32	443
<b>Independent non-executive directors:</b>						
Duan Jidong	257	-	35	-	-	292
Wong Cheuk Lam	271	-	36	-	-	307
Zhang Jianbin (resigned on 1 August 2025)	169	-	36	-	-	205
Chu Xiaoping	266	-	-	-	-	266
	<b>963</b>	<b>3,079</b>	<b>277</b>	<b>83</b>	<b>49</b>	<b>4,451</b>

	Directors' fees	Salaries, allowances and benefits in kind	Equity-settled share based payment expenses	Discretionary bonuses	Retirement scheme contributions	2024 Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Executive directors:</b>						
Zhao Li Sheng (chief executive officer)	-	1,462	160	-	17	1,639
Chan Lok San	-	1,241	135	96	18	1,490
Zhou Xuhua	-	457	92	57	29	635
<b>Independent non-executive directors:</b>						
Duan Jidong	293	-	72	-	-	365
Wong Cheuk Lam	293	-	81	-	-	374
Zhang Jianbin	293	-	81	-	-	374
Chu Xiaoping (appointed on 1 September 2024)	98	-	-	-	-	98
	<b>977</b>	<b>3,160</b>	<b>621</b>	<b>153</b>	<b>64</b>	<b>4,975</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

During the years ended 31 December 2025 and 2024, no amount was paid or payable to the directors or chief executive or any of the five highest paid individuals set out in note 12 below as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which any director or chief executive waived or agreed to waive any emolument during both years.

## 12. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid individuals of the Group include 2 directors (2024: 3 directors) during the year, whose emoluments are disclosed in note 11. The aggregate of the emoluments in respect of the remaining individuals are as follows:

	2025 RMB'000	2024 RMB'000
Salaries and other emoluments	2,697	1,484
Retirement scheme contributions	47	17
Equity-settled share-based payment expenses	24	-
	<b>2,768</b>	1,501

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

	2025	2024
Nil to RMB1,000,000	2	2
RMB1,000,001 to RMB1,500,000	1	-
	<b>3</b>	2

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

	Property, plant and equipment									
	Buildings held for own use (note (c) and (d)) RMB'000	Leasehold land and buildings RMB'000	Leasehold improvements RMB'000	Furniture, fixtures and office equipment RMB'000	Machineries RMB'000	Motor vehicles RMB'000	Construction-in-progress RMB'000	Sub-total RMB'000	Right-of-use assets (notes (a), (b) and (c)) RMB'000	Total RMB'000
<b>Cost</b>										
<b>At 1 January 2024</b>	24,259	15,224	20,878	29,558	49,596	14,681	204,111	358,307	129,580	487,887
Exchange adjustments	-	583	38	2	-	252	-	875	59	934
Additions	-	-	517	2,143	973	-	45,879	49,512	13,760	63,272
Transfer	247,641	-	-	-	1,748	-	(249,389)	-	-	-
Disposals	-	-	-	(1,528)	(293)	(1,325)	-	(3,146)	-	(3,146)
Lease termination	-	-	-	-	-	-	-	-	(4,104)	(4,104)
Early termination (note 13(a))	-	-	-	-	-	-	-	-	(8,164)	(8,164)
<b>At 31 December 2024</b>	271,900	15,807	21,433	30,175	52,024	13,608	601	405,548	131,131	536,679
<b>At 1 January 2025</b>	271,900	15,807	21,433	30,175	52,024	13,608	601	405,548	131,131	536,679
Exchange adjustments	-	(828)	(45)	(1)	-	(303)	-	(1,177)	(50)	(1,227)
Additions	272	-	1,076	1,507	357	-	33,730	36,942	11,894	48,836
Transfer	(74,534)	-	11,550	446	687	-	61,851	-	-	-
Transfer from investment properties (note 14)	-	6,267	-	-	-	-	-	6,267	-	6,267
Disposals	(2,061)	-	-	(771)	(60)	-	-	(2,892)	-	(2,892)
Lease termination	-	-	-	-	-	-	-	-	(11,226)	(11,226)
Early termination (note 13(a))	-	-	-	-	-	-	-	-	(179)	(179)
<b>At 31 December 2025</b>	195,577	21,246	34,014	31,356	53,008	13,305	96,182	444,688	131,570	576,258
<b>Accumulated depreciation</b>										
<b>At 1 January 2024</b>	7,642	482	16,615	23,889	19,434	11,966	-	80,028	22,142	102,170
Exchange adjustments	-	24	18	2	-	219	-	263	33	296
Charge for the year	2,091	503	957	2,063	4,917	956	-	11,487	8,664	20,151
Impairment	-	1,231	-	-	-	-	-	1,231	-	1,231
Disposals	-	-	(92)	(1,419)	(104)	(1,193)	-	(2,808)	-	(2,808)
Lease termination	-	-	-	-	-	-	-	-	(4,104)	(4,104)
Early termination (note 13(a))	-	-	-	-	-	-	-	-	(3,966)	(3,966)
<b>At 31 December 2024</b>	9,733	2,240	17,498	24,535	24,247	11,948	-	90,201	22,769	112,970
<b>At 1 January 2025</b>	9,733	2,240	17,498	24,535	24,247	11,948	-	90,201	22,769	112,970
Exchange adjustments	-	(134)	(30)	(1)	-	(271)	-	(436)	(25)	(461)
Charge for the year	4,482	1,496	1,790	2,195	4,425	938	-	15,326	10,669	25,995
Disposals	(26)	-	-	(652)	(50)	-	-	(728)	-	(728)
Lease termination	-	-	-	-	-	-	-	-	(11,226)	(11,226)
Early termination (note 13(a))	-	-	-	-	-	-	-	-	(90)	(90)
<b>At 31 December 2025</b>	14,189	3,602	19,258	26,077	28,622	12,615	-	104,363	22,097	126,460
<b>Carrying amount</b>										
<b>At 31 December 2025</b>	181,388	17,644	14,756	5,279	24,386	690	96,182	340,325	109,473	449,798
<b>At 31 December 2024</b>	262,167	13,567	3,935	5,640	27,777	1,660	601	315,347	108,362	423,709

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

Note:

a) Right-of-use assets

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

	Note	2025 RMB'000	2024 RMB'000
Ownership interests in leasehold land and buildings held for own use in the PRC, carried at depreciated cost, with remaining lease term of:			
– between 10 and 50 years	(i)	91,106	94,257
Other properties leased for own use, carried at depreciated cost	(ii)	18,367	14,105
		<b>109,473</b>	108,362

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

	2025 RMB'000	2024 RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:		
– Ownership interests in leasehold land and buildings	3,151	1,514
– Other properties leased for own use	7,518	7,150
	<b>10,669</b>	8,664
Interest on lease liabilities (note 7(a))	<b>1,007</b>	641

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

Note: *(Continued)*

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

During the year ended 31 December 2025, additions to right-of-use assets were RMB11,894,000 (2024: RMB13,760,000). This amount primarily related to the capitalised lease payments payable under new tenancy agreements.

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

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

ii) Other properties leased for own use

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

Upon early termination of a lease during the year ended 31 December 2025, right-of-use assets with the net carrying amount of approximately RMB89,000 (2024: RMB4,198,000) and related lease liabilities of approximately RMB158,000 (2024: RMB4,569,000) were derecognised. A gain on early termination of a lease of RMB69,000 (2024: RMB371,000) was credited to the consolidated statement of profit or loss.

b) As at 31 December 2025, the Group held three office units (2024: two) for own use in Hong Kong, with lease term of 24 to 50 years.

c) As at 31 December 2025, certain right-of-use assets and buildings held for own use with a total carrying amount of RMB229,901,000 (2024: RMB109,783,000) were pledged in favour of banks for the banking facilities granted to the Group (note 28(b)).

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 14. INVESTMENT PROPERTIES

	RMB'000
<b>At fair value</b>	
<b>At 1 January 2024</b>	120,619
Exchange adjustment	244
Fair value gain recognised in profit or loss	5,164
<b>At 31 December 2024 and 1 January 2025</b>	<b>126,027</b>
Exchange adjustment	<b>(140)</b>
Transfer to property, plant and equipment (note 13)	<b>(6,267)</b>
Fair value gain recognised in profit or loss	<b>6,840</b>
<b>At 31 December 2025</b>	<b>126,460</b>

Note:

- a) The investment properties, situated in the PRC (2024: PRC and Hong Kong), were valued by Hong Kong Appraisal Advisory Limited (2024: Hong Kong Appraisal Advisory Limited), an independent firm of qualified valuers, who have among their staff, Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of properties being valued, at 31 December 2025, using (i) direct comparison method; or (ii) investment method of income approach, by taking into account the rental income from the existing tenancy agreements and reversionary property interest. For assessing the reversionary potential of the properties, the valuers based on the prevailing market information within the subject buildings and other comparable properties.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 14. INVESTMENT PROPERTIES (Continued)

Note: (Continued)

b) At 31 December 2025, certain of the Group's investment properties with a total fair value of approximately RMB114,000,000 (2024: RMB107,000,000) were pledged in favour of the banks for the banking facilities granted to the Group (note 28(b)).

### c) Fair value measurement of properties

#### i) Fair value hierarchy

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

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value measurements as at 31 December 2025 categorised into			
	Fair value at 31 December 2025	Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Group</b>				
<b>Recurring fair value measurement</b>				
Investment properties:				
– Commercial	126,460	–	–	126,460

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 14. INVESTMENT PROPERTIES (Continued)

Note: (Continued)

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

#### i) Fair value hierarchy (Continued)

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

During the years ended 31 December 2025 and 2024, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

#### ii) Information about Level 3 fair value measurements

	Valuation techniques	Unobservable input	Range
Investment properties:	(i) Direct comparison method	Sales evidence of comparable properties (adjusted for the difference in the quality and location of the properties)	RMB27,319- RMB48,289 per square meter (2024: RMB29,834- RMB48,890)
– Commercial	(ii) Discounted cash flow	Risk-adjusted discount rate (i.e. market rental yield)	4.09%-6.34% (2024: 3.92%-6.17%)
		Expected market rental growth	1% (2024: 1%)
		Expected occupancy rate	90%-100% (2024: 90%-100%)

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 14. INVESTMENT PROPERTIES (Continued)

Note: (Continued)

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

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

The fair value of investment properties located in the Mainland China (2024: Mainland China and Hong Kong) is determined by (i) direct comparison method with reference to the sales evidence of comparable properties (adjusted for difference in the quality and location of the properties) or where appropriate, (ii) discounting a projected cash flow forecast associated with the properties using risk-adjusted discount rate which is the market rental yield for the properties. The valuation takes into account expected market rental growth and occupancy rate of the respective properties. The discount rate used has been adjusted for the quality and location of the buildings and the tenant credit quality. The fair value measurement is positively correlated to the sales price of comparable properties, the expected market rental growth and the occupancy rate, and negatively correlated to the risk-adjusted discount rate.

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

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

	2025 RMB'000	2024 RMB'000
Within 1 year	2,828	2,994
After 1 year but within 5 years	1,296	4,102
	<b>4,124</b>	7,096

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 15. SUBSIDIARIES

The following is a list of principal subsidiaries of the Group as at 31 December 2025:

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 15. SUBSIDIARIES (Continued)

Name	Place of incorporation/ operations	Proportion of ownership interest held by the Group at effective interest	Class of shares/ capital held	Particulars of issued and paid up capital	Principal activities
深圳市東迪欣科技有限公司 Shenzhen Dong Di Xin Technology Company Limited ("Dong Di Xin") (note (c))	PRC	55%	Registered capital	RMB2,000,000	Manufacturing and sales of electrotherapeutic and physiotherapeutic devices and general medical examination devices in the PRC
深圳市龍德健康有限公司 Shenzhen City Longde Jiankang Company Limited ("Longde") (note (c))	PRC	90%	Registered capital	RMB28,800,000	Property investment
深圳市舒心堂藝術文化傳播 有限公司 ("舒心堂") (note (a))	PRC	41%	Registered capital	RMB4,875,000	Distribution sales of artwork and organization of art exhibition
深圳市金活中醫藥科技發展 有限公司	PRC	85%	Registered capital	RMB5,000,000	Distribution sales of Chinese medicine and technology transfer
深圳龍德酒店管理有限公司 ("龍德酒店") (note (b))	PRC	70%	Registered capital	RMB1,000,000	Dormant

Note:

- 舒心堂 is regarded as an indirect non-wholly subsidiary of the Company since the Company can control the majority of votes of its board of directors. On 8 May 2024, the registered capital of 舒心堂 was increased from RMB3,000,000 to RMB4,875,000. The two non-controlling interests of 舒心堂 contributed an aggregate sum of RMB1,110,000 in cash, the amount was credited in the consolidated statement of changes in equity.
- 龍德酒店 is regarded as an indirect non-wholly subsidiary of the Company since the Company can control the majority of votes of its board of directors. During the year ended 31 December 2025, each the three non-controlling interests of 龍德酒店 contributed RMB100,000 in cash, totalling RMB300,000, the amount was credited in the consolidated statement of changes in equity.
- The English names of the above PRC subsidiaries are for identification purpose only.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 15. SUBSIDIARIES (Continued)

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

	Longde		Dong Di Xin*	
	2025 RMB'000	2024 RMB'000	2025 RMB'000	2024 RMB'000
NCI Percentage	10%	10%	45%	45%
Current assets	8,639	8,055	198,505	182,229
Non-current assets	305,673	292,112	45,884	45,034
Current liabilities	(78,707)	(86,977)	(75,742)	(77,869)
Non-current liabilities	(236,180)	(199,753)	(11,114)	(6,185)
Net (liabilities)/assets	(575)	13,437	157,533	143,209
Carrying amount of NCI	(57)	1,344	71,172	64,447
Revenue	2,322	1,174	259,063	248,275
(Loss)/profit for the year	(14,012)	(6,273)	64,362	74,750
Total comprehensive (loss)/income	(14,012)	(6,273)	64,362	74,750
(Loss)/profit allocated to NCI	(1,401)	(627)	29,225	33,785
Total comprehensive (loss)/income allocated to NCI	(1,401)	(627)	29,225	33,785
Dividend paid to NCI	–	–	22,500	48,597
Cash flows from operating activities	30,199	27,619	92,301	66,668
Cash flows from investing activities	(21,703)	(46,240)	273	3,485
Cash flows from financing activities	(9,671)	19,046	(54,731)	(111,057)

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 16. GOODWILL

	RMB'000
<b>Carrying amount</b>	
At 31 December 2024 and 31 December 2025	90,693

The goodwill arose from acquisition of Dong Di Xin during the year ended 31 December 2015. The goodwill represented the expected future profitability of Dong Di Xin as an established business at the acquisition date. The reportable segment adjusted EBITDA of Dong Di Xin was approximately RMB85,507,000 (2024: RMB82,856,000) for the year (note 5(a)).

### *Impairment testing on Dong Di Xin*

The recoverable amount of Dong Di Xin as the identified cash-generating unit (the "CGU") has been determined based on value in use calculations. At 31 December 2025, the recoverable amount of the CGU, to which goodwill and other intangible assets are allocated, is determined taking into account the valuation performed by Hong Kong Appraisal Advisory Limited (2024: Hong Kong Appraisal Advisory Limited), an independent firm of qualified valuers not connected to the Group and with qualification and experiences in valuing similar assets, based on the cash flows forecasts derived from the most recent financial budgets for the next 5 years (2024: 5 years) approved by the management using the pre-tax discount rate of 15.1% (2024: 15.1%) per annum which reflects current market assessments of the time value of money and the risks specific to the CGU. Other key assumptions for the value in use calculations are the budgeted growth rate of 1% to 3% (2024: 3% to 6.1%) and 2.2% (2024: 2.2%) for the next 5 years and beyond 5 years, respectively, and budgeted gross margin of 53% (2024: 51%), which are determined based on past performance, management's expectations for the market development and market growth forecasts.

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 17. INTERESTS IN ASSOCIATES

	2025 RMB'000	2024 RMB'000
Share of net assets	9,148	7,875
Goodwill	2,853	2,983
Carrying amount of the Group's interests in associates	12,001	10,858

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

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

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

During the year, Ming VitaMed Enterprise III Limited ("Ming VitaMed") was deregistered, the loss on de-registration of an associate of RMB5,098,000 was charged to the consolidated statement of profit or loss.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 17. INTERESTS IN ASSOCIATES (Continued)

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

### Fat Chi Medicine

	2025 RMB'000	2024 RMB'000
Gross amounts of the associate		
Current assets	<b>13,108</b>	8,859
Non-current assets	<b>4,451</b>	4,677
Current liabilities	<b>(3,693)</b>	(2,231)
Non-current liabilities	<b>(705)</b>	(752)
Equity	<b>13,161</b>	10,553
Revenue	<b>11,289</b>	7,183
Profit for the year	<b>3,137</b>	1,892
Other comprehensive (loss)/income	<b>(529)</b>	354
Total comprehensive income	<b>2,608</b>	2,246
Reconciled to the Group's interest in the associate		
Gross amounts of net assets of the associate	<b>13,161</b>	10,553
Group's effective interest	<b>48.4375%</b>	48.4375%
Group's share of net assets of the associate	<b>6,375</b>	5,112
Goodwill	<b>2,853</b>	2,983
Carrying amount of the Group's interest	<b>9,228</b>	8,095
Aggregate amounts of the Group's share of the associate		
Profit for the year	<b>1,520</b>	917
Other comprehensive (loss)/income for the year	<b>(257)</b>	171
Total comprehensive income shared by the Group	<b>1,263</b>	1,088

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 17. INTERESTS IN ASSOCIATES (Continued)

### Shenzhen Zhiyuan

	2025 RMB'000	2024 RMB'000
Gross amounts of the associate		
Current assets	<b>7,243</b>	7,218
Current liabilities	<b>(1,080)</b>	(1,079)
Equity	<b>6,163</b>	6,139
Revenue	–	–
Profit/(loss) for the year	<b>25</b>	(14)
Total comprehensive income/(loss)	<b>25</b>	(14)
Reconciled to the Group's interest in the associate		
Gross amounts of net assets of the associate	<b>6,163</b>	6,139
Group's effective interest	<b>45%</b>	45%
Group's share of net assets of the associate	<b>2,773</b>	2,762
Carrying amount of the Group's interest	<b>2,773</b>	2,762
Profit/(loss) shared by the Group	<b>11</b>	(7)

Aggregate information of an associate that is individually not material:

	2025 RMB'000	2024 RMB'000
Aggregate carrying amount of individually immaterial associate in the consolidated financial statements	–	1

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 18. INTEREST IN A JOINT VENTURE

	2025 RMB'000	2024 RMB'000
Share of net assets	91,552	84,769

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

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

	2025 RMB'000	2024 RMB'000
<b>Gross amounts of Zhuhai Jinming</b>		
Current assets	<b>96,808</b>	93,589
Non-current assets	<b>206,913</b>	205,603
Current liabilities	<b>(82,745)</b>	(94,235)
Non-current liabilities	<b>(37,871)</b>	(35,420)
Equity	<b>183,105</b>	169,537
<b>Included in the above assets and liabilities:</b>		
Cash and cash equivalents	<b>30,217</b>	26,431
Current financial liabilities (excluding trade and other payables)	<b>(16,521)</b>	(45,647)
Non-current financial liabilities (excluding deferred tax liabilities)	<b>(1,973)</b>	–
Revenue	<b>215,631</b>	245,823
Profit for the year	<b>13,567</b>	36,374
Total comprehensive income	<b>13,567</b>	36,374
Dividend received from the joint venture	–	–
<b>Included in the above profit:</b>		
Fair value gain on investment properties	<b>1,909</b>	27,124
Depreciation	<b>(3,800)</b>	(1,935)
Interest income	<b>258</b>	48
Interest expense	<b>(599)</b>	(1,625)
Income tax expense	<b>(4,664)</b>	(11,240)
Reconciled to the Group's interest in the joint venture		
Gross amounts of net assets of the joint venture	<b>183,105</b>	169,537
Group's effective interest	<b>50%</b>	50%
Carrying amount of the Group's interest	<b>91,552</b>	84,769
Profit shared by the Group	<b>6,784</b>	18,187

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

The fair value of Zhuhai Jinming's investment properties as at 31 December 2025 and 2024 were determined on an open market value basis calculated by reference to net rental income allowing for reversionary income potential, which is categorised under Level 3 fair value measurements. The valuations at 31 December 2025 and 2024 were carried out by an independent firm of qualified valuers, Hong Kong Appraisal Advisory Limited, who amongst their staff have members of the Hong Kong Institute of Surveyors with recent experience in the location and category of properties being valued.

Information about Level 3 fair value measurements is as follows:

	Valuation techniques	Unobservable input	Range
Investment properties: – Commercial – PRC	Discounted cash flow	Risk-adjusted discount rate (i.e. market rental yield)	5.2% (2024: 5.7%)
		Expected market rental growth	1% (2024: 1%)
		Expected occupancy rate	90% (2024: 90%)

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 19. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2025 RMB'000	2024 RMB'000
Equity securities:		
– Unlisted (note (a))	7,310	15,344
– Listed in Japan (note (b))	42,929	48,859
	50,239	64,203

Note:

- a) As at 31 December 2025, the Group held three (2024: four) unlisted investments with fair values of RMB3,059,000 (2024: RMB11,802,000), RMB300,000 (2024: RMB300,000), RMBNil (2024: RMB208,000) and RMB3,951,000 (2024: RMB3,034,000), representing 5.99%, 17%, Nil% and 24.79% (2024: 5.99%, 17%, 88.5% and 24.79%) equity interests in three (2024: four) corporate entities in the PRC. The Group engaged Hong Kong Appraisal Advisory Limited (2024: Hong Kong Appraisal Advisory Limited), an independent qualified professional valuer not connected to the Group, to determine the fair values of the Group's certain unlisted equity investments and the carrying amount of these investments is RMB7,010,000 (2024: RMB15,044,000). Details of the valuation of these investments are set out in note 32(f).

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

- b) As at 31 December 2025, the Group held 3,185,900 (2024: 3,185,900) shares in Taiko Pharmaceutical Co Ltd (“**Taiko**”), representing approximately 6.29% (2024: 6.29%) of the issued share capital of Taiko. As at 31 December 2025, the fair value of the investment in the shares of Taiko was RMB42,929,000 (2024: RMB48,859,000).

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

During the year ended 31 December 2025, the net fair value loss of RMB11,117,000 (2024: RMB3,772,000) in respect of the Group's equity investments designated at fair value through other comprehensive income was recognised as other comprehensive loss in the consolidated statement of profit or loss and other comprehensive income.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2025 RMB'000	2024 RMB'000
<b>Non-current</b>		
Unlisted equity investment (note (a))	7,903	7,541
<b>Current</b>		
Listed in Hong Kong (note (b))	10,176	14,302

Note:

- a) The Group invested 10% equity interest in Shenzhen Qianhai Industry Internet Co., Ltd.. With the preferential rights under a put option, the Group has the right to require the investee to redeem all of the shares held by the Group at a guaranteed predetermined fixed amount. Hence, the investment is accounted for and measured as financial assets at fair value through profit or loss. The Group does not intend to dispose of them in the near future. The major assumptions used in the valuation of the investment are set out in note 32(f).
- b) As at 31 December 2025, the Group held 1,553,000 shares (2024: 1,553,000 shares) in Chuangmei Pharmaceutical Co., Ltd ("Chuangmei") representing 1.44% (2024: 1.44%) of the issued share capital of Chuangmei. The listed equity investment classified as current asset is intended to be held for trading and is measured as financial assets at fair value through profit or loss. The fair value of the listed equity investment is derived from quoted price in an active market.

During the year ended 31 December 2025, the net fair value loss of RMB3,221,000 (2024: RMB4,249,000) in respect of the Group's equity investments at fair value through profit or loss was recognised in the consolidated statement of profit or loss.

## 21. INVENTORIES

	2025 RMB'000	2024 RMB'000
Raw materials	11,438	12,423
Work in progress	7,232	5,964
Finished goods	114,616	101,830
	<b>133,286</b>	120,217

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

	2025 RMB'000	2024 RMB'000
Carrying amount of inventories sold	622,957	744,956
Reversal of write-down of inventories, net	(3,924)	(2,290)
	<b>619,033</b>	742,666

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 22. TRADE AND BILLS RECEIVABLES

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

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

The Group generally granted credit terms ranging from 30 days to 120 days to its customers. Further details on the Group's credit policy are set out in note 32(a).

The Group does not hold any collateral over these balances.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 22. TRADE AND BILLS RECEIVABLES (Continued)

Note: (Continued)

### c) Impairment of trade receivables

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

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

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

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.

## 23. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2025 RMB'000	2024 RMB'000
Amounts due from related parties (note 37(c))	<b>938</b>	13,183
Amounts due from associates (note 37(c))	-	5,398
Amount due from a joint venture (note 37(c))	<b>2</b>	2
Prepayments	<b>9,476</b>	9,026
Prepayments for promotional expenses	<b>13,433</b>	10,298
Trade and other deposits	<b>15,364</b>	15,786
Value-added tax recoverable	<b>8,356</b>	6,780
Other receivables	<b>3,779</b>	22,664
	<b>51,348</b>	83,137
Less: Allowance for credit losses	<b>(2,911)</b>	(2,911)
	<b>48,437</b>	80,226

Note:

As at 31 December 2024, the amounts due from associates included a loan of RMB4,431,000, to an associate, Ming VitaMed, which was unsecured, interest bearing at 2.75% per annum and repayable within twelve months.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 24. CASH AND CASH EQUIVALENTS

	2025 RMB'000	2024 RMB'000
Bank balances	264,231	235,100
Cash on hand	179	199
Cash and cash equivalents in the consolidated statement of cash flows and consolidated statement of financial position	<b>264,410</b>	235,299

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 24. CASH AND CASH EQUIVALENTS (Continued)

Reconciliation of liabilities arising from financing activities

	Dividend payable to NCI RMB'000	Accrued interest RMB'000	Lease liabilities RMB'000	Bank loans RMB'000	Total liabilities from financing activities RMB'000
<b>At 1 January 2025</b>	-	-	14,821	387,616	402,437
Interest recognised in profit or loss	-	13,038	1,007	-	14,045
Dividend declared and payable to non-controlling interests of subsidiaries	22,500	-	-	-	22,500
Changes from financing cash flows					
– Proceeds from new bank loans	-	-	-	430,219	430,219
– Repayment of bank loans	-	-	-	(399,296)	(399,296)
– Capital element of lease rental paid	-	-	(7,052)	-	(7,052)
– Dividend paid to non-controlling interests of subsidiaries	(22,500)	-	-	-	(22,500)
Finance costs paid	-	(13,038)	(1,007)	-	(14,045)
Increase in lease liabilities from entering into new leases during the year	-	-	11,894	-	11,894
Lease termination	-	-	(158)	-	(158)
Exchange adjustments	-	-	(25)	(4,153)	(4,178)
<b>At 31 December 2025</b>	-	-	19,480	414,386	433,866
<b>At 1 January 2024</b>	-	-	12,296	342,130	354,426
Interest recognised in profit or loss	-	12,641	641	-	13,282
Dividend declared and payable to non-controlling interests of subsidiaries	48,597	-	-	-	48,597
Changes from financing cash flows					
– Proceeds from new bank loans	-	-	-	436,149	436,149
– Repayment of bank loans	-	-	-	(391,703)	(391,703)
– Capital element of lease rental paid	-	-	(6,704)	-	(6,704)
– Dividend paid to non-controlling interests of subsidiaries	(48,597)	-	-	-	(48,597)
Finance costs paid	-	(12,641)	(641)	-	(13,282)
Increase in lease liabilities from entering into new leases during the year	-	-	13,760	-	13,760
Lease termination	-	-	(4,569)	-	(4,569)
Exchange adjustments	-	-	38	1,040	1,078
<b>At 31 December 2024</b>	-	-	14,821	387,616	402,437

Major non-cash transactions

During the year ended 31 December 2025, the Group entered into lease arrangements with a total present value of future lease payments at the inception of the leases of approximately RMB11,894,000 (2024: RMB13,760,000), which were included in right-of-use assets.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 25. CONTRACT LIABILITIES

	2025 RMB'000	2024 RMB'000
<b>Trade deposits received from customers:</b>		
– Security deposits received	50,648	42,270
– Receipts in advance	15,754	17,664
	<b>66,402</b>	59,934

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

	2025 RMB'000	2024 RMB'000
Movements in contract liabilities		
<b>Balance at 1 January</b>	<b>59,934</b>	57,172
Increase in contract liabilities as a result of receiving deposits from the customers during the year	<b>30,356</b>	58,222
Decrease in contract liabilities as a result of recognising revenue during the year that was included in contract liabilities at the beginning of the year	<b>(23,858)</b>	(55,499)
Exchange difference	<b>(30)</b>	39
<b>Balance at 31 December</b>	<b>66,402</b>	59,934

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 26. TRADE PAYABLES

	2025 RMB'000	2024 RMB'000
Trade payables	<b>162,684</b>	159,899

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 RMB'000	2024 RMB'000
0-90 days	<b>159,607</b>	159,545
91-180 days	<b>3,077</b>	354
	<b>162,684</b>	159,899

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

## 27. ACCRUALS AND OTHER PAYABLES

	2025 RMB'000	2024 RMB'000
Accruals	<b>6,665</b>	6,733
Accounts payable for acquisition of property, plant and equipment	<b>7,299</b>	8,422
Salaries and bonuses payable	<b>19,097</b>	17,512
Education and construction levies	<b>6,170</b>	6,720
Accrued promotional expenses	<b>4,126</b>	4,511
Amount due to a related party (note 37(c))	<b>2,782</b>	–
Amounts due to non-controlling interests (note 37(c))	<b>3,769</b>	–
Value-added tax payable	<b>3,265</b>	7,073
Other payables	<b>3,872</b>	3,186
	<b>57,045</b>	54,157

Note:

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 28. BANK LOANS

At 31 December 2025, the secured bank loans are scheduled to be repaid as follows:

	<b>2025</b>	2024
	<b>RMB'000</b>	RMB'000
Secured bank loans		
Within 1 year	<b>265,006</b>	225,664
After 1 year but within 2 years	<b>16,590</b>	16,188
After 2 years but within 5 years	<b>49,770</b>	48,565
After 5 years	<b>83,020</b>	97,199
<b>Total</b>	<b>414,386</b>	387,616
Less: Amount shown under current liabilities	<b>265,006</b>	225,664
Amount shown under non-current liabilities	<b>149,380</b>	161,952

Note:

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

	<b>2025</b>	2024
Effective interest rates:		
Fixed rate loans	<b>2.7%-3.18%</b>	3.28%-3.72%
Variable rate loans	<b>3.53%</b>	6.95%

At 31 December 2025, bank borrowings amounted to approximately RMB86,416,000 (2024: RMB100,570,000) were denominated in Hong Kong dollar.

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

	<b>2025</b>	2024
	<b>RMB'000</b>	RMB'000
Investment properties (note 14)	<b>114,000</b>	107,000
Property, plant and equipment (note 13)	<b>138,795</b>	15,526
Right-of-use assets (note 13)	<b>91,106</b>	94,257

In addition to the above, at 31 December 2025 and 2024, the Group has pledged 90% equity interest in a subsidiary to secure a banking facility granted to the Group.

At 31 December 2025, such banking facilities amounted to RMB510,000,000 (2024: RMB470,000,000) were utilised to the extent of RMB414,386,000 (2024: RMB387,616,000).

At 31 December 2025, certain bank borrowings of the Group in the total amount of RMB262,261,000 (2024: RMB270,616,000) were guaranteed by two directors of the Company.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 29. LEASE LIABILITIES

At 31 December 2025, the lease liabilities were payable as follows:

	2025 RMB'000	2024 RMB'000
Within 1 year	6,802	4,356
After 1 year but within 2 years	7,023	2,894
After 2 years but within 5 years	5,655	7,571
	<b>12,678</b>	10,465
	<b>19,480</b>	14,821

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 30. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2025 RMB'000	2024 RMB'000
<b>At 1 January</b>	<b>10,858</b>	15,377
Provision for the year		
– Hong Kong Profits Tax	1,125	152
– PRC Enterprise Income Tax	13,992	16,519
	<b>15,117</b>	16,671
Paid during the year	<b>(18,610)</b>	(21,190)
<b>At 31 December</b>	<b>7,365</b>	10,858

### b) Deferred tax liabilities recognised

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

	Withholding tax on distributable profits of PRC subsidiaries RMB'000	Revaluation of investment properties RMB'000	Total RMB'000
<b>At 1 January 2024</b>	4,188	14,181	18,369
Charged to consolidated statement of profit or loss (note 8(a))	2,506	1,876	4,382
<b>At 31 December 2024</b>	6,694	16,057	22,751
<b>At 1 January 2025</b>	<b>6,694</b>	<b>16,057</b>	<b>22,751</b>
Charged to consolidated statement of profit or loss (note 8(a))	1,721	1,703	3,424
<b>At 31 December 2025</b>	<b>8,415</b>	<b>17,760</b>	<b>26,175</b>

### c) Deferred tax assets and liabilities not recognised

The Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB77,392,000 (2024: RMB65,955,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation.

Apart from the above, there were no material unrecognised deferred tax assets and liabilities of the Group and the Company as at 31 December 2025 and 2024.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 31. SHARE CAPITAL AND RESERVES

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

	Share capital RMB'000 (note a)	Share premium RMB'000 (note b)	Exchange reserve RMB'000 (note e)	Capital reserve RMB'000 (note f)	Accumulated losses RMB'000	Total RMB'000
<b>At 1 January 2025</b>	<b>53,468</b>	<b>139,408</b>	<b>(19,182)</b>	<b>(24,810)</b>	<b>(119,559)</b>	<b>29,325</b>
<b>Change in equity:</b>						
<b>Loss for the year</b>	-	-	-	-	<b>(19,743)</b>	<b>(19,743)</b>
<b>Other comprehensive income for the year</b>	-	-	<b>9,650</b>	-	-	<b>9,650</b>
<b>Total comprehensive loss for the year</b>	-	-	<b>9,650</b>	-	<b>(19,743)</b>	<b>(10,093)</b>
<b>Dividend relating to 2024 (note 9(b))</b>	-	-	-	-	<b>(18,146)</b>	<b>(18,146)</b>
<b>Shares purchased for the share award scheme (note 35)</b>	-	-	-	<b>(295)</b>	-	<b>(295)</b>
<b>Equity-settled share award expenses</b>	-	-	-	<b>1,625</b>	-	<b>1,625</b>
<b>At 31 December 2025</b>	<b>53,468</b>	<b>139,408</b>	<b>(9,532)</b>	<b>(23,480)</b>	<b>(157,448)</b>	<b>2,416</b>
At 1 January 2024	53,468	139,408	(12,791)	(23,618)	(83,973)	72,494
Change in equity:						
Loss for the year	-	-	-	-	(15,806)	(15,806)
Other comprehensive income for the year	-	-	(6,391)	-	-	(6,391)
Total comprehensive loss for the year	-	-	(6,391)	-	(15,806)	(22,197)
Dividend relating to 2023 (note 9(b))	-	-	-	-	(19,780)	(19,780)
Shares purchased for the share award scheme (note 35)	-	-	-	(4,805)	-	(4,805)
Equity-settled share award expenses	-	-	-	3,613	-	3,613
At 31 December 2024	53,468	139,408	(19,182)	(24,810)	(119,559)	29,325

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 31. SHARE CAPITAL AND RESERVES (Continued)

Note:

### a) Share Capital

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

### b) Share premium

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

### c) Statutory reserve

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 31. SHARE CAPITAL AND RESERVES (Continued)

Note: (Continued)

### d) Fair value reserve

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

### e) Exchange reserve

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

### f) Capital reserve

The portion of the grant date fair value of unexercised share options granted to employees of the Company that has been recognised in accordance with the accounting policies adopted for share-based payments in note 2(v)(ii), and costs of the Company's shares purchased for the share award scheme (note 35) less the fair value of share-based payments in respect of any of shares awarded to the employees which are vested at award date and recognised in accordance with the accounting policy as set out in note 2(v)(iii).

### g) Capital management

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 31. SHARE CAPITAL AND RESERVES (Continued)

Note: (Continued)

### g) Capital management (Continued)

The Group's net debt to equity ratio at 31 December 2025 and 2024 were as follows:

	2025 RMB'000	2024 RMB'000
Current liabilities		
Bank loans	265,006	225,664
Lease liabilities	6,802	4,356
	271,808	230,020
Non-current liabilities		
Bank loans	149,380	161,952
Lease liabilities	12,678	10,465
	162,058	172,417
Total debt	433,866	402,437
Less: Cash and cash equivalents	(264,410)	(235,299)
Adjusted net debt	169,456	167,138
Total equity	688,851	705,532
Net debt to equity ratio	24.60%	23.69%

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

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

## 32. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 32. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

### Financial instruments by categories

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

	2025 RMB'000	2024 RMB'000
Trade receivables	113,410	117,041
Bills receivables	44,023	40,683
Other receivables (excluding prepayments and deposits and value-added tax receivable)	867	19,753
Amounts due from related parties (excluding trade deposits paid to related parties)	938	982
Amounts due from associates	–	5,398
Amount due from a joint venture	2	2
Cash and cash equivalents	264,410	235,299
Financial assets at amortised cost	423,650	419,158
Financial assets at fair value through profit or loss	18,079	21,843
Financial assets at fair value through other comprehensive income	50,239	64,203
Financial assets at fair value	68,318	86,046

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

	2025 RMB'000	2024 RMB'000
Bank loans	414,386	387,616
Trade payables	162,684	159,899
Accruals and other payables (excluding value-added tax payable)	47,229	47,084
Amount due to a related party	2,782	–
Amounts due to non-controlling interests	3,769	–
Lease liabilities	19,480	14,821
Financial liabilities at amortised cost	650,330	609,420

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 32. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

### a) Credit risk

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

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

#### Maximum exposure and year-end staging as at 31 December 2025

	2025					
	12-month	Lifetime ECLs				
	ECLs				Simplified	Total
	Stage 1	Stage 2	Stage 3	approach	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Trade receivables	–	–	–	113,410	113,410	
Bills receivables	44,023	–	–	–	44,023	
Other receivables	867	–	–	–	867	
Amounts due from related parties	938	–	–	–	938	
Amount due from a joint venture	2	–	–	–	2	
Cash and cash equivalents	264,410	–	–	–	264,410	
	310,240	–	–	113,410	423,650	

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 32. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

### a) Credit risk (Continued)

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

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

Note:

#### i) Trade receivables

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

The Group has no significant concentration of credit risk in industries or countries in which the customers operate. Significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 12.3% (2024: 23.0%) and 51.7% (2024: 45.4%) of the total trade receivables were due from the Group's largest debtor and the five largest debtors respectively.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 32. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### a) Credit risk (Continued)

Note: (Continued)

#### i) Trade receivables (Continued)

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

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

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

	As at 31 December 2025				
	Lifetime ECL %	Gross carrying amount RMB'000	Lifetime ECL RMB'000	Net carrying amount RMB'000	Credit impaired Yes/NO
	Not past due	0.21%	64,886	(140)	64,746
Past due:					
0-90 days	1.23%	45,559	(563)	44,996	No
91-180 days	4.17%	3,589	(150)	3,439	No
181-365 days	0%	229	–	229	No
Over 365 days	100%	6,628	(6,628)	–	Yes
		120,891	(7,481)	113,410	

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 32. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

*(Continued)*

### **a) Credit risk (Continued)**

Note: *(Continued)*

#### **i) Trade receivables (Continued)**

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

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

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

**ii)** In respect of other receivables, amounts due from related parties, associates and a joint venture, for which there was no significant increase in credit risk as at 31 December 2025 and 2024 by reference to the information available on the financial position of the respective debtors, past payment history, current conditions and other forward looking factors.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 32. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

### b) Liquidity risk

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

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

	Within 1 year or on demand RMB'000	After 1 year but within 2 years RMB'000	After 2 years but within 5 years RMB'000	After 5 years RMB'000	Total contractual undiscounted cash flow RMB'000	Carrying amount RMB'000
<b>2025</b>						
<b>Non-derivative financial liabilities</b>						
Trade payables	162,684	–	–	–	162,684	162,684
Accruals and other payables (excluding value-added tax payable)	47,229	–	–	–	47,229	47,229
Amount due to a related party	2,782	–	–	–	2,782	2,782
Amounts due to non-controlling interests	3,769	–	–	–	3,769	3,769
Bank loans	276,952	21,941	65,839	104,161	468,893	414,386
Lease liabilities	7,625	7,512	5,894	–	21,031	19,480
	<b>501,041</b>	<b>29,453</b>	<b>71,733</b>	<b>104,161</b>	<b>706,388</b>	<b>650,330</b>
<b>2024</b>						
<b>Non-derivative financial liabilities</b>						
Trade payables	159,899	–	–	–	159,899	159,899
Accruals and other payables (excluding value-added tax payable)	47,084	–	–	–	47,084	47,084
Bank loans	238,976	21,396	60,996	106,274	427,642	387,616
Lease liabilities	4,965	3,371	8,137	–	16,473	14,821
	<b>450,924</b>	<b>24,767</b>	<b>69,133</b>	<b>106,274</b>	<b>651,098</b>	<b>609,420</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 32. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

### c) Interest rate risk

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

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

### i) Interest rate risk profile

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

	2025		2024	
	Effective interest rates %	RMB'000	Effective interest rates %	RMB'000
Fixed rate borrowings:				
Lease liabilities	4.30%-8.00%	19,480	4.30%-8.00%	14,821
Bank loans	2.70%-3.18%	327,970	3.28%-3.72%	287,046
		<b>347,450</b>		301,867
Variable rate borrowings:				
Bank loans	3.53%	86,416	6.95%	100,570
Total borrowings		<b>433,866</b>		402,437
Net fixed rate borrowings as a percentage of total borrowings		<b>80.1%</b>		75.0%
Fixed rate bank balances	1.15%-3.40%	104,873	3.80%-4.00%	21,370
Variable rate bank balances		159,358		213,730
		<b>264,231</b>		235,100

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 32. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

*(Continued)*

### *c) Interest rate risk (Continued)*

#### *ii) Sensitivity analysis*

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

At 31 December 2025, it is estimated that a general increase/decrease of 100 basis points in interest rates for variable rate bank loans and bank balances, with all other variables held constant, would increase/decrease the Group's profit after tax and retained profits by approximately RMB439,000 (2024: RMB754,000). Other components of consolidated equity would not change in response to the general increase/decrease in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until end of next annual reporting period. The analysis is performed on the same basis for the 2024.

### *d) Currency risk*

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 32. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

### d) Currency risk (Continued)

#### i) Exposure to currency risk

	2025 RMB'000	2024 RMB'000
<b>Assets/(liabilities)</b>		
Cash and cash equivalents		
US\$	134,732	150,039
HK\$	10,923	5,418
RMB	26,784	20,747
Euro	3,445	5,204
Trade and other receivables		
US\$	23,434	40,295
HK\$	2	–
RMB	797	642
Euro	–	3,610
Trade and other payables		
US\$	–	(17)
HK\$	(139,135)	(133,572)
NOK	(263)	(275)
Bank loans		
RMB	(86,416)	(100,570)
<b>Total assets</b>		
US\$	158,166	190,334
HK\$	10,925	5,418
RMB	27,581	21,389
Euro	3,445	8,814
<b>Total liabilities</b>		
US\$	–	(17)
HK\$	(139,135)	(133,572)
RMB	(86,416)	(100,570)
NOK	(263)	(275)

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 32. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

### d) Currency risk (Continued)

#### ii) Sensitivity analysis

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

	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits RMB'000	Effect on other components of equity RMB'000
<b>At 31 December 2025</b>			
US\$	5%	7,908	–
	(5%)	(7,908)	–
HK\$	5%	(6,411)	–
	(5%)	6,411	–
RMB	5%	(2,942)	–
	(5%)	2,942	–
Euro	5%	172	–
	(5%)	(172)	–
NOK	5%	(13)	–
	(5%)	13	–
<b>At 31 December 2024</b>			
US\$	5%	9,516	–
	(5%)	(9,516)	–
HK\$	5%	(6,408)	–
	(5%)	6,408	–
RMB	5%	(3,959)	–
	(5%)	3,959	–
Euro	5%	441	–
	(5%)	(441)	–
NOK	5%	(14)	–
	(5%)	14	–

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 32. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

*(Continued)*

### **d) Currency risk (Continued)**

#### **ii) Sensitivity analysis (Continued)**

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

### **e) Business risk**

The Group has certain concentration of business risk as 54.0% (2024: 59.8%) of its total turnover during the year were derived from a principal product, Nin Jiom Pei Pa Koa (京都念慈菴蜜煉川貝枇杷膏), which was purchased from a sole supplier that is the designated distributor of the manufacturer of Nin Jiom Pei Pa Koa. In November 2013, the Group entered into a four-year period distribution agreement with the manufacturer and the supplier of Nin Jiom Pei Pa Koa, pursuant to which the Group is entitled the non-exclusive distribution right to sell Nin Jiom Pei Pa Koa in certain provinces in the PRC and is granted credit terms of 60 days. The distribution agreement was renewed in April 2017 for a four-year period, which was further renewed in 2021 to a period up to 26 January 2026. If there is any change in consumer taste and demand of the product, or the supplier does not further renew the purchase agreement, the Group's turnover and profitability will be adversely affected.

### **f) Fair value measurements**

#### **Fair value hierarchy**

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

- Level 1 valuations: Fair value measured using only Level 1 inputs, that is, unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs, that is, observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 32. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

### f) Fair value measurements (Continued)

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

	Fair value measurements as at 31 December 2025 categorised into				Fair value measurements as at 31 December 2024 categorised into			
	Fair value at 31 December				Fair value at 31 December			
	2025	Level 1	Level 2	Level 3	2024	Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurements								
Assets:								
Financial assets at fair value through other comprehensive income								
– Unlisted equity investments	7,310	–	–	7,310	15,344	–	–	15,344
– Listed securities	42,929	42,929	–	–	48,859	48,859	–	–
Financial assets at fair value through profit or loss								
– Unlisted equity investments	7,903	–	–	7,903	7,541	–	–	7,541
– Listed securities	10,176	10,176	–	–	14,302	14,302	–	–

During the years ended 31 December 2025 and 2024, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of the fair value hierarchy as at the end of the reporting period in which they occur.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 32. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

### f) Fair value measurements (Continued)

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

Level 3 fair value measurement as at 31 December 2025 and 2024

Financial assets	Fair value as at		Valuation technique	Significant unobservable input	Range
	31 December 2025	31 December 2024			
Unlisted equity investments classified as FVTOCI	<b>5.99% equity interest in Sinopharm Healthcare Fund L. P. RMB3,059,000</b>	5.99% equity interest in Sinopharm Healthcare Fund L. P. RMB11,802,000	Asset-based approach	Discount of lack of control	24.81% (2024: 24.81%)
	<b>17% equity interest in a private entity established in the PRC RMB300,000</b>	17% equity interest in a private entity established in the PRC RMB300,000	Cost approach	Discount of lack of marketability	20.60% (2024: 20.60%)
	<b>Nil</b>	88.5% equity interest in a limited partnership established in the PRC RMB208,000	Asset-based approach	Net asset value	N/A
	<b>24.79% equity interest in a limited partnership established in the PRC RMB3,951,000</b>	24.79% equity interest in a limited partnership established in the PRC RMB3,034,000	Asset-based approach	N/A	N/A
Unlisted equity investment classified as FVTPL	<b>10% equity interest in a private entity established in the PRC RMB7,903,000</b>	10% equity interest in a private entity established in the PRC RMB7,541,000	Asset-based approach	Discount of lack of control	19.09% (2024: 21.26%)
				Discount of lack of marketability	20.40% (2024: 20.50%)

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 32. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

### f) Fair value measurements (Continued)

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

	Unlisted equity investments at fair value through other comprehensive income RMB'000	Unlisted equity investments at fair value through profit or loss RMB'000
<b>At 1 January 2024</b>	20,281	7,180
Change in fair value recognised in other comprehensive income	(2,488)	–
Change in fair value recognised in profit or loss	–	361
Exchange adjustment	551	–
Refund of capital	(3,000)	–
<b>At 31 December 2024</b>	15,344	7,541
<b>At 1 January 2025</b>	<b>15,344</b>	<b>7,541</b>
Change in fair value recognised in other comprehensive income	<b>(7,313)</b>	–
Change in fair value recognised in profit or loss	–	<b>362</b>
Exchange adjustment	<b>(513)</b>	–
Refund of capital	<b>(208)</b>	–
<b>At 31 December 2025</b>	<b>7,310</b>	<b>7,903</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 33. ACCOUNTING JUDGEMENTS AND ESTIMATES

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

### *a) Depreciation and amortisation*

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

### *b) Impairment of assets*

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 33. ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

### c) *Valuation of investment properties*

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

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

### d) *Provision for ECLs on trade receivables*

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

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in notes 22 and 32(a) to the consolidated financial statements.

### e) *Net realisable value of inventories*

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

### f) *PRC corporate income tax*

The Group is subject to corporate income taxes in Mainland China. Due to the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimation and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision for income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provision in the period in which the differences realise. Further details are given in notes 8 and 30 to the consolidated financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 33. ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

### *g) Investments in subsidiaries*

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

### *h) Fair value of financial instruments*

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

### *i) Impairment of goodwill*

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2025 was RMB90,693,000 (2024: RMB90,693,000). Further details of impairment testing of goodwill are disclosed in note 16 to the financial statements.

### *j) Leases – Estimating the incremental borrowing rate*

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

### *k) Functional currency of the Company*

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 34. EMPLOYEE RETIREMENT BENEFITS

### *Defined contribution retirement plans*

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

The Group also operates a Mandatory Provident Fund Scheme ("**the MPF scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000 (2024: HK\$30,000). Contributions to the plan vest immediately.

The total expense recognised in profit or loss of RMB14,911,000 (2024: RMB11,595,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

### *Long service payment obligation*

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

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

As at 31 December 2025 and 2024, the Group did not have material net LSP obligation as the estimated LSP obligations up to the end of the reporting period did not exceed the accrued benefits derived from the employer's MPF contributions.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 35. EQUITY-SETTLED SHARE-BASED TRANSACTIONS

### Share option scheme

The Company had a share option scheme which was adopted on 5 November 2010 (the “**Share Option Scheme**”) whereby the directors of the Company are authorised, at their discretion, to grant options to subscribe for shares in the Company to eligible participants (“**Eligible Participants**”), including directors, eligible employees, consultants, suppliers, customers, and shareholders of any member of the Group or associated company or any of their respective associates, who contributed to the success of the Group. The share option scheme was valid and effective for a period of ten years ending on 4 November 2020, and all share options granted under the Share Option Scheme were lapsed as at 31 December 2021. Upon the expiration of the Share Option Scheme on 4 November 2020, on 20 August 2021, the Company has adopted the new share option scheme ( the “**New Share Option Scheme**”) to provide incentives or rewards to Eligible Participants for their contribution to the Group and/or to enable the Group to recruit and retain high calibre employees and attract human resources that are available to the Group. The New Share Option Scheme was terminated by the Board on 14 April 2025. There was no outstanding share option granted under the New Share Option Scheme.

### Share award scheme

On 27 August 2019, the Company’s board of directors (the “**Board**”) approved and adopted a share award scheme for eligible senior management and eligible employees of the Company and its subsidiaries (the “**Selected Employees**”) (the “**2019 Share Award Scheme**”). The Share Award Scheme shall be subject to the administration of the Board and the trustee as appointed by the Company in accordance with the rules of the Share Award Scheme (the “**Award Scheme Rules**”) and the trust deed. The trustee shall hold the shares awarded or to be awarded to the Selected Employees (the “**Awarded Shares**”) in accordance with the terms of the trustee deed. Unless early terminated by the Board, the Share Award Scheme shall be valid and effective for a period of six years commencing on 27 August 2019.

Movements in the number of shares held for the Share Award Scheme for the year were as follows:

	Awarded Shares	Shares to be awarded	Total
<b>At 1 January 2024</b>	–	30,048,000	30,048,000
Granted during the year	6,648,000	(6,648,000)	–
Vested during the year	(6,648,000)	–	(6,648,000)
Purchased during the year	–	9,500,000	9,500,000
<b>At 31 December 2024</b>	–	32,900,000	32,900,000
<b>At 1 January 2025</b>	–	32,900,000	32,900,000
Granted during the year	3,437,600	(3,437,600)	–
Vested during the year	(3,437,600)	–	(3,437,600)
Purchased during the year	–	3,225,374	3,225,374
<b>At 31 December 2025</b>	–	32,687,774	32,687,774

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 35. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (Continued)

### Share award scheme (Continued)

Due to the expected expiry of the Share Award Scheme in August 2025, on 14 April 2025, the Board has adopted a new share award scheme (the “**2025 Share Award Scheme**”) and terminated the 2019 Share Award Scheme for the purpose of, among other things, reflecting the latest changes to and requirements under Chapter 17 of the Listing Rules. Details of the 2025 Share Award Scheme are set out in the announcement of the Company dated 14 April 2025.

Up to the date of termination of the Share Award Scheme, (i) an aggregate of 11,708,000 awards have been granted under the 2019 Share Award Scheme and all of which have been vested and transferred to the selected participant thereunder; and (ii) there was no outstanding awarded shares granted but unvested under the 2019 Share Award Scheme.

On 4 July 2025, the Board resolved to grant 3,457,600 Awarded Shares to 70 Selected Employees under the 2025 Share Award Scheme. All of the shares were vested on 4 July 2025. The fair value of 3,457,600 Awarded Shares on the grant date based on market price of the Company’s shares was HK\$0.55 each share. A total expense of RMB1,625,000 (2024: RMB3,613,000) was recognised as share-based payments for the year ended 31 December 2025.

At 31 December 2025, a total of 32,687,774 shares (2024: 32,900,000 shares) of the Company were held by the trustee and there were no unvested Awarded Shares under the 2025 Share Award Scheme.

## 36. COMMITMENTS

### a) Operating lease commitments - as lessee

At 31 December 2025, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2025 RMB'000	2024 RMB'000
Within one year	548	2,045

### b) Capital commitments

At 31 December 2025, the Group had the following capital commitments at the end of the reporting period:

	2025 RMB'000	2024 RMB'000
Property, plant and equipment	16,999	12,553

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 37. RELATED PARTY TRANSACTIONS

- a) For the year ended 31 December 2025, the Directors are of the opinion that the following entities and persons are related parties to the Group:

Name of related parties	Relationship
Mr. Zhao Li Sheng (“ <b>Mr. Zhao</b> ”)	The Company’s director and the ultimate controlling party of the Group
Ms. Chan Lok San (“ <b>Ms. Chan</b> ”)	The Company’s director and the spouse of Mr. Zhao
Morning Gold Medicine Company Limited (“ <b>Morning Gold</b> ”)	Mr. Zhao and Ms. Chan have beneficial interests
Yuen Tai Pharmaceuticals Limited (“ <b>Yuen Tai</b> ”)	Subsidiary of Morning Gold
Shenzhen Kingworld Lifeshine Pharmaceutical Company Limited (“ <b>SZ Kingworld Lifeshine</b> ”)	Subsidiary of Morning Gold
Shenzhen Kingworld Industry Company Limited (“ <b>SZ Industry</b> ”)	Mr. Zhao and Ms. Chan have beneficial interests
Kingkok International Enterprises Limited (“ <b>Kingkok</b> ”)	Mr. Zhao and Ms. Chan have beneficial interests
Golden Morning International Limited (“ <b>Golden Morning</b> ”)	Ms. Chan has beneficial interest
Golden Land International Limited (“ <b>Golden Land</b> ”)	Mr. Zhao has beneficial interest
Ming VitaMed	Associate of the Group
Fat Chi Medicine	Associate of the Group
Zhuhai Jinming	Joint venture of the Group
龍德酒店	Indirect non-wholly subsidiary of the Group
深圳市高特威實業有限公司 (“ <b>深圳高特威</b> ”)	Non-controlling interest of 龍德酒店
深圳市銘仕酒店用品有限公司 (“ <b>深圳銘仕</b> ”)	Non-controlling interest of 龍德酒店

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 37. RELATED PARTY TRANSACTIONS (Continued)

### b) Related party transactions

	2025 RMB'000	2024 RMB'000
Purchase of goods		
SZ Kingworld Lifeshine	26,003	17,544
Yuen Tai	34	–
	<b>26,037</b>	17,544
Rental expenses		
SZ Industry	200	235
Advertising expenses		
SZ Industry	138	138
Interest income from a loan to an associate		
Ming VitaMed	–	119
Management fee income		
Fat Chi Medicine	–	144

### c) Balances with related parties

	2025 RMB'000	2024 RMB'000
Amounts due from related parties		
SZ Kingworld Lifeshine	–	12,201
Kingkok	908	950
Golden Morning	15	16
Golden Land	15	16
	<b>938</b>	13,183
Amounts due from associates		
Fat Chi Medicine	–	188
Ming VitaMed (note 23)	–	5,210
	–	5,398
Amount due from a joint venture		
Zhuhai Jinming	2	2
Amount due to a related party		
SZ Kingworld Lifeshine	2,782	–
Amounts due to non-controlling interests		
深圳高特威	2,650	–
深圳銘仕	1,119	–
	<b>3,769</b>	–

The balances with related parties are unsecured, interest free and repayable on demand.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 37. RELATED PARTY TRANSACTIONS (Continued)

### d) Key management personnel remuneration:

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 11, certain of the highest paid employees as disclosed in note 12, and the senior management of the Group is as follows:

	2025 RMB'000	2024 RMB'000
Salaries and other emoluments	9,374	9,589
Equity-settled share-based payment expenses	708	1,419
Retirement scheme contributions	418	391
	10,500	11,399

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 38. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	2025 RMB'000	2024 RMB'000
<b>Non-current assets</b>		
Investments in subsidiaries	231,732	231,733
Property, plant and equipment	6,355	7,721
Right-of-use assets	523	220
	<b>238,610</b>	239,674
<b>Current assets</b>		
Other receivables	5,488	5,019
Amounts due from subsidiaries	220,505	260,683
Cash and cash equivalents	45,307	63,787
	<b>271,300</b>	329,489
<b>Current liabilities</b>		
Other payables	1,730	1,716
Amounts due to subsidiaries	418,822	437,365
Bank loans	86,416	100,570
Lease liabilities	295	187
	<b>507,263</b>	539,838
<b>Net current liabilities</b>	<b>(235,963)</b>	(210,349)
<b>Total assets less current liabilities</b>	<b>2,647</b>	29,325
<b>Non-current liabilities</b>		
Lease liabilities	231	–
<b>NET ASSETS</b>	<b>2,416</b>	29,325
<b>CAPITAL AND RESERVES</b>		
Share capital	53,468	53,468
Reserves	(51,052)	(24,143)
<b>TOTAL EQUITY</b>	<b>2,416</b>	29,325

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 39. IMMEDIATE AND ULTIMATE CONTROLLING PARTIES

The directors consider the immediate holding company of the Group as at 31 December 2025 to be Golden Land International Limited, a company incorporated in the BVI which does not produce consolidated financial statements available for public use, and the ultimate controlling party of the Group as at 31 December 2025 to be Zhao Li Sheng, an executive director of the Company.

## 40. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2025

Up to the date of issue of these financial statements, the HKICPA has issued a number of new and amendments to HKFRSs which are not yet effective for the year ended 31 December 2025 and which have not been adopted in these consolidated financial statements.

Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity <sup>1</sup>
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments <sup>1</sup>
Annual Improvements to HKFRS Accounting Standards - Volume 11	Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7 <sup>1</sup>
HKFRS 18	Presentation and Disclosure in Financial Statements <sup>2</sup>
HKFRS 19 and its amendments	Subsidiaries without Public Accountability <sup>2</sup>
Amendments to HKAS 21	Translation to a Hyperinflationary Presentation Currency <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2026

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2027

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

# Financial Summary

The following table summarises the consolidated results of the Group for the five years ended 31 December:

	For the year ended 31 December				
	2025 RMB'000	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000
<b>Results</b>					
Revenue	<b>917,341</b>	1,061,082	1,078,659	957,701	847,386
Profit before taxation	<b>57,433</b>	95,519	93,886	67,584	69,434
Income tax	<b>(18,541)</b>	(21,053)	(32,292)	(24,042)	(18,223)
Profit for the year	<b>38,892</b>	74,466	61,594	43,542	51,211
<b>Attributable to:</b>					
Owners of the Company	<b>11,282</b>	41,557	38,096	22,741	30,319
	As at 31 December				
	2025 RMB'000	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000
<b>Asset and Liabilities</b>					
Total assets	<b>1,442,388</b>	1,415,568	1,337,650	1,263,363	1,213,829
Total liabilities	<b>753,537</b>	710,036	638,298	569,148	493,195
Equity attributable to owners of the Company	<b>617,701</b>	639,792	619,034	615,577	616,897
Non-controlling interests	<b>71,150</b>	65,740	80,318	78,638	103,737

## Particulars of Key Properties

Address	Use	Lease Term	Approximate gross floor area	Group's interest
Unit 801-804 and 901-904, Block A, Majialong Innovation Building, Daxin Road, Nanshan District, Shenzhen, Guangdong Province, the PRC	Commercial	Medium-term lease	5,631sqm	100%
The Kingworld • Longde Life and Health Industrial Park, No. 6 Cuilong Road, Baolong Industrial City, Longgang District, Shenzhen, Guangdong Province, the PRC	Commercial	Medium-term lease	35,997sqm	90%
Part of the basement of Kingworld Department Store, Jiefang Road, Luohu District, Shenzhen, Guangdong Province, the PRC	Retail	Medium-term lease	956sqm	100%
Unit B on Level 9 West, Yong Xing Office Building, No. 22, Lane 376 Yan'an Road West, Jing'an District, Shanghai, the PRC	Commercial	Medium-term lease	204sqm	100%
Flat F on Level 21 and Flat E on Level 7, Weifu Building, Tai Bai Road, Luohu District, Shenzhen, Guangdong Province, the PRC	Residential	Medium-term lease	73sqm/ 100sqm	55%
The building erected on Lot No. 3-1-2, Qianshan Industrial Zone, Xiangzhou District, Zhuhai, Guangdong Province, the PRC	Commercial	Medium-term lease	26,197sqm	50%

## Particulars of Key Properties

<b>Address</b>	<b>Use</b>	<b>Lease Term</b>	<b>Approximate gross floor area</b>	<b>Group's interest</b>
Unit 613, 6th Floor Goodluck Industrial Centre 808 Lai Chi Kok Road Kowloon Hong Kong	Industrial	Long-term lease	149sqm	100%
Unit 1002, 10th Floor Goodluck Industrial Centre 808 Lai Chi Kok Road Kowloon Hong Kong	Industrial	Long-term lease	112sqm	100%
Unit 1011, 10th Floor Goodluck Industrial Centre 808 Lai Chi Kok Road Kowloon Hong Kong	Industrial	Long-term lease	118sqm	100%