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

INTERIM REPORT 2011

Contents

Corporate Information

DIRECTORS

Executive Directors

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

Independent Non-executive Directors

Mr. Zhang Jianqi
Mr. Duan Jidong
Mr. Wong Cheuk Lam

COMPANY SECRETARY

Mr. Chan Hon Wan

LEGAL ADVISORS TO THE COMPANY

King & Wood
9th Floor, Hutchison House
10 Harcourt Road, Central
Hong Kong

AUDITOR

CCIF CPA Limited
34th Floor
33 Hysan Avenue
Causeway Bay
Hong Kong

AUTHORISED REPRESENTATIVES

Mr. Lin Yusheng
Mr. Chan Hon Wan

REGISTERED OFFICE

Appleby Trust (Cayman) Ltd.
Clifton House, 75 Fort Street
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Block A, Tian An International Building
Renminnan Road
Luohu District, Shenzhen
Guangdong Province
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 1906-1907, 19th Floor
Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

Corporate Information

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Appleby Trust (Cayman) Ltd.
Clifton House, 75 Fort Street
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

PRINCIPAL BANKERS

China Construction Bank
Binhe Sub-branch
1st Floor, East Block
Financial Centre
Shennan Zhong Road
Shenzhen
The PRC

Agricultural Bank of China
Shenzhen Zhongxinqu Sub-branch
1st Floor, Zhuoyue Building
Fuhua 1 Road 98
Shenzhen
The PRC

Nanyang Commercial Bank
Western Branch
1st Floor - 2nd Floor
359-361 Queen's Road Central
Hong Kong

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

AUDIT COMMITTEE

Mr. Wong Cheuk Lam (Chairman)
Mr. Duan Jidong
Mr. Zhang Jianqi

REMUNERATION COMMITTEE

Mr. Zhang Jianqi (Chairman)
Mr. Duan Jidong
Mr. Wong Cheuk Lam

NOMINATION COMMITTEE

Mr. Duan Jidong (Chairman)
Mr. Zhang Jianqi
Mr. Wong Cheuk Lam

STOCK CODE

01110

WEBSITE ADDRESS

www.kingworld.com.cn

Financial Highlights

	Six months ended 30 June		% Changes
	2011	2010	Increase/
	RMB '000	RMB '000	(Decrease)
Financial Highlights			
Turnover	**362,552**	313,710	15.6%
Cost of sales	**(282,726)**	(250,357)	12.9%
Gross profit	**79,826**	63,353	26.0%
Profit before taxation	**28,672**	14,466	98.2%
Profit attributable to owners	**19,647**	10,612	85.1%
Basic earnings per share (RMB cents)	**3.16**	2.36	33.9%

	At 30 June	At 31 December	
	2011	2010	
Liquidity and Gearing			
Current ratio[(1)]	**2.45**	1.82	34.6%
Quick ratio[(2)]	**2.37**	1.66	42.8%
Gearing ratio[(3)]	**13.5%**	26.4%	(48.9)%

Notes:

(1) Current ratio is calculated as current assets divided by current liabilities.

(2) Quick ratio is calculated as current assets less inventories divided by current liabilities.

(3) Gearing ratio is calculated as total bank borrowings divided by total assets multiplied by 100%.

Management Discussion and Analysis

MARKET AND INDUSTRY REVIEW

1. *The publication of the Twelve Five-Year Plan by the State was beneficial to the development of the pharmaceutical industry*

In accordance with the Outline for the Planning in the Development of Pharmaceuticals Industry with Distribution of Pharmaceuticals Covering Nationwide as published by the Ministry of Commerce of the State, which became effective from 2011, the key objectives for the development during the "Twelve Five-Year Plan" period are: to establish one to three major national pharmaceutical groups with annual sales of over RMB100 billion per annum, approximately 20 regional enterprises engaging in the distribution of pharmaceuticals regional wide with annual sales of over RMB10 billion and top 100 pharmaceutical wholesaling enterprises with annual sales accounting for approximately over 85% of wholesale pharmaceuticals, top 100 pharmaceutical retail chain stores with annual sales accounting for over approximately 60% of the total sales in the retail segment, as well as having the proportion of pharmaceutical chain store increases to over two thirds of the total retail stores. Benefitting from the policies of the State, the total sales and the retailing of pharmaceuticals in China are expected to expand substantially. As the long-term cooperation partners of the Group currently are some of the principal pharmaceutical wholesaling and retailing enterprises in China, it is anticipated that there will be room for an increase of sales of the Group's branded products upon their growth.

In addition, the "Twelve Five-Year Plan" also supported the integration of chain store operation, logistics and e-commerce in the pharmaceutical industry. This will enhance the standards in e-commerce that are now being applied in the delivery of pharmaceuticals. Retail chain stores with standard operation procedures were also encouraged to develop online pharmaceutical stores. The Group will revise its operation strategies promptly in response to the emerging changes in the mode of retail operation, in particular, the development of an e-commerce platform with the assistance by a third party. As such, e-commerce will become a new segment of growth on the Group's business in the future.

2. *Growth in the pharmaceutical industry remained steady*

According to the relevant data, the total output of the pharmaceutical industry for 2010 amounted to RMB1,236.827 billion, representing an increase of 23.1% as compared with the same period last year. The total output of the pharmaceutical industry for the first quarter of 2011 reached RMB314.311 billion, which accounted for an increase of 25.45% as compared with the same period last year.

According to the statistics of Nanfang Pharmaceuticals and Economics Research Institute, the annual sales of about 400,000 pharmaceutical stores in China reached RMB173.9 billion. The total sales for the top 100 pharmaceutical retail chain stores in 2010 exceeded RMB65.5 billion, whilst the concentration of the top 100 pharmaceutical retail chain stores was only approximately 37%. During the "Twelve Five-Year Plan" period, the State would be prepared to implement the Basic Pharmaceutical Administration System, which will be used to substitute the welfare of pharmaceuticals to cover the consultation at the basic medical institutions. In particular, for those cities with more advanced facilities for the retailing of pharmaceuticals than those in the public medical service institutions, the "dispensing separation" model which doctors will focus on out-patient diagnosis and prescribe appropriate treatments while pharmacists will check the prescription and dispense the medicines with adequate medication counselling at the pharmaceutical retail stores can be explored. This pattern will be favourable to pharmaceutical stores like the Group that has a relatively large proportion in the retail segment. It is expected that the favourable industry trend will allow the Group to develop rapidly in the future.

3. Chinese medicines being the segment leading in the market for products to relieve cough and sputum symptoms

According to the statistics from the health authorities of the State, there were more than 300 million of people in China suffering from diseases in respiratory system each year. Of which more than 50 million people were suffered from coughing. Moreover, the percentage of people suffering from coughing was higher at areas that were more economically developed. There were more than 190 million of people living in the urban and rural area suffering from asthma, bronchitis, tuberculosis and coughing caused by flu, whilst approximately 16% of those having symptoms above were suffering coughing. Therefore, medicines to relieve cough and sputum symptoms become indispensible for the spending of consumers at large.

At present, there are more than 100 brands of medicines for relieving cough and sputum symptoms. Of which, more than 60% are produced from prescriptions with Chinese medicines, and have an absolute advantage in the market. On the contrary, only less than 40% are produced from prescriptions with western medicines, and are placed in a less favourable position in the market. Amongst the Chinese medicines for relieving cough and sputum symptoms, "cough syrup" is the most popular medicine. The "Mi Lian Chuan Bei Pei Pa Koa" (蜜煉川貝枇杷膏) produced by Nim Jiom (京都念慈庵) remains the most popular brand, which received approximately more than 30% of referrals by shop sales. This was sufficient to demonstrate that such product has a comprehensive sales channels and a considerable share in the market.

BUSINESS REVIEW

1. To maintain and further enhance the market share of products with competitive edge

During the Reporting Period, the Group realigned its strategy for the wholesale customers, and expanded its coverage in the second and third tier cities, thereby increasing the penetration rate of Nim Jiom Pei Pa Koa in the second and third tier cities. At the same time, the Group also tapped into the hospital market in Shanghai, Hangzhou, Ningbo, Xian, Nanchong and Nanjing. The branding and recognition of Nim Jiom Pei Pa Koa were thus enhanced through the promotional efforts devoted there. For the six months ended 30 June 2011, the sales of Nim Jiom Pei Pa Koa were increased by 19.8% as compared with the same period last year.

Taiko Seirogan (喇叭牌正露丸) is another main stream product distributed by the Group. During the Reporting Period, the Group obtained remarkable results in sales through the integration of channels at Guangdong and Fujian as well as the implementation of a series of promotional activities to enhance its brand name. For the six months ended 30 June 2011, a relatively rapid growth was recorded for the sales of Taiko Seirogan, which amounted to RMB29,686,000, representing an increase of 169.1% as compared with the same period last year.

During the Reporting Period, the penetration rate of Mentholatum (曼秀雷敦) series, another main stream product distributed by the Group, was also accelerated. A relatively rapid growth was also recorded for its sale. For the six months ended 30 June 2011, the growth in the sales of Mentholatum series was relatively fast with recorded sales of RMB25,432,000, representing an increase of 67.3% as compared with the same period last year.

Imada Red Flower Oil (依馬打紅花油) of Kingworld is another emerging star product distributed by the Group. With the adoption of effective sales strategies, a relatively fast growth was also recorded for the product. For the six months ended 30 June 2011, the growth in the sales of such product was relatively fast and recorded sales of RMB12,478,000, representing an increase of 186% as compared with the same period last year.

The Group is applying for the renewal for the import registration licence of Flying Eagle Wood Lok Medicated Oil (飛鷹活絡油), which was expired in December 2010. Hence, the sales of Flying Eagle Wood Lok Medicated Oil for the first half of the year were affected to a certain extent. With the approval obtained for the import registration licence during the second half of the year, it is believed that the sales will soon recover and will gain further growth. In addition, the import for Kawai Liver Oil Drop (可愛的肝油丸), another product of the Group, was temporarily suspended due to the disastrous earthquake in Japan and China banning the import of foodstuff from Japan. As the sales of liver oil drop only accounted for about 3.3% of the Group's sales, the effect on the sales of the Group as a whole was minimal.

2. *Breakthrough in the introduction of new products that are available for sales during the second half of the year*

During the recent years, a number of incidents on the safety of food and drugs occurred in China. Consumers in the Mainland became more concerned about safety issues on food and medicines, and placed more attention on the products imported from overseas. This had brought forth valuable opportunities for the development of the Group. After conducting research and selection in the market during the first half of the year, the Group will act as an agent for organic food directly produced and packaged in the United States, which will include organic dried milk. Save from selling these products in the Mainland, the Group is also planning to sell the same in Hong Kong.

At the same time, upon the safety concern over the threats by radiation caused by the earthquake in Japan in March this year, as well as the threat of radiation to health of people in the daily course of life, the Group considered products that can mitigate the radioactive effect represent good opportunities for the development of the Group. The Group will launch products relieving radiation in the coming months.

The scope of franchising granted by Disney to the Group was expanded last year. Since then, the Group has been using its best endeavours to develop new products. With the efforts devoted to this aspect of business during the first half of the year, the Group had completed the preliminary preparation work for the launch of Band-Aid products with authorised Disney brands. It is expected that the products will be officially launched into the market by August this year.

The preliminary preparation work for the launch of these new products was already completed. These new products are now in a pipeline for launch into the market during the second half of the year. The gross profit margin of the new products will be higher than the gross profit margin of the Group's existing products. It is expected that these new products will increase the gross profit margin of the Group as a result.

3. *To expand the distribution network of the Group with depth*

During the Reporting Period, the Group conducted effective adjustment and further enhancement to its distribution network on the basis of "seeking to minimise number of wholesale customers with the maximum network coverage" and in terms of the nature of different segment market. At the same time, the Group consolidated its distribution network through increasing the number of display booths, enriching the product mix and creating a favourable spending environment. The close cooperation relationship with the distributors and the pharmaceutical retailers was improved accordingly.

During the Reporting Period, the Group also explored a new channel, and tapped into particular State-owned enterprises in China, such as banking, taxation and public transportation sectors as well as business and military units.

In addition, the Group's display booths under the name of "Kingworld Health Family" (金活健康之家) increased from 1,500 at the end of 2010 to 2,000 as at 30 June 2011. It is anticipated that the number will be increased further to approximately 3,000 by or before the end of 2011. At the same time, the Group had also established a number of flagship display booths under the name of "Kingworld Health Family" in the important cities in China. The promotion and marketing for the branded products under the Group were strengthened, in order to further enhance the corporate and brand image of the Group.

4. *To consolidate the customer base from distributors and sub-distributors*

As of 30 June 2011, the Group had 190 distribution customers with strong competence in distribution activities, 400 sub-distributors and over 40,000 retail outlets under specific management. Most of the customers have a large distribution network in China. In order to enhance the end-user network, the Group is in the process of identifying regional distributors as acquisitions targets. Such distributors are mainly domestic enterprises located in the coastal regions in the eastern and southern parts of China that have higher spending power.

5. *Approval of establishing a nationwide dispatch centre by Kingworld*

During the Reporting Period, the Group successfully finalised the feasibility study report for establishing a nationwide dispatch centre by Kingworld. The project will enhance the capability of Kingworld in service delivery to a significant extent. The nationwide dispatch centre of Kingworld is different from the traditional logistics and dispatch service, and is a consolidated platform integrating flow of goods, funds and information. Such centre will target at the pharmaceutical enterprises in Shenzhen, and will offer better service for the delivery of goods and the satisfaction of dispatch needs throughout China in a centralised manner. At present, the project has already been approved by the relevant departments. The land required for the building of the nationwide dispatch centre of Kingworld is expected to finalise during this year.

For the above projects, the Group utilised the internal resources of the Group and/or the proceeds that the Company obtained from listing on the Stock Exchange on 25 November 2010.

FINANCIAL REVIEW

1. *Turnover*

Turnover of the Group for the six months ended 30 June 2011 amounted to approximately RMB362,552,000, representing an increase of approximately RMB48,842,000, or 15.6% compared to approximately RMB313,710,000 for the six months ended 30 June 2010. The increase was mainly because of an increase in sales of Nin Jiom (京都念慈菴) product line, Taiko Seirogan (喇叭牌正露丸) and Imada Red Flower Oil (依馬打正紅花油) product line. The year-on-year growth for these two lines of products were 19.8%, 169.1% and 185.9% respectively. This was mainly due to the reinforced promotion for those products, including the strategies to increase the sale of Nin Jiom Mi Lian Chuan Bei Pei Pa Koa (京都念慈菴蜜煉川貝枇杷膏) and the number of sales counters for Imada Red Flower Oil.

2. *Cost of sales*

For the six months ended 30 June 2011, cost of sales for the Group amounted to approximately RMB282,726,000, increased by approximately RMB32,369,000 or 12.9% when compared to approximately RMB250,357,000 for the six months ended 30 June 2010. The increase in cost of sales was consistent with the increase in turnover. Gross profit ratio increased from 20.2% for the six months ended 30 June 2010 to 22.0% for the six months ended 30 June 2011, which was mainly caused by the increase in sales of products with a higher gross profit ratio.

3. *Other revenue*

Other revenue mainly included rental income, commission income and interest income. For the six months ended 30 June 2011, other revenues amounted to approximately RMB2,377,000, decreased by approximately RMB1,361,000 or 36.4% when compared to approximately RMB3,738,000 for the six months ended 30 June 2010. This decrease was mainly due to the decrease in interest income.

4. *Other net income*

Other net income mainly comprised net foreign exchange gain and forward settlement income. For the six months ended 30 June 2011, other net income amounted to approximately RMB3,426,000, increased by approximately RMB3,393,000 or 10,281.8% when compared to approximately RMB33,000 for the six months ended 30 June 2010. This increase was mainly caused by an increase in net foreign exchange gain.

5. *Selling and distribution costs*

For the six months ended 30 June 2011, selling and distribution costs amounted to approximately RMB35,995,000, decreased by approximately RMB1,490,000 or 4.0% when compared to approximately RMB37,485,000 for the six months ended 30 June 2010. This decrease was mainly due to a decrease in commission to customer and license fee by RMB4,991,000 and RMB2,251,000 respectively which was partially set off by the increase in advertising expenses and salaries of RMB2,470,000 and RMB2,291,000 respectively. To capture the opportunities from the recovery of Chinese economy from the global financial crisis, the sales and marketing team of the Group had conducted more advertising, marketing and promotional activities during the Reporting Period.

6. *Administrative expenses*

For the six months ended 30 June 2011, administrative expenses amounted to approximately RMB18,393,000, increased by approximately RMB6,788,000 or 58.5% when compared to approximately RMB11,605,000 for the six months ended 30 June 2010. This increase was mainly due to an increase in staff cost (including directors' remuneration and staff salaries and benefits) by approximately RMB1,072,000 and an increase in legal and professional fees by approximately RMB1,679,000 as a result of our Company being a listed company.

7. *Profit from operations*

For the six months ended 30 June 2011, profit from operations for the Group amounted to approximately RMB31,241,000, increased by approximately RMB13,207,000 or 73.2% when compared to approximately RMB18,034,000 for the six months ended 30 June 2010. Increase in profit from operations was mainly due to an increase in turnover and gross profit during the Reporting Period.

8. *Finance costs*

For the six months ended 30 June 2011, finance costs amounted to approximately RMB2,569,000, decreased by approximately RMB999,000 or 28.0% when compared to approximately RMB3,568,000 for the six months ended 30 June 2010. The decrease was mainly due to the decrease in interest charged on bank loans.

9. *Profit before taxation*

For the six months ended 30 June 2011, profit before taxation for the Group amounted to approximately RMB28,672,000, increased by approximately RMB14,206,000 or 98.2% when compared to approximately RMB14,466,000 for the six months ended 30 June 2010. Increase in profit before taxation was mainly due to an increase in turnover and gross profit during the Reporting Period.

10. *Income tax expenses*

For the six months ended 30 June 2011, income tax expenses for the Group amounted to approximately RMB9,025,000, increased by approximately RMB5,171,000 or 134.2% when compared to approximately RMB3,854,000 for the six months ended 30 June 2010. This increase was mainly due to an increase in profit before taxation and increase in tax rate. The effective tax rate during the Reporting Period was 31.5% when compared to 26.6% for the six months ended 30 June 2010.

11. *Profit for the period*

For the six months ended 30 June 2011, profit attributable to equity holders of the Company amounted to approximately RMB19,647,000, increased by approximately RMB9,035,000 or 85.1% when compared to approximately RMB10,612,000 for the six months ended 30 June 2010. Increase in profit for the period was mainly due to an increase in turnover and gross profit during the Reporting Period.

12. *Liquidity and capital resources*

The Group has met its working capital needs mainly through cash generated from operations and various short-term bank borrowings. During the Reporting Period, the effective interest rate for (i) fixed rate loans was 7.1%, (ii) variable rate loans was 2.3%-5.6%. Taking into account the cash flow generated from operations and the bank borrowing facilities available to the Group, the directors of the Company are of the view that the Group has sufficient working capital to meet its current liquidity demand and the liquidity demand within at least 12 months from the date of this announcement.

As at 30 June 2011, the Group had cash and cash equivalents of RMB221,016,000 mainly generated from operations of the Group and funds raised by the Company in November last year.

13. Cash flows

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

Net cash generated from operating activities

The Group's cash inflow from operations primarily derives from payments for the sale of the Group's products. During the Reporting Period, the Group's net cash generated from operating activities amounted to RMB494,000, representing an increase of net cash generated from operating activities of RMB179,000 from RMB315,000 for the six months ended 30 June 2010. The increase was primarily due to the increase in profit before taxation.

Net cash used in/generated from investing activities

The Group's net cash outflow used in investing activities amounted to RMB3,325,000 during the Reporting Period, representing a decrease of RMB6,138,000 as compared with the cash inflow generated from investing activities of RMB2,813,000 for the six months ended 30 June 2010. The decrease is mainly due to the payment for the purchase of fixed assets amounted to RMB4,084,000 during the Reporting Period.

Net cash used in financing activities

The Group's net cash used in financing activities amounted to RMB43,305,000 during the Reporting Period, representing an increase of RMB5,942,000 as compared with net cash used in financing activities of RMB37,363,000 for the six months ended 30 June 2010. The increase was primarily due to repayment of bank borrowings and payment of dividends declared by the Company and its subsidiaries.

14. Capital structure

Indebtedness

All the borrowings of the Group as at 30 June 2011 was RMB78,995,000, which will be due within one year. During the Reporting Period, the Group did not experience any difficulties in renewing its banking facilities with its lenders.

Gearing ratio

As at 30 June 2011, the Group's gearing ratio was 13.5% (31 December 2010: 26.4%), calculated as the total bank borrowings divided by total assets multiplied by 100%. The decrease was mainly due to the decrease in bank borrowings.

Pledge of assets

As at 30 June 2011, the Group has pledged assets of investment property, bills receivables and bank deposits to the bank in the amount of approximately RMB100,674,000 (31 December 2010: RMB202,673,000).

Capital expenditure

The capital expenditures of the Group primarily included purchases of plant and equipment, leasehold improvements and purchases of motor vehicles. The Group's capital expenditures amounted to RMB4,084,000 and RMB224,000 for the Reporting Period and the six months ended 30 June 2010 respectively.

Foreign exchange risk

The major business of the Group has used RMB and HK$ as the functional and operational currencies. The Group expects that RMB will maintain a stable development. The Group has no major risks in changes in other currency exchange.

15. Contingent liabilities, legal and potential proceedings

As at 30 June 2011, the Group did not have any material contingent liabilities, legal proceedings or potential proceedings.

16. Major acquisitions and disposals

For the six months ended 30 June 2011, the Group did not make any material acquisition and disposal.

17. Ongoing concern

Based on the current financial position and financing facilities available, 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.

FUTURE OUTLOOK

The Group will continue to capitalise from the opportunities arising in the industry under the guidance of strategies as formulated upon the ongoing favourable performance in the macro economy of China and the in-depth implementation of the new medical reform measures. The competitive edge in its brand and network will be realised from the continuous growth of the Group. As such, the Group has determined the following strategies for its future development:

1. To maintain and further enhance the market share of products with competitive edge

Apart from maintaining a leading position for Nin Jiom Pei Pa Koa in the market of cough relieving products in terms of sales, the Group will also continue to maintain the sound development of three other main stream products, including Taiko Seirogan, Mentholatum series of products and Imada Red Flower Oil of Kingworld. The sales of these products will be increased through the penetration to certain large State-owned enterprises and by way of expansion into the group purchase business. In addition, another main stream product distributed by the Group, namely Flying Eagle Wood Lok Medicated Oil, will seek to increase its sales through advertising promotion and marketing activities that aim to enhance the loyalty of its customers.

2. To open up a new horizon in sales through the launch of new products

During the second half of the year, the Group will target to launch three new products so as to cater for different needs of consumers for wellness pharmaceuticals. The Group has already formulated detailed marketing plans for the launch of such new products.

The Group will organise the "Press Conference for the launch of the new Disney's Gold 100 Band-Aid" in August this year at Hainan, China. It is expected that officers in charge of major retail chains throughout China will be invited to participate in such press conference. In the near future, the Group will also adopt specific marketing strategies to increase its sales and branding effectiveness.

During the second half of the year, the organic food imported by the Group from the United States will be available for sales in Hong Kong, as well as the major cities in China, such as Beijing, Shanghai, Guangzhou and Shenzhen.

3. To tap into new channels and new markets for sales purpose

During the recent years, e-commerce has become more popular among the consumers and Internet has become a new channel for sales and marketing. During the Reporting Period, the Group successfully tapped into the group purchase business, and gradually accumulated a group of loyal customers. According to the traditional Chinese customs, there are relatively more holidays during the second half of the year. Various business units will send gifts to their staff, and imported products are well received in this aspect in particular. Therefore, it is expected that the demand for group purchase will be further enhanced. As there is a lot of potential in the development of group purchase business, the Group will capture such opportunity and continue to consolidate its existing group purchase business and further develop new major customers.

4. *To accelerate the setting up of more display booths under the name of "Kingworld Health Family"*

Distribution network bear significant meaning to the business for the distribution of the Group's pharmaceutical and wellness products. The display booths under the name of "Kingworld Health Family" have been the platform for the Group to show case its products, enhance its brand awareness and strengthen the communication with the consumers. Therefore, the Group has planned to conduct marketing activities at such display booths so as to improve the purchasing desire of the consumers and increases the sales at such booths. Such activities include product advertising and promotions, promotion activities at the stores and discounts for customers.

5. *To accelerate the acquisition of target enterprises*

The Company has formulated strategies for the acquisition of distribution enterprises, and has already begun evaluation of certain potential target enterprises.

6. *To finalise the establishment of a nationwide dispatch centre for Kingworld*

During the Reporting Period, the feasibility study report on the nationwide dispatch centre for Kingworld was successfully prepared. This will allow the official kick-off for the development of the project. Looking ahead in the second half of the year, the Group will continue to devote efforts in enhancing the communication and coordination with relevant authorities. This will facilitate relevant departments to approve the establishment of a nationwide dispatch base for Kingworld as soon as practicable, and fulfill the requirements for the regional dispatch of pharmaceuticals throughout China on a centralised basis.

For the above plans for the future development, the Group will utilise the internal resources of the Group and/or the proceeds that the Company obtained from listing on the Stock Exchange on 25 November 2010.

HUMAN RESOURCES AND TRAINING

As at 30 June 2011, the Group had a total of 392 employees, of which 78 worked at the Group's headquarters in Shenzhen, and 314 stationed in 34 zones, mainly responsible for sales and marketing. Total staff cost during the Reporting Period amounted to approximately RMB10,232,000 (2010: RMB9,379,000). The Group releases an annual sales guideline on a yearly basis, setting out the annual sales target and formulating quarterly sales strategies, so as to provide sales and marketing guidelines for all representative offices and their staff to observe. The Group has a management team with extensive industry experience (including the Sales Director and Product Manager). They are responsible for coordinating front-line sales and marketing teams to meet the annual sales target.

During the Reporting Period, the Group adopted a human-oriented management concept to have its staff closely involved in the management and development of the Group. The Group has implemented a strict selection process for hiring its employees and a number of initiatives to enhance the productivity of its employees. The Group conducts periodic performance review on its employees, and revises their salaries and bonuses accordingly. In addition, the Group has arranged training programs for employees in various positions.

Other Information

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 30 June 2011, the interests and short positions of 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 of Hong Kong Limited (the "Stock Exchange"), were as follows:

(I) Interest in the shares in the Company

Name of Directors	Capacity/Nature of Interest	Number of shares in the Company held	Approximate percentage of the Company's total issued share capital
Zhao Li Sheng (Note 1)	Beneficial owner	4,168,000 shares	0.67%
	Interest of a controlled corporation, interest of spouse	450,000,000 shares	72.29%
Chan Lok San (Note 2)	Interest of a controlled corporation, interest of spouse	454,168,000 shares	72.96%

Notes:

1. Mr. Zhao is deemed (by virtue of the SFO) to be interested in 450,000,000 shares in the Company. These shares are held in the following capacity:

   (a) 360,000,000 shares are held by Golden Land. Mr. Zhao is the beneficial owner of the entire issued share capital of Golden Land International Limited ("Golden Land"), therefore, Mr. Zhao is deemed to be interested in the 360,000,000 shares held by Golden Land. Mr. Zhao is also the sole director of Golden Land.

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

2. Ms. Chan is deemed (by virtue of the SFO) to be interested in 454,168,000 shares in the Company. These shares are held in the following capacity:

   (a) 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) 4,168,000 shares are held by Zhao Li Sheng, the spouse of Ms. Chan, in his own name and 360,000,000 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 360,000,000 shares held by Golden Land.

(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 30 June 2011, 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 30 June 2011, 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.

Other Information

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

As at 30 June 2011, so far as was known to the Directors, the interests or short positions of 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:

Long position in the Shares

Name of Shareholders	Capacity/Nature of Interest	Number of share in the Company held	Approximate percentage of the Company's total issued share capital
Golden Land	Beneficial owner	360,000,000	57.83%
Golden Morning	Beneficial owner	90,000,000	14.46%
Zhao Li Sheng (Note 1)	Beneficial owner	4,168,000	0.67%
	Interest of a controlled corporation, interest of spouse	450,000,000	72.29%
Chan Lok San (Note 2)	Interest of a controlled corporation, interest of spouse	454,168,000	72.96%

Notes:

1. Mr. Zhao is deemed (by virtue of the SFO) to be interested in 450,000,000 shares in the Company. These shares are held in the following capacity:

   (a) 360,000,000 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 360,000,000 shares held by Golden Land. Mr. Zhao is also the sole director of Golden Land.

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

2. Ms. Chan is deemed (by virtue of the SFO) to be interested in 454,168,000 shares in the Company. These shares are held in the following capacity:

   (a) 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) 4,168,000 shares are held by Zhao Li Sheng, the spouse of Ms. Chan, in his own name and 360,000,000 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 360,000,000 shares held by Golden Land.

Save as disclosed above, to the best knowledge of the Directors of the Company, as at 30 June 2011, 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.

Other Information

USE OF PROCEEDS FROM THE LISTING OF THE COMPANY

The net proceeds from the listing of the shares of the Company on the Stock Exchange on 25 November 2010, after deduction of related expenses, was approximately HK$241,862,000 (equivalent to approximately RMB206,167,000). As at 30 June 2011, the Group had used net proceeds of approximately RMB21,600,000, of which RMB1,000,000 had been applied for expanding the product display booth scheme and RMB20,600,000 as working capital. The remaining net proceeds have been deposited into banks which are intended to be applied in accordance with the proposed application set forth in the Company's prospectus dated 12 November 2010.

SHARE OPTION SCHEME

The Company operates a share option scheme ("Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants, including Directors, eligible employees, consultants, suppliers, customers, any shareholder of each member of the Group or associated company or any of their respective associates, who contribute 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 of the Company dated 12 November 2010.

As at 30 June 2011, no share option was granted based on the Share Option Scheme.

CAPITAL COMMITMENT

As at 30 June 2011, apart from sharing the capital commitment of the jointly controlled entity, Zhuhai City Jinming Medicine Company Limited, amounted to approximately RMB17,161,000 (31 December 2010: RMB11,571,000), the Group had no other capital commitment.

PUBLIC FLOAT

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

DIVIDENDS

Pursuant to a resolution passed by the shareholders of the Company on 24 May 2011, the Company declared the audited distributable profits as at 31 December 2010 amounting to approximately HK$23,095,000 (equivalent to approximately RMB19,206,000) to the shareholders of the Company. The dividend was fully paid on 17 June 2011 by the internal cash resources of the Company.

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2011 (2010: Nil).

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

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

Other Information

CORPORATE GOVERNANCE PRACTICES

During the Reporting Period, the Company complied with the code provisions as set out in the Code on Corporate Governance Practices (the "Code") in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), save for the deviations from Code Provision A.2.1.

According to Provision A.2.1 of the 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 TRANSCATIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 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 Reporting Period. 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 price-sensitive 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 Reporting Period.

AUDIT COMMITTEE

The Company formed its audit committee on 5 November 2010. It has complied with the Code to specify the scope of responsibilities in writing. The major purpose of the audit committee is to review and provide supervision over the Group's financial reporting process and internal controls. The audit committee currently comprises of three members, namely Mr. Duan Jidong, Mr. Zhang Jianqi and Mr. Wong Cheuk Lam. Mr. Wong has been appointed as the chairman of the audit committee.

The audit committee has reviewed the Company's unaudited condensed consolidated interim financial information for the six months ended 30 June 2011 and agreed with the accounting treatment adopted by the Company.

DISCLOSURE OF INFORMATION

The interim report for the six months ended 30 June 2011 will be duly dispatched to shareholders of the Company and published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.kingworld.com.cn).

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

Hong Kong, 19 August 2011

Independent Auditor's Review Report

CCIF
CCIF CPA LIMITED
34/F The Lee Gardens
33 Hysan Avenue
Causeway Bay Hong Kong

TO THE BOARD OF DIRECTORS OF KINGWORLD MEDICINES GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 20 to 46, which comprises the condensed consolidated statement of financial position of Kingworld Medicines Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2011 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six month period then ended and explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2011 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim financial reporting".

CCIF CPA Limited
Certified Public Accountants
Hong Kong, 19 August 2011

Leung Chun Wa
Practising Certificate Number P04963

Condensed Consolidated Income Statement

For the six months ended 30 June 2011 - unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
	Note	**2011**	2010
		RMB'000	RMB'000
Turnover	4	**362,552**	313,710
Cost of sales		**(282,726)**	(250,357)
Gross profit		**79,826**	63,353
Other revenue	5 (a)	**2,377**	3,738
Other net income	5 (b)	**3,426**	33
Selling and distribution costs		**(35,995)**	(37,485)
Administrative expenses		**(18,393)**	(11,605)
Profit from operations		**31,241**	18,034
Finance costs	6 (a)	**(2,569)**	(3,568)
Profit before taxation	6	**28,672**	14,466
Income tax	7	**(9,025)**	(3,854)
Profit for the period		**19,647**	10,612
Attributable to:			
Owners of the Company		**19,647**	10,612
Earnings per share			
Basic and diluted (RMB cents)	9	**3.16**	2.36

The notes on pages 26 to 46 form part of these interim financial statements.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011 - unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Profit for the period	**19,647**	10,612
Other comprehensive (loss)/income for the period		
Exchange differences on translation of financial statements of foreign operations	**(2,374)**	106
	(2,374)	106
Total comprehensive income for the period (net of tax)	**17,273**	10,718
Attributable to:		
Owners of the Company	**17,273**	10,718

The notes on pages 26 to 46 form part of these interim financial statements.

Condensed Consolidated Statement of Financial Position

At 30 June 2011 - unaudited
(Expressed in Renminbi)

	Note	**At 30 June 2011 RMB'000**	At 31 December 2010 RMB'000
Non-current assets			
Fixed assets	10	**8,001**	4,431
Investment property		**55,000**	55,000
Prepaid lease payments	11	**7,137**	7,259
		70,138	66,690
Current assets			
Inventories		**17,065**	59,317
Trade and other receivables	12	**241,787**	222,925
Pledged bank deposits	13	**34,552**	131,873
Cash and cash equivalents		**221,016**	269,526
		514,420	683,641
Current liabilities			
Trade and other payables	14	**124,444**	168,493
Bank loans	15	**78,995**	197,846
Current taxation		**6,384**	8,661
		209,823	375,000
Net current assets		**304,597**	308,641
Total assets less current liabilities		**374,735**	375,331
Non-current liabilities			
Deferred tax liabilities		**6,360**	5,023
NET ASSETS		**368,375**	370,308

The notes on pages 26 to 46 form part of these interim financial statements.

Condensed Consolidated Statement of Financial Position

At 30 June 2011 - unaudited
(Expressed in Renminbi)

	Note	**At 30 June 2011 RMB'000**	At 31 December 2010 RMB'000
CAPITAL AND RESERVES			
Share capital	16	**53,468**	53,468
Reserves		**314,907**	316,840
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**368,375**	370,308

The notes on pages 26 to 46 form part of these interim financial statements.

Condensed Consolidated Statement of Changes in Equity

For the period ended 30 June 2011 - unaudited
(Expressed in Renminbi)

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory and discretionary reserves RMB'000	Contributed surplus RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2011	**53,468**	**152,700**	**—**	**23,895**	**89,068**	**(2,779)**	**53,956**	**370,308**
Changes in equity:								
Transfer	**—**	**—**	**—**	**2,631**	**—**	**—**	**(2,631)**	**—**
Dividends (notes 8(a) and 8(b))	**—**	**—**	**—**	**—**	**—**	**—**	**(19,206)**	**(19,206)**
Total comprehensive income for the period	**—**	**—**	**—**	**—**	**—**	**(2,374)**	**19,647**	**17,273**
At 30 June 2011	**53,468**	**152,700**	**—**	**26,526**	**89,068**	**(5,153)**	**51,766**	**368,375**
At 1 January 2010	1	89,000	68	19,866	—	(66)	47,159	156,028
Changes in equity:								
Transfer	—	—	—	1,973	—	—	(1,973)	—
Dividends (notes 8(a) and 8(b))	—	—	—	—	—	—	(32,037)	(32,037)
Total comprehensive income for the period	—	—	—	—	—	106	10,612	10,718
At 30 June 2010	1	89,000	68	21,839	—	40	23,761	134,709

The notes on pages 26 to 46 form part of these interim financial statements.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2011 - unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Cash generated from operations	**10,459**	5,424
PRC income tax paid	**(9,965)**	(5,109)
Net cash generated from operating activities	**494**	315
Net cash (used in)/generated from investing activities	**(3,325)**	2,813
Net cash used in financing activities	**(43,305)**	(37,363)
Decrease in cash and cash equivalents	**(46,136)**	(34,235)
Cash and cash equivalents at 1 January	**269,526**	83,562
Effect of foreign exchange rate changes	**(2,374)**	106
Cash and cash equivalents at 30 June	**221,016**	49,433

The notes on pages 26 to 46 form part of these interim financial statements.

Notes to the Interim Financial Statements

For the six months ended 30 June 2011 - unaudited
(Expressed in Renminbi unless otherwise indicated)

1. GENERAL INFORMATION

Kingworld Medicines Group Limited (the "Company") was incorporated as an exempted company in the Cayman Islands with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 10 July 2008. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 25 November 2010 (the "Company's Listing").

The Company is an investment holding company. The Company and its subsidiaries (the "Group") are principally engaged in distribution sale of branded imported pharmaceutical and healthcare products in the People's Republic of China ("PRC").

Pursuant to a group reorganisation (the "Reorganisation"), which was completed on 3 November 2010, in preparation for listing of shares of the Company on the Main Board of the Stock Exchange and rationalizing the Group's structure, the Company became the holding company of the subsidiaries now comprising the Group. Details of the Reorganisation are set out in the section headed "The Reorganisation" in Appendix V to the prospectus of the Company dated 12 November 2010.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

These interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 19 August 2011.

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2010 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2011 annual financial statements. Details of these changes in accounting policies are set out in note 3.

The preparation of the interim financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

These interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2010 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial statements are unaudited, but have been reviewed by the Audit Committee of the Company and by the independent auditor, CCIF CPA Limited, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the HKICPA.

The financial information relating to the financial year ended 31 December 2010 that is included in the interim financial statements as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The consolidated financial statements for the period from 1 January 2010 and up to the date of the Reorganisation are prepared as if the current group structure had been in existence throughout the period. The Group was under the control by Mr. Zhao Li Sheng ("Mr. Zhao") and Ms. Chan Lok San ("Ms. Chan") prior to the Reorganisation. Pursuant to the Reorganisation, which was completed on 3 November 2010 by interspersing the Company and its subsidiaries under the control by Mr. Zhao and Ms. Chan, the Company became the holding company of the subsidiaries comprising the Group. Accordingly, the consolidated financial statements for the period from 1 January 2010 and up to the date of the Reorganisation have been prepared as if the Company had been the holding company of the Group throughout the period in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by HKICPA.

Segment reporting

Operating segments, and the amounts of each segment item reported in the interim 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 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.

The Group is principally engaged in distribution sale of branded imported pharmaceutical and healthcare products. The revenue, results and assets of pharmaceutical products were more than 90% of the Group's revenue, results and assets during the six months ended 30 June 2011 and 2010. No business segment analysis is presented accordingly.

The Group's turnover and results from operations mainly derived from activities in the PRC. The principal assets of the Group were located in the PRC during the six months ended 30 June 2011 and 2010. Accordingly, no analysis by geographical segment is provided.

Notes to the Interim Financial Statements

For the six months ended 30 June 2011 - unaudited
(Expressed in Renminbi unless otherwise indicated)

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued new and revised HKFRSs, a number of amendments to HKFRSs and new interpretations that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKAS 24 (as revised in 2009)	Related Party Disclosures
HKAS 32 (Amendments)	Classification of Rights Issues
HKAS 34 (Amendments)	Interim Financial Reporting
HK (IFRIC*) - Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK (IFRIC*) - Int 19	Extinguishing Financial Liabilities with Equity Instruments

* IFRIC represents the International Financial Reporting Interpretations Committee.

The application of the new and revised HKFRSs has had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

4. TURNOVER

Turnover represents sales of branded imported pharmaceutical and healthcare products at net invoiced value of goods sold, less value-added and sales taxes, returns and discounts, during the period.

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Sales of		
– pharmaceutical products	**348,881**	284,533
– healthcare products	**13,671**	29,177
	362,552	313,710

5. OTHER REVENUE AND OTHER NET INCOME

a) *Other revenue*

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Total interest income on financial assets not at fair value through profit or loss:		
Bank interest income	**1,232**	3,037
Commission income	**409**	—
Gross rental income from investment property	**736**	701
	2,377	3,738

b) *Other net income*

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Net gain on financial assets at fair value through profit or loss	**—**	71
Net realised loss on forward foreign exchange contracts	**(1,124)**	(2,171)
Net unrealised gain on forward foreign exchange contracts	**981**	1,166
Net foreign exchange gain	**3,569**	967
	3,426	33

6. PROFIT BEFORE TAXATION

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

		Six months ended 30 June	
		2011	2010
		RMB'000	RMB'000
a)	**Finance costs**		
	Total interest expense on financial liabilities not at fair value through profit or loss:		
	Interest on bank loans wholly repayable within five years	**2,569**	3,568
b)	**Staff costs (including directors' remuneration)**		
	Salaries and other benefits	**13,393**	10,622
	Contributions to defined contribution retirement plan	**1,509**	1,038
		14,902	11,660
c)	**Other items**		
	Amortisation of prepaid lease payments	**122**	122
	Auditors' remuneration	**369**	45
	Cost of inventories	**282,726**	250,357
	Depreciation	**504**	421
	Impairment of other receivables	**260**	—
	(Reversal of impairment loss)/impairment losses on trade receivables	**(43)**	222
	Loss on disposal of fixed assets	**10**	2
	Operating lease charges in respect of land and buildings	**1,573**	929
	Write-down of inventories	**1,589**	—
	Rental income from investment property less direct outgoings of RMB212,000 (2010: RMB185,000)	**(524)**	(516)

7. INCOME TAX IN THE CONDENSED CONSOLIDATED INCOME STATEMENT

a) *Income tax in the condensed consolidated income statement represents:*

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Current tax – PRC income tax		
Provision for the period	**7,548**	3,368
Under-provision in prior year	**140**	—
	7,688	3,368
Deferred tax		
– current period	**1,183**	486
– attributable to a change in tax rate	**154**	—
	1,337	486
	9,025	3,854

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) No provision for Hong Kong Profits Tax has been provided as the Group did not have assessable profits subject to Hong Kong Profits Tax during the six months ended 30 June 2011 and 2010.

iii) The PRC income tax charge of the Group during the six months ended 30 June 2011 and 2010 represents mainly the PRC income tax charge from the Group's subsidiary, Shenzhen Kingworld Medicine Company Limited ("SZ Kingworld") and the Group's proportionate share of PRC income tax charge from a jointly controlled entity, Zhuhai City Jinming Medicine Company Limited ("Zhuhai Jinming") as referred to in note 17 to the interim financial statements.

Pursuant to the relevant laws and regulations in the PRC, SZ Kingworld and Zhuhai Jinming are located in an approved economic zone in the PRC and were subject to an income tax rate of 24% (six months ended 30 June 2010: 22%) during the six months ended 30 June 2011.

The National People's Congress of the PRC approved the Corporate Income Tax Law of the PRC ("New CIT Law") on 16 March 2007. With effect from 1 January 2008, the tax rate applicable to enterprises established in the PRC will be unified at 25% with certain grandfather provisions and preferential provisions. SZ Kingworld and Zhuhai Jinming are both entitled to the transitional tax rate of 22%, 24% and 25% in 2010, 2011, 2012 onwards respectively.

Notes to the Interim Financial Statements

For the six months ended 30 June 2011 - unaudited
(Expressed in Renminbi unless otherwise indicated)

7. INCOME TAX IN THE CONDENSED CONSOLIDATED INCOME STATEMENT *(Continued)*

a) *Income tax in the condensed consolidated income statement represents:* *(Continued)*

iv) Under the New CIT 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. Deferred tax liabilities of RMB1,183,000 (six months ended 30 June 2010: RMB486,000) have been recognised by the Group during the six months ended 30 June 2011 for undistributed retained profits of the Group's PRC subsidiaries.

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

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Profit before taxation	**28,672**	14,466
Notional tax on profit before taxation, calculated at the rates applicable in the jurisdictions concerned	**7,291**	3,215
Tax effect of non-deductible expenses	**538**	771
Tax effect of non-taxable income	**(643)**	(541)
Tax effect of unrecognised temporary difference	**(449)**	(77)
Tax effect of unused tax losses not recognised	**811**	—
Under-provision in previous year	**140**	—
Withholding tax on undistributed profits of PRC subsidiaries	**1,183**	486
Effect on opening deferred tax balance resulting from a change in tax rate	**154**	—
Actual tax expense	**9,025**	3,854

8. DIVIDENDS

a) *Dividends payable to owners of the Company attributable to the period*

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Interim dividend declared and paid (note (i))	**—**	5,637

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

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Final dividend in respect of the previous financial year ended 31 December 2010, approved and paid during the period, of HK$3.71 cents (equivalent to approximately RMB3.08 cents) (note (i))	**19,206**	26,400

i) The amounts of interim dividend of RMB5,637,000 and final dividend approved and paid during the six months ended 30 June 2010 of RMB26,400,000, which were declared and paid prior to the Reorganisation, represent dividends declared by Kingworld Medicine and Healthcare Group Limited, a direct subsidiary of the Company, to their then shareholders prior to the Reorganisation. The rates of dividend and the number of shares ranking for dividends have not presented in the interim financial statements as it was not indicative of the future dividend policy of the Company.

9. BASIC AND DILUTED EARNINGS PER SHARE

During the six months ended 30 June 2011, the calculation of basic earnings per share is based on the profit attributable to owners of the Company of RMB19,647,000 and the weighted average number of 622,500,000 ordinary shares.

During the six months ended 30 June 2010, the calculation of basic earnings per share is based on the profit attributable to owners of the Company of RMB10,612,000 and on the assumption that 450,000,000 ordinary shares of the Company were in issue pursuant to the capitalisation issue and the Reorganisation occurred as at 1 January 2010.

There were no potential dilutive ordinary shares in issue, the diluted earnings per share is same as the basic earnings per share during the six months ended 30 June 2011 and 2010 accordingly.

Notes to the Interim Financial Statements

For the six months ended 30 June 2011 - unaudited
(Expressed in Renminbi unless otherwise indicated)

10. FIXED ASSETS

During the six months ended 30 June 2011, the Group acquired items of fixed assets of HK$4,084,000 (six months ended 30 June 2010: RMB224,000), and disposed of fixed assets with an aggregate net carrying amount of RMB10,000 (six months ended 30 June 2010: RMB2,000), resulting in a loss on disposal of RMB10,000 (six months ended 30 June 2010: RMB2,000).

11. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise land use rights held under medium term lease in the PRC. The Group did not have any addition and disposal of prepaid lease payments during the six months ended 30 June 2011 and 2010.

12. TRADE AND OTHER RECEIVABLES

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Trade and bills receivables (notes (b) to (e))	**219,256**	208,194
Less: Allowance for doubtful debts (note (c))	**(2,797)**	(2,840)
	216,459	205,354
Other receivables	**4,985**	6,627
Loans and receivables	**221,444**	211,981
Derivative financial instruments (note 17)	**981**	2,129
Prepayments	**4,694**	5,657
Trade and other deposits	**14,668**	3,158
	241,787	222,925

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

12. TRADE AND OTHER RECEIVABLES *(Continued)*

b) *Ageing analysis*

Included in trade and other receivables are trade and bills receivables (net of allowance for doubtful debts) with the following ageing analysis presented based on invoice date as of the end of the reporting period:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
0-90 days	**157,135**	156,996
91-180 days	**45,885**	48,358
181-365 days	**13,322**	—
More than 1 year but less than 2 years	**117**	—
	216,459	205,354

The Group generally granted credit terms ranging from 30 days to 90 days to its customers, except for the customers for purchase of the Group's product, Flying Eagle Wood Lok Medicated Oil (飛鷹活絡油), to which credit terms within 12 months were granted. As at 30 June 2011, the Group had trade and bills receivables of RMB9,950,000 (31 December 2010: RMB25,371,000) of this product.

c) *Impairment of trade and bills receivables*

Impairment losses in respect of trade and bills 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 and bills receivables directly.

Movements in the allowance for doubtful debts:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
At beginning of the reporting period	**2,840**	2,779
(Reversal of impairment loss)/impairment losses recognised	**(43)**	268
Uncollectible amounts written off	**—**	(207)
At end of the reporting period	**2,797**	2,840

As at 30 June 2011, the Group's trade receivables of RMB2,797,000 (31 December 2010: RMB2,840,000) were individually determined to be impaired and full provision had been made. These individually impaired receivables were outstanding over a long period and management assessed that receivables are expected to be irrecoverable. Accordingly, specific allowances for doubtful debts of RMB2,797,000 (31 December 2010: RMB2,840,000) were recognised as at 30 June 2011. The Group does not hold any collateral over these balances.

For the six months ended 30 June 2011 - unaudited
(Expressed in Renminbi unless otherwise indicated)

12. TRADE AND OTHER RECEIVABLES *(Continued)*

d) Trade and bills receivables that are not impaired

The ageing analysis of trade and bills receivables (net of allowance for doubtful debts), that are neither individually nor collectively considered to be impaired, are as follows:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Neither past due nor impaired	**166,727**	184,326
Past due but not impaired		
– 91 -180 days	**45,800**	21,028
– 181 - 365 days	**3,815**	—
– More than 1 year but less than 2 years	**117**	—
	49,732	21,028

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

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 balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

e) Bills receivables of RMB11,122,000 as at 30 June 2011 (31 December 2010: RMB15,800,000) were pledged to banks for banking facilities granted to the Group (note 15(c)).

13. PLEDGED BANK DEPOSITS

All bank deposits are pledged to banks as security for banking facilities granted to the Group (see note 15(c)). Pledged banks deposits carry interest at market rates which range from 0.5% to 2.5% (31 December 2010: 0.4% to 2.5%) as at 30 June 2011.

14. TRADE AND OTHER PAYABLES

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Trade and bills payables (notes (b) and (c))	**96,752**	134,137
Accruals	**2,798**	2,559
Other payables	**21,495**	16,105
Amount due to a related party (note 20(b))	**1**	—
Financial liabilities measured at amortised cost	**121,046**	152,801
Trade deposits received	**2,765**	12,716
Receipts in advance	**633**	2,976
	124,444	168,493

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

b) Ageing analysis

Included in trade and other payables are trade and bills payables with the following ageing analysis presented based on invoice date as of the end of the reporting period. The credit terms granted by the suppliers were generally ranging from 45 days to 90 days.

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
0-90 days	**96,752**	130,108
91-180 days	**—**	1,690
181-365 days	**—**	2,339
	96,752	134,137

c) No bills payables were pledged as at 30 June 2011. Bills payables of RMB7,093,000 as at 31 December 2010 were pledged by the Group's bank deposits (note 15(c)).

Notes to the Interim Financial Statements

For the six months ended 30 June 2011 - unaudited
(Expressed in Renminbi unless otherwise indicated)

15. BANK LOANS

The bank loans are secured and repayable as follows:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Within 1 year or on demand	**78,995**	197,846

a) All of the bank loans are carried at amortised cost.

b) The range of effective interest rates on the Group's bank loans are as follows:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Effective interest rates:		
Fixed rate loans	**7.1%**	2.0% - 7.7%
Variable rate loans	**2.3%-5.6%**	2.3% - 5.4%

c) The bank loans and bills payables (note 14(c)) were secured by the following assets of the Group:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Investment property	**55,000**	55,000
Bills receivables (note 12(e))	**11,122**	15,800
Pledged bank deposits (note 13)	**34,552**	131,873
	100,674	202,673

16. SHARE CAPITAL

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

17. DERIVATIVE FINANCIAL INSTRUMENTS

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Forward foreign exchange contracts at fair value and included under current assets (note 12)	**981**	2,129
Notional principal amounts of forward foreign exchange contracts outstanding at the end of the reporting period	**32,825**	122,047

a) All forward foreign exchange contracts have the maturity period within or on one year.

b) Derivative financial assets represented the amounts the Group would receive if the position was closed at the end of the reporting period.

18. JOINTLY CONTROLLED ENTITY

At 30 June 2011, the Group had interests in the following jointly controlled entity:

Name of entity	Form of business structure	Place of incorporation and operation	Registered and paid-up capital	Proportion of ownership interest held by the Group at effective interest	Principal activities
珠海市金明醫藥有限公司 Zhuhai City Jinming Medicine Company Limited	Limited liability company	The PRC	RMB5,000,000	50%	Distribution sale of branded imported pharmaceutical and healthcare products in the PRC

The summarised financial statements in respect of the Group's interests in the jointly controlled entity, which are accounted for using proportionate consolidation with the line-by-line reporting format, is set out below:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Non-current assets	**5,076**	4,811
Current assets	**21,172**	22,921
Current liabilities	**(11,447)**	(17,302)
Net assets	**14,801**	10,430

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
Income	**44,762**	39,952
Expenses	**(39,013)**	(35,907)
Profit before taxation	**5,749**	4,045
Income tax	**(1,378)**	(768)
Profit for the period	**4,371**	3,277
Other comprehensive income	**—**	—

18. JOINTLY CONTROLLED ENTITY *(Continued)*

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Share of the jointly controlled entity's capital commitments:		
Contracted but not provided for:		
Capital expenditure for construction of office premise and warehouse	**17,161**	11,571

19. CAPITAL COMMITMENTS

Save as disclosed in note 18, the Group did not have any other significant capital commitments as at 30 June 2011 and 31 December 2010.

20. RELATED PARTY TRANSACTIONS

a) During the period, the directors are of the opinion that the following companies and parties are related parties of the Group:

Name of related parties	**Relationship**
Mr. Zhao	The Company's director and the sole shareholder of the ultimate holding company of the Company
Ms. Chan	The Company's director and the wife of Mr. Zhao
Huang Lanjiao ("Ms. Huang")	Mother of Mr. Zhao
Morning Gold Medicine Company Limited ("Morning Gold")	Wholly owned by both Mr. Zhao and Ms. Chan
深圳市金活利生藥業有限公司 Shenzhen Kingworld Lifeshine Pharmaceutical Company Limited ("SZ Kingworld Lifeshine")	Subsidiary of Morning Gold
Yuen Tai Pharmaceuticals Limited ("Yuen Tai")	Subsidiary of Morning Gold
深圳市金活實業有限公司 Shenzhen Kingworld Industry Company Limited ("SZ Industry")	Directly wholly owned by Mr. Zhao prior to 9 September 2009 and indirectly wholly owned by both Mr. Zhao and Ms. Chan since the above date
上海金活實業有限公司 Shanghai Kingworld Industry Company Limited ("SH Industry")	Subsidiary of SZ Industry

For the six months ended 30 June 2011 - unaudited
(Expressed in Renminbi unless otherwise indicated)

20. RELATED PARTY TRANSACTIONS *(Continued)*

Name of related parties	Relationship
廣東金保利醫藥有限公司 Guangdong Jinbaoli Medicine Company Limited ("Jinbaoli")	Note (i)
深圳市金世界百貨物業管理有限公司 Shenzhen Kingworld Department Store Property Management Company Limited ("Kingworld Department Store Property Management")	Note (ii)

Notes:

i) The related party was owned and controlled by Mr. Huang Ruozhong ("Mr. Huang"), the legal representative and director of certain PRC subsidiaries of the Group, and a close family member of Ms. Chan during the year ended 31 December 2009. During the year ended 31 December 2010, the related party ceased to be owned and controlled by Mr. Huang and the close family member of Ms. Chan.

ii) The related party is owned and controlled by Ms. Huang, Ms. Chan and a close family member of Ms. Chan.

iii) The English names of the above PRC incorporated entities are for identification purpose only.

b) Related party transactions and balances

Recurring transactions

In the opinion of the Company's directors, the following related party transactions continue after the Company's Listing:

		Six months ended 30 June	
	Note	**2011** **RMB'000**	2010 RMB'000
Purchases of goods			
SZ Kingworld Lifeshine	(i)	**7,486**	2,333
Rental expenses			
SZ Industry	(i)	**279**	275

20. RELATED PARTY TRANSACTIONS *(Continued)*

b) Related party transactions and balances *(Continued)*

Recurring transactions *(Continued)*

Save as disclosed above, the Group had the following related party transactions during the period:

— SZ Industry granted certain rights to the Group to use its trademarks and distribution right for sale of goods in the PRC and its domain names "Kingworld.cn" and "Kingworld.com.cn" with a nil consideration during the six months ended 30 June 2011 and 2010.

— The Group acquired an investment property from SZ Industry in 2008 and leased out the property to two independent tenants under two lease agreements, pursuant to which the management service fee is borne by the tenants. SZ Industry and Kingworld Department Store Property Management entered into a property management contract on 1 January 2008, pursuant to which Kingworld Department Store Property Management was appointed to provide building management service to SZ Industry's property, which was subsequently sold to the Group during the year ended 31 December 2008, for a period from 1 January 2008 to 31 December 2011 at a management service fee of RMB401,000 per year. The Group in the capacity of the owner of the property is jointly liable with SZ Industry for the management service fee if the tenants of the Group fail to pay the management service fee.

Non-recurring transactions

In the opinion of the Company's directors, the following related party transactions discontinued after the Company's Listing:

		Six months ended 30 June	
	Note	**2011** **RMB'000**	2010 RMB'000
Staff costs			
SH Industry	(ii)	—	117

Notes to the Interim Financial Statements

For the six months ended 30 June 2011 - unaudited
(Expressed in Renminbi unless otherwise indicated)

20. RELATED PARTY TRANSACTIONS *(Continued)*

b) Related party transactions and balances *(Continued)*

Amounts due from/(to) related parties

	Note	Outstanding balance		Maximum outstanding balance	
		At 30 June 2011 RMB'000	At 31 December 2010 RMB'000	**Six months ended 30 June 2011 RMB'000**	Year ended 31 December 2010 RMB'000
Mr. Zhao					
Other receivable	(iii)	**—**	—	**—**	14,400
Ms. Chan					
Other receivable	(iii)	**—**	—	**—**	3,600
Yuen Tai					
Other receivable		**—**	—	**—**	9,418
SZ Kingworld Lifeshine					
Other receivable		**—**	—	**—**	4,218
SZ Industry					
Other receivable	(iii)	**—**	—	**—**	18,800
Other payable		**(1)**	—	**—**	—
Jinbaoli					
Other receivable		**—**	—	**—**	35,234
Other payable included in amount due to a related party (note 14)	(iv)	**(1)**	—		

20. RELATED PARTY TRANSACTIONS *(Continued)*

b) Related party transactions and balances *(Continued)*

Amounts due from/(to) related parties *(Continued)*

Notes:

i) The transactions were based on the terms mutually agreed between the Group and the respective related parties. In the opinion of the Company's directors, these related parties' transactions were conducted in the ordinary course of business.

ii) The transactions were based on the terms mutually agreed between the Group and the related party.

iii) On 4 November 2010, the Group formalised the existing loan arrangement by entering into the loan agreements with each of three related parties, Mr. Zhao, Ms. Chan and SZ Industry, pursuant to which the Group made a loan to each of Mr. Zhao and Ms. Chan of HK$16,800,000 (equivalent to RMB14,400,000) and HK$4,200,000 (equivalent to RMB3,600,000) respectively on 18 October 2010 and certain loans to SZ Industry in an aggregate amount of RMB18,800,000 in the period between September 2010 and October 2010. All of these loans were unsecured, interest-free and repaid by two installments of 50% each on or before 8 November 2010 and 21 November 2010 respectively.

iv) All of amounts due from/to related parties were unsecured, interest-free and had no fixed terms of repayment.

c) Save as disclosed above, a related party provided the following guarantee for banking facilities granted to the Group:

Year ended 31 December 2010

i) Mr. Zhao made a personal guarantee of RMB100,000,000 until the guarantee was released in September 2010.

d) Key management remuneration:

Remuneration for key management personnel is as follows:

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Salaries, allowances and other benefits	**2,623**	2,071
Discretionary bonus	**399**	369
Contributions to defined contribution retirement plan	**116**	153
	3,138	2,593

(Expressed in Renminbi unless otherwise indicated)

21. IMMEDIATE AND ULTIMATE HOLDING COMPANY

The Company's directors consider the immediate and ultimate holding company of the Company as at 30 June 2011 to be Golden Land International Limited, a company incorporated in the BVI.

22. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATION ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDING 31 DECEMBER 2011

Up to the date of issue of these interim financial statements, the HKICPA has issued the following amendments, new and revised standards and interpretations which are not yet effective for the year ending 31 December 2011.

The Group has not early applied any of the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRS 1 (Amendments)	Servere Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
HKFRS 7 (Amendments)	Disclosures — Transfer of Financial Assets[1]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
HKFRS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[3]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[2]
HKAS 19 (2011)	Employee Benefits[4]
HKAS 27 (2011)	Separate Financial Statements[4]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[4]

1 Effective for annual periods beginning on or after 1 July 2011.
2 Effective for annual periods beginning on or after 1 January 2012.
3 Effective for annual periods beginning on or after 1 July 2012.
4 Effective for annual periods beginning on or after 1 January 2013.

The Group is in the process of making an assessment of what the impact of these amendments 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 Group's results of operations and financial position.