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INTERIM REPORT
2015

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

CONTENTS

Corporate Information

DIRECTORS

Executive Directors

Mr. Zhao Li Sheng *(Chairman)*
Ms. Chan Lok San
Mr. Zhou Xuhua
Mr. Lin Yusheng *(resigned on 6 July 2015)*

Non-executive Directors

Mr. Zhang Yi

Independent Non-executive Directors

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

COMPANY SECRETARY

Mr. Chan Hon Wan

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AUDITOR

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AUTHORISED REPRESENTATIVES

Mr. Lin Yusheng *(resigned on 6 July 2015)*
Mr. Zhao Li Sheng *(appointed on 6 July 2015)*
Mr. Chan Hon Wan

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AUDIT COMMITTEE

Mr. Wong Cheuk Lam *(Chairman)*
Mr. Duan Jidong
Mr. Zhang Jianbin

REMUNERATION COMMITTEE

Mr. Zhang Jianbin *(Chairman)*
Mr. Duan Jidong
Mr. Wong Cheuk Lam

NOMINATION COMMITTEE

Mr. Duan Jidong *(Chairman)*
Mr. Zhang Jianbin
Mr. Wong Cheuk Lam

STOCK CODE

01110

WEBSITE ADDRESS

www.kingworld.com.cn

Financial Highlights

	Six months ended 30 June 2015 RMB '000	2014 RMB '000	% Changes Increase/ (Decrease)
Financial Highlights			
Turnover	**366,998**	319,039	15.0%
Cost of sales	**(251,571)**	(240,748)	4.5%
Gross profit	**115,427**	78,291	47.4%
Gross profit margin	**31.5%**	24.5%	7.0% points
Profit for the period excluding the amortisation of intangible assets arising from acquisition of Shenzhen Dong Di Xin Technology Company Limited ("Dong Di Yin")	**28,056**	19,475	44.1%
Profit for the period including the amortisation of intangible assets arising from acquisition of Dong Di Xin	**21,283**	19,475	9.3%
Basic earnings per share (RMB cents)	**2.62**	3.13	(16.3)%

	At 30 June 2015	At 31 December 2014	% Changes Increase/ (Decrease)
Liquidity and Gearing			
Current ratio(1)	**1.5**	1.8	(16.7)%
Quick ratio(2)	**1.4**	1.7	(17.7)%
Asset-liability ratio(3)	**31.2%**	22.4%	8.8% points

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) Asset-liability ratio is calculated as total bank borrowings divided by total assets multiplied by 100%.

MARKET AND INDUSTRY REVIEW

1. The prospects of the pharmaceutical industry is steady with a promising market outlook

The pharmaceutical industry recorded operating income at RMB 684.636 billion for the full year of 2014, an increase of 13.57% year-on-year. Operating profit reached RMB63.386 billion, an increase of 17.71% year-on-year. The industry was facing slow pace of growth, but the growth in profit was higher than growth in revenue. This showed that the profitability of the industry continued to improve. The pharmaceutical industry recorded operating income at RMB183.674 billion for the first quarter of 2015, an increase of 12.87% year-on-year. Total profit reached RMB18.340 billion, an increase of 20.7% year-on-year.

According to the "2015 First Quarter Pharmaceutical Industry's Economic Index Progress Report" published by the China Industry and Information Bureau on 26 May 2015, during the period from January to March 2015, the added value of pharmaceutical enterprises with main operating annual income of RMB20 million or more increased by 11.1% year-on-year, but the growth rate decreased by 1.7 percentage points as compared with the same period last year. The main operating income of pharmaceutical enterprises of such scale reached RMB581.937 billion, an increase of 9.63% year-on-year, but the growth rate decreased by 4.18 percentage points as compared with the same period last year.

With the growing population, the accelerated aging of the population, people are more concerned about their health. At the same time, with the medicine insurance system becoming comprehensive, the affordability of the household enhanced and the demand for public health needs has been gradually released, China has become one of the fastest growing areas of pharmaceutical consumption growth in the world. It is expected that by 2020 China will become the world's second largest pharmaceutical market after the United States. The pharmaceutical industry as an "eternal sunrise industry", will usher in huge opportunities for development under multiple driving forces.

2. Numerous policies and regulations were promulgated to further promote the health care reform

Since the implementation of the new health care reform in April 2009, significant progress and preliminary results were achieved. Since 2014, the State Council, Health and Family Planning Commission and National Development and Reform comission (NDRC) had promulgated considerable number of laws and regulations regarding the pharmaceutical industry, which further promoted the health care reform, and accelerated the market reform of the pharmaceutical industry as a whole. In April 2015, the Office of State Council published "Summary Highlights on the Further Progresses in the Medical and Health Care Reform in 2014 and the Key Operation Missions in 2015". The focuses would be to cancel the mark up on drug prices for public hospitals, to open up the drug's prices' competition, to encourage the operation of medical services by the community to enhance the standards of medical services. In May 2015, NDRC published the "Notice on Informing the Opinion on the Promotion of Reform in Drug Price" jointly with seven departments and commissions. The drug prices were duly opened up for competition, prescription drugs were open for sale on the Internet, development of medical insurance was assured and the market reform of the medical market was promoted. In the long run, this policy will adequately breakdown the medical system into new sub-sectors for a new development direction and a new business model, which bear important significance to the long-term and stable development of the Group.

3. *"Internet +" pushed the rapid expansion of the industry of pharmaceutical e-commerce with promising growth in the outlook of the industry and the market*

As shown in the "Internet Development Report for Pharmaceuticals in China 2013", the online medical market in 2014 would increase to RMB18.7 billion, and would reach RMB29 billion in 2015, evidencing the huge room of expansion in the market. Moreover, in May 2014, the official website of the China Food and Drug Administration published the Consultation Draft on the Administration over Internet Food and Drug Operation (Consultation Draft) 《互聯網食品藥品經營監督管理辦法徵求意見稿》, which sought opinions from the public officially to amend the laws regarding liberalization of prescription drugs, logistics deregulation, open up of platform, lowering of entry barriers. Once the prescription drugs are available from the Internet upon the loosening of the policies, the pharmaceutical e-commerce providers will enjoy a flow of development opportunities. The market available for operation will increase from RMB200 billion of OTC drugs to nearly thousands of billions of OTC+ prescription drugs market, which will further expand into a mega health market of a scale amounting to RMB3,000 billion.

On 5 March 2015, Premier Li Keqiang put forward the "Internet +" action plan in the work report of the government delivered at the third session of the twelfth National People's Congress. The upgrade of the Internet technology and the widespread of mobile Internet will bring revolutionary changes to various industries and will have significant impact on the landscape of the drug distribution and commerce industries. A number of new excellent Internet enterprises emerge in the era of "Internet +" that has combined the Internet technology with traditional industry.

In 2015, the pharmaceutical e-commerce providers began providing mobile services. Renhe Pharmaceutical established the "FSC Pharmaceutical Alliance", which linked up the terminal resources of various major chains. By combining its own logistics team, the consumption and demand for medicines, medical equipment, health equipment and other health supplies were matched through the mega database platform. Furthermore, Ali Health shall launch Ali Health APP shortly, which will integrate the pharmaceutical platform of Tmall online into the O2O drug sales channels of Ali Health. This will form B2C+O2O drug sales model that can provide plenty of drug purchase options for the consumers.

4. *The "One Belt, One Road" strategy stimulating the Free Trade Zone (the "FTZ")*

The State issued the "Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road" in March this year. At the meetings of The national People's Congress (NPC) and The Chinese People's Political Consultative Conference (CPPCC) held during the year, Premier Li Keqiang stated in the work report of the government that the "One Belt and One Road" strategy will be integrated with the regional development and opening-up of the region, and the "One Belt and One Road" strategy and the FTZ will be the focus of a brand-new landscape of fully opening up the market to foreign investors. The "One Belt, One Road" strategy involves many countries, with the economy of Southeast Asia on one side, and the European economy on the other side, as well as over 60 countries in between. The population of these countries represents 60% of the total population in the world. Currently, more than 30 provinces and cities actively participate in and implement the "One Belt, One Road" strategy, with the emphasis placing on the FTZ. The FTZ in areas such as Tianjin, Guangdong and Fujian, were established successively. Of which, the FTZ in Qianhai and Shekou Area of Shenzhen have the advantages of combining the FTZ, the Shenzhen-Hong Kong Cooperation Zone and the Free Trade Port Area. As of early May 2015, there are 28,185 incoming enterprises in Qianhai, with an aggregate registered capital of RMB1,740.1 billion. Of which, 251 enterprises have registered capital of RMB1 billion, and 501 enterprises have registered capital of RMB0.5 billion. The Group has registered a company in the Qianhai FTZ. It is believed that the gradual implementation of the FTZ policies will facilitate the business growth of the Qianhai company of the Group.

BUSINESS REVIEW

1. *Product mix were optimized to enhance the profitability of the Company*

During the Reporting Period, with respect to its sales strategies, the Group continued to further enhance the market share of each core product of the Group by continuing to expand the coverage of the distribution network, maintain price and display of major terminals, and strengthen the cooperation with major chains, fully integrate terminals and product resources and optimize the cost structure. In the meantime, the Group adopted different marketing strategies and sales strategies for different target consumer groups through the strategy of adjusting the product mix. Efforts in developing the core products and new products in new channels were expanded, which attracted a large number of consumers, and promoted sales. This further improved the profitability of the Group.

During the Reporting Period, the Group had a total of 192 primary distributor and 325 sub-distributors throughout China (including Hong Kong and Macau), covering over 224,418 retail stores and including more than 3,000 product booths.

Management Discussion and Analysis

With respect to the core products of the Group, namely Nin Jiom (念慈菴) series of products, the Group further consolidated the channel control on that series of products during the Reporting Period based on the good sales figures in 2014. Focus was placed on the prices at terminals, cooperation with the top 100 chains and regional chains, maintenance of product display and the integrated marketing of the products. During the Reporting Period, as the expiration of the import registration licence for Nin Jiom Chuan Bei Pei Pa Koa (念慈菴川貝枇杷膏) in June 2015 affected the supply of goods. As the Group had anticipated such effect, the product mix was adjusted in advance and increased the sales of Nin Jiom Chuan Bei Pei Pa Candies (念慈菴枇杷糖). As the supply of Nin Jiom Chuan Bei Pei Pa Koa (念慈菴川貝枇杷膏) was tight, its sales were bundled with the sales of Nin Jiom Chuan Bei Pei Pa Candies (念慈菴枇杷糖), which ensured the reasonable growth of the market share for Nin Jiom Chuan Bei Pei Pa Candies (念慈菴枇杷糖) during the Reporting Period. During the Reporting Period, the sales of Nin Jiom Chuan Bei Pei Pa Koa (念慈菴川貝枇杷膏) fell by 43.3% as compared with the same period in 2014. The sales of Nin Jiom Chuan Bei Pei Pa Candies (念慈菴枇杷糖) increased by 58.72% as compared with the same period in 2014.

With respect to Taiko Seirogan (喇叭牌正露丸), another popular product of the Group, the Group further stabilized the channel price of the product in Grade A market (Fujian and Guangdong) during the Reporting Period, and continued to consolidate its channel control. Coverage of the market in the second and third tier cities were enhanced. Moreover, the Group also focused on the development of that product by launching them in chain stores and increasing the volume of products available for sales in non-Grade A market. Staff training and consumer education was strengthened so that the recognition and influence of the brand were further enhanced. During the Reporting Period, the sales of Taiko Seirogan (喇叭牌正露丸) reached RMB43,780,000, an increase of 85.3% as compared with the same period of 2014.

With respect to the third major category of the Group's products –"External Use Medication category", which includes Imada Red Flower Oil, Flying Eagle Wood Lok Medicated Oil and Mentholatum Menthol Cream, the Group strengthened the building of sales terminals for this category of products during the Reporting Period. Control was enhanced over retail prices of products that can be managed. Efforts were devoted to launch the products in chain stores and single stores. Through leveraging on commercial resources that are solely sales in nature, the coverage of terminal network in the second and third tier cities were further expanded upon the in-depth penetration at developed markets, so as to realize maximum coverage. During the Reporting Period, the sales of Imada Red Flower Oil reached RMB13,149,000, an increase of 4.1% as compared with the same period of 2014; the sales of Flying Eagle Wood Lok Medicated Oil reached RMB16,705,000, an increase of 37.5% as compared with the same period of 2014; the sales of Mentholatum Menthol Cream reached RMB19,166,000, an increase of 32.8% as compared with the same period of 2014.

With respect to the fourth major category of the Group's products –"Maternal and child product series", which includes Culturelle probiotic series product from USA (美國益生菌品牌康萃樂), FATBLASTER slimming coconut water from Australia (澳洲減肥瘦身品牌菲拉思德椰子水), milk formula of WIOM (渥恩嬰兒奶粉) and BLACKMORES fish oil (澳佳寶魚油). During the Reporting Period, the Group utilized the combination of online and offline channels, with interactions in China and overseas. Coverage was extended in Hong Kong and Macau. Key terminals with influences were selected to execute operation strategies through cooperation, which significantly increased the sales income of these products during the Reporting Period. This effectively optimized the sales income structure of the Group's products. The sales of Culturelle probiotic series product from USA reached RMB44,122,000, an increase of 291.8% as compared with the same period of 2014.

2. *Regional marketing strategies were reinforced, with the management and deployment of regional resources optimized*

During the Reporting Period, the Group continued to further imporve the administration of the regional markets, and executed the optimized strategies for the regional markets at 38 regions throughout the country. Pursuant to the new deployment strategies, the Group set up four main regions, namely Southern China, Eastern China, Northern China and Western China, and designated six provincial regions, namely Shanghai, Henan, Fujian, Zhejiang, Guangdong and Jiangsu, as key regions with focused administration. The sales network and promotion efforts were further extended to the second and third tier cities. Moreover, the Group also listed Shanghai as a pilot market for the trial of new sales and administration model. "Six Pre-setting" standards (which include pre-setting visit routes, targets, frequency, quantities, contents and purpose) in the management of the sales agents at terminals were fully implemented. Through the use of information technology, the effectiveness and planning of the work of the terminal were bolstered. The sales missions would be assigned to each of the sales agents at terminals, which will drive the growth of sales result as a whole.

3. *Implemented chain cooperation mode with key accounts (KA) to accelerate penetration of products in the market*

During the Reporting Period, with the objective of focusing the marketing activities on pharmaceutical chains, terminals and consumers, the Group implemented chain cooperation mode with key accounts and established KA chain cooperation department. Such model was primarily based on the delivery of first tier commercial platform and supported by cooperation with direct supply. Resources allocation and the marketing processes were administered. Moreover, the Group selected large and middle chain customers based on the maturity of the regional market, competency of customers, scale of cooperation and market competition. Enhanced cooperation helped the Group to rapidly achieve the diffusion of products at the terminal markets. The coverage of the Group's products and their sales were improved comprehensively.

4. *Good progress in introduction of new products, which broadly enriched the product mix*

During the Reporting Period, the Group introduced Culturelle probiotic series product from USA (美國益生菌品牌康萃樂), FATBLASTER slimming coconut water from Australia (澳洲減肥瘦身品牌菲拉思德椰子水), milk formula of WIOM (渥恩嬰兒奶粉) and BLACKMORES fish oil (澳佳寶魚油) into the e-commerce platforms in Hong Kong, Macau and China for sale. This broadly enriched the product mix of the Group. In the meantime, the Group capitalized on the policies of Qianhai for the cross-border e-commerce platform and the establishment of logistic centers for Hong Kong products, the introduction of health food was speeded up by leveraging on the favourable resources of its own suppliers network. At present, there are a couple of products under negotiation and a few products had reached the intention for cooperation.

5. *Rapid expansion of Hong Kong and Macao markets and far-reaching rollout its businesses in Greater China region*

During the Reporting Period, apart from devoting efforts in expanding the distribution network of Hong Kong, the Group also entered into the Macao market and commenced sales. With respect to the Hong Kong market, the Group significantly enhanced the brand awareness and sales of its products in the market during the Reporting Period through increasing the investment in advertisement and marketing activities for Culturelle probiotic (康萃樂益生菌) and FATBLASTER coconut water (菲拉思德椰子水), actively participated in a variety of trade shows in Hong Kong for maternity and pharmaceutical industries. The close cooperation with popular retail terminals, including Mannings, Watsons, CRcare, retail pharmacies and Eugene Baby stores, were further reinforced. During the Reporting Period, the products of the Group were distributed in 270 Mannings, 201 Watsons, 7 Eugene Club Centres, 78 CRCare, as well as, major department stores and over 350 pharmacies throughout Hong Kong. Moreover, the Cuturelle probiotic series product for children successfully gained access to the Baby Kingdom, a large one-stop online shopping platform of maternity and childcare in Hong Kong. In the Macau market, the products of the Group gained access to 14 Mannings, 2 Watsons, 4 maternity and childcare stores and 3 pharmacies during the Reporting Period, which successfully achieved a breakthrough in the market.

During the Reporting Period, the sales of Cuturelle probiotic (康萃樂益生菌) in the Hong Kong market reached RMB44,122,000, an increase of 291.8% as compared with the same period of 2014. The sales of FATBLASTER coconut water (菲拉思德椰子水) in the Hong Kong market reached RMB645,000.

6. *Bright prospect of cross-border e-commerce business will bring profit growth*

During the Reporting Period, the Group devoted efforts in developing e-commerce business by continuously introducing new products and diversifying products portfolio, in particular exploring cross-border e-commerce, in accordance with the change and trend of consumer behavior in China. The products of the Group gained access to various comprehensive and professional cross-border e-commerce platforms and established flagship stores, including comprehensive e-commerce platforms of Tmall, JD.com, Suning.com, Vip.com and Yihaodian, and professional e-commerce platforms of beibei.com, muyingzhijia, jumei.com, shenba.com, as well as new e-commerce platforms such as GMCA. The brand awareness of products and the monthly online sales were significantly enhanced with the direction of effective marketing strategies.

As of June 2015, the Group gained access to more than 24 stores in Qianhai cross-border e-commerce platform by capturing the opportunities offered by Qianhai policies, and significantly expanded the product coverage and boosted sales through these platforms. Moreover, the Group will accelerate the construction of Kingworld e-commerce platform in Qianhai by exploiting its own advantages.

As of 30 June 2015, the sales of cross-border e-commerce of the Group amounted to RMB36,006,000, which showed a monthly upward trend.

7. *Strategic cooperation partners were introduced to achieve in-depth integration of resources*

During the Reporting Period, the Group entered into a strategic cooperation agreement with Sinopharm Capital Limited ("Sinopharm Capital"). In-depth integration was conducted with respect to products, channels and terminals according to the agreement. By leveraging on the distribution capacity and advantages of Sinopharm Group, the Group strengthened and expanded the sales and distribution channels in the pharmaceutical and health care industry of China during the Reporting Period. Business development as a whole was facilitated and the synergy effect was fully capitalized.

8. *Continued to proceed with the merger and acquisition projects so as to expand the revenue base*

During the Reporting Period, the Group completed the acquisition of 55% equity interest in Dong Di Xin, which officially entered into global medical and healthcare electronics market. Focus has been placed on the consolidation work on assets, businesses, personnel, cultural and other aspects. Dong Di Xin is one of the pioneers and drivers of the global electrotherapeutic and physiotherapeutic and rehabilitation equipment. The Company continued to rank first in the sphere of physical rehabilitation and physiotherapy in 2015. During the Reporting Period, the sales of Dong Di Xin amounted to RMB74,651,000, representing an increase of 4.7% compared with the same period in 2014. The sales increased because Dong Di Xin continued to maintain its existing customer base and devoted more effort to explore new markets and new customers. During the Reporting Period, five sales regions or customers were developed and the USA market underwent rapid development, with year-on-year shipment volumes of hand-held medical instrument growing. The global sales coverage of Dong Di Xin has expanded to over 60 countries or regions in the USA, Canada, Europe, Russia, Hong Kong, Singapore and so on. During the Reporting Period, Dong Di Xin has initiated the cooperation with customers of professional medical bench-type therapy devices in China market. The Company will continue to focus on the expansion of international markets and devote more effort to explore new markets and new products.

During the Reporting Period, Dong Di Xin implemented corporate governance in accordance with the requirements of the Group and established the board of directors and the rules of procedure for board meeting of the company, and the staff designated by the Group was in place. Dong Di Xin will continue to improve its corporate governance, construct a corporate operation and management mechanism, make full use of the Group's and Dong Di Xin's advantages in resources and create a synergy effect, so as to achieve the annual target and provide a strong support to Dong Di Xin.

In the meantime, Dong Di Xin also made sustainable progress in its efforts to optimize its organizational structure, innovate production technology and invest in research and develpment.

First of all, Dong Di Xin optimized its organizational structure, with emphasis placed on the construction of a new team operation system, which reinforced its structural strength of "three systems and one platform". The company recruited graduates from well-known tertiary institutions to join its internship programmes, so as to nurture a core management team with the knowledge of rehabilitation. It also initiated a talent retention strategy by providing "school education, professional skills training and overseas scholarship" to core staff. In order to upgrade the company's management mechanism to the leading international standards and support the company's strategic development via management optimization, Dong Di Xin will commence a research work of corporate governance with a business school of a well-known tertiary institution, with deep and significant access to the difficulties and focus of profitability management, so that effective profitability management methods, tools and institutional system will be formed and rapid corporate growth will be facilitated.

Moreover, Dong Di Xin continued to promote "lean manufacturing" in its production and management technology, set a higher standard for the production efficiency, and initiate the planning and reform of the existing production equipment. With the procurement of equipment and reform of production lines, the productivity of the company entered a new level to fulfill the market demand for key products of new projects. In the first half of the year, the company purchased 14 robotic arms to increase the degree of semi-automation in the plants. According to the analysis, the working efficiency of a robotic arm is 12% higher than that of a manual labour, which means the labour costs can be saved. In the second half of the year, the company will continue to upgrade its production know-how and devote more effort in staff training of quality standards based on the overall budget, so as to provide efficient and safe products to global customers and consumers.

Last but not least, Dong Di Xin continued to increase investment in R&D, especially in new products and new technologies. During the Reporting Period, the company commenced a product R&D cooperation with a large well-known international medical devices company, which is expected to greatly improve the results of Dong Di Xin in the future. Dong Di Xin will strive to implement advanced IPD management system, adopt project management policy, and safeguard its technological reserve and upgrade, which is a significant step for the Company to gradually promote its long-term profitability.

Looking ahead, the Group will continue to give guidance in relation to corporate governance, development strategy, management process, brand culture and network construction to Dong Di Xin. It will also involve in the marketing planning and implementation of Dong Di Xin's products in domestic market. The Group will utilize its own network resources to further explore the domestic business and services of Dong Di Xin. Moreover, the Group will fully understand and supervise the sales model and the satisfaction of sales indicators of Dong Di Xin in overseas market, to ensure that it can achieve the pre-set profit guarantee target and give full play to the strategic benefits of merger and consolidation.

Management Discussion and Analysis

In addition, the Group also entered into a partnership agreement with Sinopharm Capital Limited (as the general partner of Sinopharm Healthcare Fund L.P. (the "Fund")) during the Reporting Period. Pursuant to the agreement, the Group committed to invest US$5,000,000 in subscribing approximately 3.33% total interests in the Fund. The Fund has been established in the Cayman Islands as an exempted limited partnership with the primary objective of investing in public and private companies in the healthcare industry, including but not limited to pharmaceutical manufacturing, medical equipment, medical research, healthcare service, medical service and healthcare, that are organized and/or operating in the PRC, Taiwan and Hong Kong ("Greater China"), or with a significant nexus to Greater China. The investment in the Fund will not only broaden the investment portfolio of the Group and expand the income base, but also further consolidate the close association between both parties.

In addition, according to the overall strategic arrangements, the Group actively sought investment opportunities in China and overseas that were in line with the industrial structure of the Company, in particular those foreign enterprises or distributors with products or intellectual property rights in line with the investment scope. During the Reporting Period, the Group had identified such target enterprises and began to actively promote and carry out the projects.

MANAGEMENT REVIEW

1. To further invigorate the building of data platform so as to provide powerful support for mega data applications and management decisions

During the Reporting Period, the building of the Group's BI system was completed and was successfully brought online. The further improvement and optimization of the system efficiently assisted the management centre of the Group to obtain sales figures of products timely from various regions. This provided us with in-depth understanding of the effectiveness of marketing activities on sales and adequate control over the deployment of network and its operations by the distributors. The formulation of such highly effective and precise operation and management strategies further facilitate the growth of business to the next level.

During the Reporting Period, in order to adhere to the trend in the development and application of mega data in the future, the Group decided to replace the existing ERP system with SAP ERP system. SAP is the leader in business management software and solutions in the world, in terms of technology as well as market share. It ranked first in the world as regard to ERP software, providing comprehensive solutions for a variety of industries and companies of all sizes. After more than half year of preparation, research, assessment, feasibility studies and tendering from all parties, the Group finally decided to cooperate with Infosys Lodestone Management Consulting (Shanghai) Co.. Infosys Lodestone is a global consulting and IT services group and a sub-brand of high-end consulting whose headquarters is located in Switzerland. It is the world's top three IT outsourcing group, with rich resources and experience and customers covering a dozen Top 20 pharmaceutical companies.

The SAP system which the Group is constructing will be connected to the e-commerce system and OA system in the future, and it will establish its own data centers to help better control and master the dynamic development of the market and consumer trends. The system under construction includes an integrated and unified platform for financial accounting, business management, master data management and human resources management.

2. *To upgrade the performance appraisal for sales staff so as to promote sales*

During the Reporting Period, with the aims of further expanding the distribution network, proactive sales of the products, comprehensive coverage of full range of products at major terminal stores, and seamless link of flow from sales, the Group completed the appraisal of its sales staff, and executed the award and motivation schemes for the sales staffs. This gave the staff to plan their work with directions and objectives. An open and transparent allocation mechanism was formed for the sharing of the results on the development of the Company, which increased the cohesiveness within the Company. This strategy was promoted by the Company throughout the country, which significantly increased the comprehensive coverage of full range of the Group's products at major terminal stores. The coverage of non-core products and new products were enhanced. At the same time, through the promotion at the terminal, sales were driven through the channels and formed a virtuous sales cycle by the Company .

3. *To insist on the introduction of talents and the training programs to thoroughly enhance the skills and overall quality of the staff*

During the Reporting Period, the Group speeded up the pace of introducing various types of talents from the external sources to match the Company's needs for its development. During the Reporting Period, the Group continued to organize the "Kingworld Executives Training Course" jointly with Guangdong Institute of Food and Drug for the nurturing of operation and management professionals in pharmaceuticals industry. The Group successfully recruited, trained and delivered talents at base level for the online and offline businesses. At the same time, the Group also strengthened its cooperation with other educational institutions, such as Guangdong University of Medical Science and Technology and Shenzhen Polytechnic School, and had recruited some of their students to the Group for the practice of internships.

During the Reporting Period, the 2012 class of the "Kingworld Executives Training Course" practiced internships at the Group. The Group arranged a mentor teacher for every student for guidance. Each student also participated in a speech contest. The students became familiar and competent in the duties of the Group through a variety of ways and means in an accelerated pace. After nearly one year of training and learning, the class of "Kingworld Executives Training Course" quickly adapted to the new environment and requirements and were capable of taking up the tasks assigned by the Company. In order to meet the demand for market research and international high-end talent of the Group, the Group continued to promote the in-depth development of the cooperation platform system between colleges and enterprises. We are currently in contact with a renowned university in Hong Kong and have been discussing a number of special training projects with the aim of enhancing the international visions of our internal staff.

Moreover, in light of the current rapid development momentum of the WeChat e-commerce platform, the Group also established the Kingworld "WeChat College" during the Reporting Period. Staff were trained to understand how to control the operation and characteristics of the WeChat marketing and WeChat e-commerce platform. The marketing advantage as a "WeChat Seller" in the e-commerce aspects were studied in depth so as to grasp the opportunities in the growth of sales for the Group generated by the business development of this segment.

4. *To reinforce the "customer-oriented" concept and provide value-added services to major customers*

During the Reporting Period, the Group established "Kingworld Ten Million Dollars Club" for customers with annual transaction amount of RMB10 million or above. We understand our customers' desire to be in touch with the latest enthusiasm of learning "National Culture", and the Kingworld Million Dollars Club held its first session of Zen Wisdom Seminar, which invited zen masters well known in China and confucianism teachers from Zhong Yuan Tempe in Suzhou to teach the essence of National Culture to numerous entrepreneurs. This activity was well received by the participants. While promoting the traditional culture and spreading the traditional culture of China, we further developed the cooperation relationship with customers. Mutual understanding with each other was reinforced to facilitate development and to improve the cohesiveness of the distributors and the loyalties towards the Group's products. In particular, by participating in this event, the senior management of the dealers will have personal experiences and understanding of the Group's corporate culture and products. This led their subordinates to put more attention and effort in promoting the Group's products, stimulating the Group's products sales in the distributors area. Meanwhile, the Group also discussed with the distributors about the development of e-commerce business and encouraged physical distributors to get involved in the e-commerce business in various forms.

5. *To enhance the corporate brand image of Kingworld by utilizing the media and sales events*

During the Reporting Period, by abiding to the trend of rapid development in the Internet, in particular the change in consumption habits caused by the mobile Internet, the Group established the official WeChat account for the Group itself, Kingworld Health Family, Kingworld Business School and Weibo, the Group fully leveraged on the nature of rapid spread and contents readability characteristics of media, which expanded the influences of the Kingworld brand and enhanced the reputation of the brand.

It is the corporate mission of the Group "to serve the community and to heal the souls" since its inception. In order to better contribute to the community, and implement its corporate social responsibility, the Group decided to establish the "Kingworld Care and Health Foundation" during the Reporting Period, which included the public welfare undertakings in the development strategies of the Company so as to better serve the community.

The Group's major honors and brand activities in the first half of 2015

- In March 2015, China Chamber of Commerce of Medicines & Health Products Importers & Exporters announced that, according to figures from The Customs, Shenzhen Kingworld Medicines Company Limited. is among Top 100 Chinese enterprises of medicine and health imported products in 2014;
- In March 2015, Jinzhong Building was awarded with a certificate of major projects in Shenzhen in 2015;

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- In April 2015, the Group organized Culturelle probiotics Sino-US Summit with i-health in Shanghai, which aroused widespread discussion within the country and overseas and Dr. Cui Yutao, a famous Chinese pediatric doctor and Dr. Vanderhoof, an authoritative American pediatric specialist attended the summit;
- In May 2015, we sponsored EMBA from Lingnan School of Zhongshan University to attend the Tenth Gobal Chinese College Gebi Challenge;
- In June 2015, we sponsored Shenzhen Luohu District Elderly Association to attend Elderly Model Contest.

FINANCIAL REVIEW

1. Turnover

Turnover of the Group for the six months ended 30 June 2015 amounted to approximately RMB366,998,000, representing an increase of approximately RMB47,959,000 or 15.0% compared to approximately RMB319,039,000 for the six months ended 30 June 2014. The increase was mainly as a result of the turnover consolidated from Dong Di Xin which was acquired on 13 February 2015 and the increase in sales of Culturelle which was partly off-set by the decrease in sales of Nin Joim Chuan Bei Pei Pa Koa.

2. *Cost of sales*

For the six months ended 30 June 2015, cost of sales for the Group amounted to approximately RMB251,571,000, increased by approximately RMB10,823,000 or 4.5% when compared to approximately RMB240,748,000 for the six months ended 30 June 2014. The increase in cost of sales was consistent with the increase in turnover. Gross profit margin increased substantially from 24.5% for the six months ended 30 June 2014 to 31.5% for the six months ended 30 June 2015 as a result of the increase in turnover of the higher margin products such as Culturelle and the higher gross profit margin from Dong Di Xin during the Reporting Period.

3. *Other revenue*

Other revenue mainly included rental income, interest income and promotion service income. For the six months ended 30 June 2015, other revenues amounted to approximately RMB8,250,000, decreased by approximately RMB1,573,000 or 16.0% when compared to approximately RMB9,823,000 for the six months ended 30 June 2014. This decrease was mainly due to the decrease in commission income.

4. *Other net loss*

Other net loss mainly comprised net foreign exchange loss. For the six months ended 30 June 2015, other net loss amounted to approximately RMB3,491,000, decreased by approximately RMB2,608,000 when compared to the other net loss of approximately RMB6,099,000 for the six months ended 30 June 2014. This decrease was mainly caused by the decrease in net foreign exchange loss.

5. *Selling and distribution costs*

For the six months ended 30 June 2015, selling and distribution costs amounted to approximately RMB43,753,000, increased by approximately RMB10,407,000 or 31.2% when compared to approximately RMB33,346,000 for the six months ended 30 June 2014. This increase was mainly due to an increase in advertising and promotion expenses. This expenses increased from approximately RMB4,668,000 for the six months ended 30 June 2014 to approximately RMB9,186,000, increased by approximately RMB4,518,000 or 96.8%. Secondly, there was an increase in salaries expenses by approximately RMB697,000 or 7.2% from RMB9,668,000 for the six months period ended 30 June 2014 to RMB10,365,000 as a result of the fact that many post vacancies in 2014 were filled up during the Reporting Period and the selling and distribution costs consolidated from Dong Di Xin.

6. *Administrative expenses*

For the six months ended 30 June 2015, administrative expenses amounted to approximately RMB35,964,000, increased by approximately RMB10,705,000 or 42.4% when compared to approximately RMB25,259,000 for the six months ended 30 June 2014. This increase was mainly due to the increase in professional fee of approximately RMB2,972,000 and administrative expenses consolidated from Dong Di Xin.

Management Discussion and Analysis

7. *Profit from operations*

For the six months ended 30 June 2015, profit from operations for the Group amounted to approximately RMB33,696,000, increased by approximately RMB10,286,000 or 43.9% when compared to approximately RMB23,410,000 for the six months ended 30 June 2014. Increase in profit from operations was mainly due to the increase in gross profit of approximately RMB37,136,000, partly off-set by the amortisation of intangible assets arising from acquisition of Dong Di Xin and the increase in the overall operating expenses.

8. *Finance costs*

For the six months ended 30 June 2015, finance costs amounted to approximately RMB7,989,000, increased by approximately RMB4,828,000 or 152.7% when compared to approximately RMB3,161,000 for the six months ended 30 June 2014. The increase was mainly due to the increase in interest charged on bank loans and convertible bonds.

9. *Profit before taxation*

For the six months ended 30 June 2015, profit before taxation for the Group amounted to approximately RMB28,302,000 increased by approximately RMB4,750,000 or 20.2% when compared to approximately RMB23,552,000 for the six months ended 30 June 2014. Increase in profit before taxation was mainly due to the increase in profit from operations which was partly off-set by the increase in finance costs.

10. *Income tax expenses*

For the six months ended 30 June 2015, income tax expenses for the Group amounted to approximately RMB7,019,000, increased by approximately RMB2,942,000 or 72.2% when compared to approximately RMB4,077,000 for the six months ended 30 June 2014. This increase was mainly due to an increase in profit before taxation. The effective tax rate during the Reporting Period was 24.8% and for the six months ended 30 June 2014 was 17.3%.

11. *Profit for the period*

For the six months ended 30 June 2015, profit for the period amounted to approximately RMB21,283,000, increased by approximately RMB1,808,000 or 9.3% when compared to approximately RMB19,475,000 for the six months ended 30 June 2014. The increase in profit for the period is mainly due to the increase in profit before tax of approximately RMB4,750,000 which was partly off-set by the increase in income tax expenses of approximately RMB2,942,000.

12. *Liquidity and capital resources*

The Group has met its working capital needs mainly through cash generated from operations and various short-to-long term bank borrowings. During the Reporting Period, the effective interest rate for fixed rate loans was from 2.2% to 4.2%. Taking into account the cash flow generated from operations and the 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 twelve months from the date of publication of this report.

As at 30 June 2015, the Group had cash and cash equivalents of RMB258,580,000 mainly generated from operations of the Group and funds raised by the Company in its initial public offering in November 2010.

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 generated 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 approximately RMB84,499,000, representing an increase of net cash generated from operating activities of approximately RMB15,346,000 from approximately RMB69,153,000 for the six months ended 30 June 2014.

Net cash used in investing activities

The Group's net cash outflow used in investing activities amounted to approximately RMB278,425,000 during the Reporting Period, representing an increase of approximately RMB275,436,000 as compared with the cash outflow used in investing activities of approximately RMB2,989,000 for the six months ended 30 June 2014.

Net cash generated from financing activities

The Group's net cash generated from financing activities amounted to approximately RMB221,027,000 during the Reporting Period, representing an increase of approximately RMB218,204,000 as compared with net cash generated from financing activities of approximately RMB2,823,000 for the six months ended 30 June 2014.

14. Capital structure

Indebtedness

Total amount of the borrowings of the Group as at 30 June 2015 was approximately RMB375,176,000, 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.

Asset-liability ratio

As at 30 June 2015, the Group's asset-liability ratio was 31.2% (31 December 2014: 22.4%), calculated as the total bank borrowings divided by total assets multiplied by 100%. The increase was mainly due to the increase in bank borrowings.

Pledge of assets

As at 30 June 2015, the Group has pledged assets of investment properties and structured bank deposits to the banks with the total carrying amount of approximately RMB200,920,000 (31 December 2014: RMB218,133,000).

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 RMB2,765,000 and RMB1,272,000 for the Reporting Period and the six months ended 30 June 2014 respectively.

Foreign exchange risk

The principal business of the Group has used RMB, HK$, Euro and US$ as the functional and operational currencies. The Group faces foreign exchange risk arising from RMB, HK$, Euro and US$. The Group has no major risks in changes in other currency exchange rates.

15. Contingent liabilities, legal and potential proceedings

As at 30 June 2015, the Group did not have any material contingent liabilities, legal proceedings or potential proceedings.

16. Major acquisitions and disposals

As disclosed in the Company's announcement dated 13 February 2015, completion of the equity transfer of Dong Di Xin took place on 13 February 2015, whereupon the Kingworld (Hong Kong) Holdings Limited ("Kingworld (HK)"), an indirect wholly-owned subsidiary of the Company, has been registered by the Industry and Commerce Authority as the shareholder holding 55% of the equity interest in Dong Di Xin in accordance with the equity transfer agreement and Dong Di Xin has obtained the sino-foreign joint venture business licence.

Upon completion of the equity transfer, the equity interest in Dong Di Xin is owned as to 55% by the Kingworld (HK), 15% by Zhao Zhigang and 30% by Zhao Wen, and Dong Di Xin becomes a 55% indirectly owned subsidiary of the Company and its financial results will be consolidated into the financial statements of the Group.

17. Termination of memorandum of understanding in relation to a proposed company acquisition

As disclosed in the Company's announcements dated 23 February 2014 and 28 February 2014, on 23 February 2014, the Group entered into a memorandum of understanding (as supplemented by a supplemental memorandum of understanding dated 28 February 2014) (collectively, "MOU") with Wu Hu ZhangHengChun Medicine Co., Ltd.* (蕪湖張恒春藥業有限公司) ("ZhangHengChun Medicine") and Mr. Wang Wei Jie* (王偉杰) and Ms. Wang Yu Xia* (王玉霞) ("Ms. Wang") (as "Guarantors") in relation to certain transactions which include (i) the proposed acquisition of 100% equity interest in Wu Hu ZhangHengChun Pharmaceuticals Co., Ltd.* (蕪湖張恒春醫藥有限公司) ("ZhangHengChun Pharmaceuticals") by Shenzhen Kingworld Medicine Company Limited* (深圳市金活醫藥有限公司) ("SZ Kingworld") from Ms. Wang and the other shareholder(s), (ii) the proposed establishment of a joint venture company ("JV Company") by Kingworld (HK) and ZhangHengChun Medicine, (iii) the proposed acquisition of the remaining assets of ZhangHengChun Medicine by the JV Company, and (iv) the proposed transfer of 100% equity interest in ZhangHengChun Pharmaceuticals from SZ Kingworld to the JV Company (collectively, the "Proposed Transactions").

SZ Kingworld has paid an earnest money in the amount of RMB5,000,000 to Ms. Wang in accordance with the terms and conditions of the MOU which has been placed in an escrow account designated by SZ Kingworld, and will be released upon confirmation by both SZ Kingworld and Ms. Wang.

As disclosed in the Company's announcement dated 20 May 2015, as the parties could not reach an agreement on the Proposed Transactions, on 20 May 2015, Kingworld (HK), SZ Kingworld, ZhangHengChun Medicine and the Guarantors entered into a termination agreement ("Termination Agreement") to terminate the MOU and the transactions contemplated under the MOU with immediate effect. Upon the termination of the MOU, the parties will have no further obligation to proceed with the Proposed Transactions.

Pursuant to the Termination Agreement, Ms. Wang entrusted ZhangHengChun Medicine to refund the earnest money in the amount of RMB5,000,000 to SZ Kingworld and SZ Kingworld received the same within 10 working days upon signing of the Termination Agreement.

The Board considered that the termination of the MOU would not have any material adverse impact on the existing business operation and financial position of the Group. The Board will continue to explore other potential investment opportunities that may strengthen the profitability of the Company and is in line with the development of the Company.

18. *Going 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

1. *To continue consolidating the network infrastructure and to improve the regional marketing strategies*

In the future, the Group will continue to strengthen the management of the channel distributors. Through the deployment of first, second and third tier distributors, the network of distributors at all levels will be fully explored and diversified sales channels will be developed, which will expand the Group's sales network and facilitate the increase in the sales of its products. Secondly, the Group will also continue to strengthen its cooperation with top 100 chain enterprises so as to further improve the penetration of its core products in the market, thereby consolidating market share.

At the same time, the Group will also further strengthen the management of the regional market in the future, and implement specific management strategies for regional markets based on the new condition of resources allocation and the features of development at various regional markets. With respect to the steady development of the market, the Group will continue to steadily promote sales in various regions. As for those markets that are lagging behind, we will continue to increase manpower layout so as to stimulate the rapid growth of such regional markets.

In addition, with respect to Hong Kong and Macau markets, the Group will combine its increasingly diversified product mix and continue to devote more marketing efforts in promoting the new markets and speeding up the expansion of distribution network. This in turn will effectively enhance the brand awareness of new products, promote the maturity process of new markets, and further stimulate the growth in sales of the new products of the Group.

2. *To grasp the opportunity from Qinhai and proactively accelerate the construction of e-commerce platform and strengthen all-channel marketing strategy*

In the future, based on the current progressively maturing e-commerce platform, the Group will further increase its investment in marketing of online sales and range of products offered. Market penetration will be targeted at leading e-commerce platforms in China and cross-border so as to further increase the growth rate of the Group's revenue generated from online sales.

Moreover, according to the Implementation Plan of Constructing Shekou District in Qianhai, as a trial point of Free Trade Zone in Guangdong China, enterprises located in Qianhai can enjoy tax incentives and support policies in accordance with the regulations. Relying on the competitive advantages of technology, market, cooperation between Shenzhen and Hong Kong and overseas expansion, the supported enterprises can obtain long-term and strong competitiveness and market control and become the leading enterprises in modern service. As for the previously approved project of "Pharmaceutical and Wellbeing e-commerce platform of SZ Kingworld Medicine Company Limited" at Qinhai, the Group will continue to promote the implementation and operation of various businesses, in hope of successfully launching the Kingworld e-commerce platform ahead of schedule. This will create a perfect B2B2C platform for exchange of information in the industry, and bring more powerful driving forces for the deployment of new businesses and channels to the Group.

3. *To speed up building information technology with SAP ERP as the core and enhance the standards of information technologies*

In the future, the Group will promote the commencement of SAP ERP projects. A dedicated project team will be established to work with a implementing company to investigate the present status, produce the future blueprint design, perform test runs and conduct formal launch. A seamless link will be formed between the existing BI systems and OA system. A mega data centre of the Group will be established, which will provide rapid and multi-dimensional analysis for decision-making. This will allow the Group to grasp market opportunities, identify advantages and shortcomings in operations, and further strengthen its core competitiveness. The current objectives of the construction of the Group's SAP ERP system are to enhance control capacity, enhance the professional level of sales management platform, make decisions efficiently and build a management platform with SAP ERP as core. From project preparation to business blueprint, system implementation, and finally getting the system to be ready on-line, with system support and continuous evolution, it is expected that the transfer and launch of ERP will be completed in January 2016 and the transfer and launch of PMS will be completed in February 2016. We expect to build this project as the industry benchmark.

4. *To expedite the introduction of new products and to optimize the revenue structure*

The Group will further seize the valuable sales network and market infrastructure already established in Hong Kong and Macau markets and online platform to push forward negotiations and the entering into agreements for cooperation projects. At the same time, the Group will devote its efforts to identifying new products and brands that can fulfill the needs of the consumers, which will further enrich the Group's product mix and allow the Group to build a reserve of quality products which has a diversified nature and good profit margin for the e-commerce platform of the Group and offline sales. This will in turn increase the income from the Group's overall sales, and further optimize the level of income and the profit structure.

5. *To further conduct merger and acquisition projects that would achieve capital appreciation*

In the future, the Group will continue to use "health" as its primary mission for the deployment of strategies. With the current condition of the industry, in combination with the current situation of the Group's operation and strategies, projects with values and fitting the missions will be identified and examined continuously through differentiation in the market by way of mergers and acquisitions. By further conducting merger and acquisition projects, capital appreciation will be achieved. We will further participate in cross-border investment projects in the industry, looking for more opportunities to promote the implementation of cross-border mergers and acquisitions investment projects. On the one hand, we will enhance the operational capabilities of the Group's capital. On the other hand, we will actively explore the co-operation opportunities and investment opportunities with other brand health products operators.

6. *To empower the brand awareness and promotional strategies so as to establish a robust corporate image*

With an ever-improving product mix and a rapidly expanding sales network in the new markets, the Group will make use of a promotion model that provides full online and offline coverage and can be operated interactively in China and overseas to strengthen the promotion and marketing strategies for the products and the brands with a customer-oriented focus for the implementation of diversified marketing activities. The awareness and brand influence of the Group's products will be considerably enhanced, which will trigger the further expansion into new markets, accelerate the expansion of e-commerce platform and enhance the sales capabilities.

In addition, the Group also plans to further develop and improve the operation of "Kingworld Care and Health Foundation" in the future. The Group will proactively participate in various social welfare and charitable activities in order to further demonstrate corporate social responsibility, and establish a far-reaching and favourable corporate image of Kingworld.

7. *To revamp the management mechanism of the investment holding company*

The Group will continue to improve the rules of procedure for the board of directors of the investment holding company in the future. This will fully capitalize the functions of the board of directors in guiding and supervising the operations of the investment holding company so as to further develop the businesses and achieve the desired results.

For the above plans for future development, the Group will utilise the internal resources of the Group and/or the proceeds that the Company obtained from the listing of its shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 25 November 2010.

8. *Follow the development of the Internet and use the Internet to provide comprehensive health solutions*

With the development of science and technology, an aging population and the increasing public health awareness, the demand for wearable medical devices is growing every day with enormous growth potential. During the Reporting Period, the Group is fully aware that it is one of the future trends to provide health solutions to consumers with health monitoring data through wearable medical devices. Therefore, the Group plans to enter into cooperation with leading companies in the intelligent mobile medical measuring healthcare industry. Advantages in the resources of both parties will be integrated through strategic cooperation. A data platform for the pharmaceutical industry will be built. Through exploring and marketing from the database, value-added services will be provided to both parties, which will enhance competitiveness of the same. Products and services such as health inspection devices, and "Good Health Cloud Platform" on the Internet will be provided by the cooperating companies. By leveraging on the resources of the strong pharmaceutical retail drug store customer network of the Group, and capitalizing on the promotion tools such as Kingworld Health Family product display booths, the sales of products distributed by the Group will be enhanced, and the cooperation through retail drug stores on mobile Internet platform will be finalized and implemented between the cooperating parties. Through the "Good Health Cloud Platform" on the Internet, the distributors under cooperated management will help to enhance the management capabilities of end consumers, which will enhance the competitiveness in the industry. During the Reporting Period, the Group joined the "Daily Health Alliance" founded by the cooperating party. Through Tianwei TV, multi-screen interaction will be formed occupying the TV channels and hence, the customers. This will create medical and healthcare ecology on the Internet jointly with "Internet + Healthcare + Venture Partners", providing the public with safe, healthy and quality products and services.

HUMAN RESOURCES AND TRAINING

As at 30 June 2015, the Group had a total of 945 employees, of which 119 worked at the Group's headquarters in Shenzhen, and 376 stationed in 34 zones, mainly responsible for sales and marketing; 450 worked at Dong Di Xin. Total staff cost for the Reporting Period amounted to approximately RMB20,939,000 (2014: RMB16,736,000). 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 Sales Directors and Product Managers). 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 people-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 2015, 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, were as follows:

(I) Interests 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	6,792,000	1.09%
	Interest of spouse	90,000,000	14.46%
	Interest of a controlled corporation	297,812,250	47.84%
Chan Lok San (Note 2)	Interest of spouse	304,604,250	48.93%
	Interest of a controlled corporation	90,000,000	14.46%
Zhou Xuhua (Note 3)	Interest of spouse	3,800,000	0.61%
Zhang Yi (Note 4)	Interest of a controlled corporation	62,250,000	10.00%

Notes:

1. In addition to 6,792,000 shares which are beneficially owned by Mr. Zhao Li Sheng, Mr. Zhao is deemed (by virtue of the SFO) to be interested in 387,812,250 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) 90,000,000 shares are held by Golden Morning. Ms. 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 Lok San is deemed (by virtue of the SFO) to be interested in 394,604,250 shares in the Company. These shares are held in the following capacities:

   (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) 6,792,000 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 6,792,000 shares held by Mr. Zhao and the 297,812,250 shares held by Golden Land.

3. Mr. Zhou is deemed (by virtue of the SFO) to be interested in 3,800,000 shares in the Company held by his spouse, Huang Xiaoli.

4. Pursuant to the subscription agreement dated 15 September 2014 (as supplemented by the supplemental agreements dated 9 October 2014 and 15 December 2014), Sinopharm Capital designated Shine Light Investment Fund and Legend Times Corporation Limited as its nominees to hold the convertible bonds in the principal amount of HK$93,686,250 and HK$40,151,250, respectively. The long position represents the interests in the 62,250,000 shares to be allotted and issued upon the full exercise of the conversion rights attached to the convertible bond in the aggregate principal amount of HK$133,837,500 at an initial conversion price of HK$2.15 issued by the Company on 17 December 2014.

   Shine Light Investment Fund is deemed to be interested in 62,250,000 shares/underlying shares of the Company within the meaning of Part XV of the SFO, representing 10% of the issued share capital of the Company, by virtue of a concert party agreement with Legend Times Corporation Limited. Hwabao Trust Co. Ltd* (華寶信託有限責任公司) holds 95,000 non-voting shares in Shine Light Investment Fund, representing approximately 99.89% of the issued share capital of Shine Light Investment Fund, as the trustee of a fixed trust which the beneficiary is Shanghai Shengzhong Investments Management Partnership Enterprise (Limited Partnership)* (上海聖眾投資管理合夥企業). Mr. Zhang Yi controls one-third of the voting power at matters of Shanghai Shengzhong Investments Management Partnership Enterprise (Limited Partnership). Hence, Mr. Zhang Yi is deemed to be interested in 62,250,000 shares/underlying shares of the Company within the meaning of Part XV of the SFO.

(II) Long positions in the underlying shares – share options under share option scheme

Name of Directors	Date of grant	Option Period (Note 4)	Exercise Price per Share (HK$) (Note 5)	Number of Share Options: Outstanding as at 1 January 2015	Granted during the Period	Cancelled during the Period	Lapsed during the Period	Outstanding as at 30 June 2015	Approximate percentage of the Company's total issued share capital
Zhao Li Sheng (Note 1)	1 June 2015	1 June 2015 to 31 May 2019	2.54	—	520,000	—	—	520,000	0.08%
Ms. Chan Lok San (Note 2)	1 June 2015	1 June 2015 to 31 May 2019	2.54	—	468,000	—	—	468,000	0.08%
Lin Yusheng (Note 3)	1 June 2015	1 June 2015 to 31 May 2019	2.54	—	468,000	—	—	468,000	0.08%
Zhou Xuhua	1 June 2015	1 June 2015 to 31 May 2019	2.54	—	468,000	—	—	468,000	0.08%
DuanJidong	1 June 2015	1 June 2015 to 31 May 2019	2.54	—	412,000	—	—	412,000	0.07%
Zhang Jianbin	1 June 2015	1 June 2015 to 31 May 2019	2.54	—	412,000	—	—	412,000	0.07%
Wong Cheuk Lam	1 June 2015	1 June 2015 to 31 May 2019	2.54	—	412,000	—	—	412,000	0.07%
Zhang Yi	1 June 2015	1 June 2015 to 31 May 2019	2.54	—	412,000	—	—	412,000	0.07%
Total					**3,572,000**			**3,572,000**	0.57%

Note 1: Zhao Li Sheng is also a substantial shareholder of the Company through his beneficial interest, interests of spouse and controlled corporation.

Note 2: Ms. Chan Lok San (being the spouse of Zhao Li Sheng) is also a substantial shareholder of the Company through interests of spouse and controlled corporation.

Note 3: Lin Yusheng resigned as executive director of the Company on 6 July 2015.

Note 4: The vesting and exercise of certain Share Options are subject to the terms of the Share Option Scheme and the performance target(s) and terms set out in the respective letters of grant. The value of the Share Options granted during the period ended 30 June 2015 was zero as such performance target(s) and terms set for the Share Options had not been achieved by the end of the Period under review.

Note 5: The closing price of the Share on the date of grant of Share Options on 1 June 2015 was HK$2.45.

(III) 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%
Zhang Yi	Shine Light Investment Fund	Beneficial owner	33.33%

As at 30 June 2015, 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 2015, none of the Directors is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

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

As at 30 June 2015, so far as was known to the Directors, the interests or short positions held by the following persons (other than the Directors) in the shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or the interests or short positions recorded in the register kept by the Company under section 336 of the SFO were as follows:

Interests in the Shares

Name of Shareholders	Capacity/Nature of Interest	Number of shares in the Company held	Approximate percentage of the Company's total issued share capital
Golden Land	Beneficial owner	297,812,250	47.84%
Golden Morning	Beneficial owner	90,000,000	14.46%
Zhao Li Sheng (Note 1)	Beneficial owner	6,792,000	1.09%
	Interest of spouse	90,000,000	14.46%
	Interest of a controlled corporation	297,812,250	47.84%
Chan Lok San (Note 2)	Interest of spouse	304,604,250	48.93%
	Interest of a controlled corporation	90,000,000	14.46%
Sinopharm Healthcare Fund L.P. (Note 3)	Beneficial owner	62,187,750	9.99%
Sinopharm Capital Limited (Note 4)	Interest of a controlled corporation	62,187,750	9.99%
Shine Light Investment Fund (Note 5)	Interest of a party to an agreement to acquire interest	62,250,000	10.00%
Shine Light Fund Management Limited (Note 6)	Interest of a controlled corporation	62,250,000	10.00%
Hwabao Trust Co. Ltd. (Note 7)	Trustee of a trust	62,250,000	10.00%

Name of Shareholders	Capacity/Nature of Interest	Number of shares in the Company held	Approximate percentage of the Company's total issued share capital
上海聖眾投資管理合伙企業(有限合伙) Shanghai Shengzhong Investments Management Partnership Enterprise (Limited Partnership) (Note 8)	Beneficiary of a trust (other than a discretionary trust)	62,250,000	10.00%
Zhang Yi (Note 9)	Interest of a controlled corporation	62,250,000	10.00%
Legend Times Corporation Limited (Note 5)	Interest of a party to an agreement to acquire interest	62,250,000	10.00%
Chief Marine Limited (Note 10)	Interest of a controlled corporation	62,250,000	10.00%
CDBI Parnters Fund I, L.P. (Note 11)	Interest of a controlled corporation	62,250,000	10.00%
CDBI Parnters GP, Ltd (Note 12)	Interest of a controlled corporation	62,250,000	10.00%
Tan Ching (Note 13)	Interest of a controlled corporation	62,250,000	10.00%
Sun Hill Capital Investments Limited (Note 14)	Interest of a controlled corporation	124,437,750	19.99%
Wu Aimin (Note 15)	Interest of a controlled corporation	124,437,750	19.99%

Notes:

1. In addition to 6,792,000 shares which are beneficially owned by Mr. Zhao Li Sheng, Mr. Zhao is deemed (by virtue of the SFO) to be interested in 387,812,250 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) 90,000,000 shares are held by Golden Morning. Ms. 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.

Other Information

2. Ms. Chan is deemed (by virtue of the SFO) to be interested in 394,604,250 shares in the Company. These shares are held in the following capacities:

   (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) 6,792,000 shares are held by 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 6,792,000 shares held by Mr. Zhao and the 297,812,250 shares held by Golden Land.

3. Pursuant to the share purchase agreement entered into between Golden Land and Sinopharm Capital dated 16 September 2014 (as supplemented by the supplemental agreements dated 7 November 2014 and 15 December 2014), Sinopharm Capital designated Sinopharm Healthcare Fund L.P. as its nominee to acquire 62,187,750 shares of the Company from Golden Land for a consideration of HK$133,703,662.50.

4. The corporate substantial shareholder notice filed by Sinopharm Capital Limited indicated that it controlled 1.91% interest in Sinopharm Healthcare Fund L.P.

5. Pursuant to the subscription agreement dated 15 September 2014 (as supplemented by the supplemental agreements dated 9 October 2014 and 15 December 2014), Sinopharm Capital designated Shine Light Investment Fund and Legend Times Corporation Limited as its nominees to hold the convertible bond in the principal amount of HK$93,686,250 and HK$40,151,250, respectively. The long position represents the interests in the 62,250,000 shares to be allotted and issued upon the full exercise of the conversion rights attached to the convertible bond in the aggregate principal amount of HK$133,837,500 at an initial conversion price of HK$2.15 issued by the Company on 17 December 2014.

   Shine Light Investment Fund is deemed to be interested in 62,250,000 shares/underlying shares of the Company within the meaning of Part XV of the SFO, representing 10% of the issued share capital of the Company, by virtue of a concert party agreement with Legend Times Corporation Limited.

6. The corporate substantial shareholder notice filed by Shine Light Fund Management Limited indicated that it controlled 0.11% interest in Shine Light Investment Fund.

7. The corporate substantial shareholder notice filed by Hwabao Trust Co. Ltd. indicated that it controlled 99.89% interest in Shine Light Investment Fund and is a trustee of a trust namely 華寶-境外市場投資1號系列2期QDII單一資金信託合同(HwaBao QDII Investment in Overseas Market Contract).

8. The corporate substantial shareholder notice filed by 上海聖眾投資管理合伙企業(有限合伙) Shanghai Shengzhong Investments Management Partnership Enterprise (Limited Partnership) indicated that it is a beneficiary of a trust namely 華寶-境外市場投資1號系列2期QDII單一資金信託合同 (HwaBao QDII Investment in Overseas Market Contract).

9. The director's notice filed by Zhang Yi indicated that he controlled 33.33% interest in Shanghai Shengzhong Investments Management Partnership Enterprise (Limited Partnership).

10. The corporate substantial shareholder notice filed by Chief Marine Limited indicated that it controlled 100% interest in Legend Times Corporation Limited.

11. The corporate substantial shareholder notice filed by CDBI Parnters Fund I, L.P. indicated that it controlled 100% interest in Chief Marine Limited and indirectly controlled 100% interest in Legend Times Corporation Limited.

12. The corporate substantial shareholder notice filed by CDBI Parnters GP, Ltd indicated that it, through CDBI Parnters Fund I, L.P., indirectly controlled 100% interest in Chief Marine Limited and Legend Times Corporation Limited.

13. The individual substantial shareholder notice filed by Tan Ching indicated that he controlled 99% interest in CDBI Parnters GP, Ltd and, indirectly through CDBI Parnters Fund I, L.P., controlled 100% interest in Chief Marine Limited and Legend Times Corporation Limited.

14. 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 1.91% interest in Sinopharm Healthcare Fund L.P., 100% interest in Shine Light Fund Management Limited and 0.11% interest in Shine Light Investment Fund.

15. The individual substantial shareholder notice filed by Wu Aimin indicated that he controlled 70% interest in Sun Hill Capital Investments Limited and, indirectly controlled 100% interest in Sinopharm Capital Limited, 1.91% interest in Sinopharm Healthcare Fund L.P., 100% interest in Shine Light Fund Management Limited and 0.11% interest in Shine Light Investment Fund.

Save as disclosed above, to the best knowledge of the Directors of the Company, as at 30 June 2015, 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

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 (the "Prospectus").

On 1 June 2015, the Company granted to certain eligible participants (the "Grantees"), a total of 17,108,000 share options (the "Share Options") to subscribe for a total of 17,108,000 ordinary shares of HK$0.10 each in the capital of the Company under the Share Option Scheme which were accepted by such Grantees. A summary of share options granted under the Share Option Scheme of the Company during the six months ended 30 June 2015 is as follows:

Grantees	Position held with the Group and/or relationship with the Group	Date of grant	Option Period (Note 4)	Exercise Price per Share (HK$) (Note 5)	Number of Share Options: Outstanding as at 1 January 2015	Granted during the Period	Cancelled during the Period	Lapsed during the Period	Outstanding as at 30 June 2015	Approximate percentage of the Company's total issued share capital
Zhao Li Sheng (Note 1)	Chairman/Executive Director	1 June 2015	1 June 2015 to 31 May 2019	2.54	–	520,000	–	–	520,000	0.08%
Ms. Chan Lok San (Note 2)	Executive Director	1 June 2015	1 June 2015 to 31 May 2019	2.54	–	468,000	–	–	468,000	0.08%
Lin Yusheng (Note 3)	Executive Director	1 June 2015	1 June 2015 to 31 May 2019	2.54	–	468,000	–	–	468,000	0.08%
Zhou Xuhua	Executive Director	1 June 2015	1 June 2015 to 31 May 2019	2.54	–	468,000	–	–	468,000	0.08%
DuanJidong	Independent non-executive Director	1 June 2015	1 June 2015 to 31 May 2019	2.54	–	412,000	–	–	412,000	0.07%
Zhang Jianbin	Independent non-executive Director	1 June 2015	1 June 2015 to 31 May 2019	2.54	–	412,000	–	–	412,000	0.07%
Wong Cheuk Lam	Independent non-executive Director	1 June 2015	1 June 2015 to 31 May 2019	2.54	–	412,000	–	–	412,000	0.07%
Zhang Yi	Non-executive Director	1 June 2015	1 June 2015 to 31 May 2019	2.54	–	412,000	–	–	412,000	0.07%
Sub-total of Share Options granted to Directors						3,572,000			3,572,000	0.57%
57 Employees	Employees of the Group	1 June 2015	1 June 2015 to 31 May 2019	2.54	–	13,236,000	–	–	13,236,000	2.13%
Sub-total of Share Options granted to Directors and Employees						16,808,000			16,808,000	2.70%
5 Consultants	Consultants of the Group	1 June 2015	1 June 2015 to 31 May 2017	2.54	–	300,000	–	–	300,000	0.05%
Total						**17,108,000**			**17,108,000**	**2.75%**

Note 1: Zhao Li Sheng is also a substantial shareholder of the Company through his beneficialinterest, interests of spouse and controlled corporation.

Note 2: Ms. Chan Lok San (being the spouse of Zhao Li Sheng) is also a substantial shareholderof the Company through interests of spouse and controlled corporation.

Note 3: Lin Yusheng resigned as executive director of the Company on 6 July 2015.

Note 4: The vesting and exercise of certain Share Options are subject to the terms of the Share Option Scheme and the performance target(s) and terms set out in the respective letters of grant.The value of the Share Options granted during the period ended 30 June 2015 was zero as such performance target(s) and terms set for the Share Options had not been achieved by the end of the Period under review.

Note 5: The closing price of the Share on the date of grant of Share Options on 1 June 2015 was HK$2.45.

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 2015, the Group had used net proceeds of approximately RMB134,920,000, of which approximately RMB4,000,000 had been applied for upgrading the transportation and delivery services to customers, approximately RMB15,760,000 had been applied for expanding the product display booth scheme, approximately RMB20,600,000 as working capital and approximately RMB94,560,000 has been applied for acquisition of Dong Di Xin. The remaining net proceeds are intended to be applied in accordance with the proposed application set forth in the Prospectus.

CAPITAL COMMITMENT

As at 30 June 2015, apart from sharing the capital commitment of jointly controlled entity, Zhuhai City Jinming Medicine Company Limited, amounted to approximately RMB942,000 (31 December 2014: RMB1,730,000), the Group had capital commitment of approximately RMB21,423,000 (31 December 2014: approximately RMB189,367,000).

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 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 29 May 2015, the Company declared the audited distributable profits as at 31 December 2014 amounting to approximately HK$11,952,000 (equivalent to approximately RMB9,425,000) to the shareholders of the Company. The dividend was fully paid on 23 June 2015 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 2015 (2014: nil).

Other Information

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.

CORPORATE GOVERNANCE PRACTICES

The Board strives to uphold the principles of corporate governance set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 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 Reporting Period, the Company complied with the code provisions as set out in the CG Code, other than code provision A.2.1 of the CG Code.

According to code provision A.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 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 his/her 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 Reporting Period.

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 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 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. The Audit Committee currently comprises of three members, namely Mr. Duan Jidong, Mr. Zhang Jianbin and Mr. Wong Cheuk Lam. Mr. Wong Cheuk Lam, who has appropriate professional qualifications and experience in accounting matters, has been appointed as the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements, the results announcement and this interim report of the Company for the six months ended 30 June 2015 with the management of the Group and agreed with the accounting treatments adopted by the Company.

EVENTS AFTER THE REPORTING PERIOD

Mr. Lin Yusheng has tendered his resignation as an executive Director of the Company and was redesignated as a senior consultant of the Group with effect from 6 July 2015 in order to devote more time to his other personal endeavours.

Mr. Lin has also ceased to act as an anuthorised representative of the Company (the"Authorised Representative") under Rule 3.05 of the Listing Rules with effect from 6 July 2015. Mr. Zhao Li Sheng, an executive Director of the Company, has been appointed as the Authorised Representative with effect from 6 July 2015.

DISCLOSURE OF INFORMATION

The interim report for the six months ended 30 June 2015 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, 26 August 2015

Consolidated Statement of Profit or Loss

FOR THE SIX MONTHS ENDED 30 JUNE 2015 - UNAUDITED
(Expressed in Renminbi)

		Six months ended 30 June	
	Note	**2015**	2014
		(unaudited)	(unaudited)
		RMB'000	RMB'000
Turnover	4	**366,998**	319,039
Cost of sales		**(251,571)**	(240,748)
Gross profit		**115,427**	78,291
Other revenue	6(a)	**8,250**	9,823
Other net loss	6(b)	**(3,491)**	(6,099)
Selling and distribution costs		**(43,753)**	(33,346)
Administrative expenses		**(35,964)**	(25,259)
Amortisation of intangible assets		**(6,773)**	—
Profit from operations		**33,696**	23,410
Finance costs	7(a)	**(7,989)**	(3,161)
Share of profit of a joint venture		**2,595**	3,303
Profit before taxation	7	**28,302**	23,552
Income tax	8	**(7,019)**	(4,077)
Profit for the period		**21,283**	19,475
Attributable to:			
Owners of the Company		**17,326**	19,475
Non-controlling interests		**3,957**	—
Profit for the period		**21,283**	19,475
Earnings per share	10		
Basic (RMB cents)		**2.62**	3.13
Diluted (RMB cents)		**2.62**	3.13

The accompanying notes form part of these condensed consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE SIX MONTHS ENDED 30 JUNE 2015 - UNAUDITED
(Expressed in Renminbi)

	Six months ended 30 June	
	2015	2014
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Profit for the period	**21,283**	19,475
Other comprehensive income for the period		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements	**1,440**	1,095
	1,440	1,095
Total comprehensive income for the period (net of tax)	**22,723**	20,570
Attributable to:		
Owners of the Company	**18,766**	20,570
Non-controlling interests	**3,957**	—
Total comprehensive income for the period	**22,723**	20,570

The accompanying notes form part of these condensed consolidated financial statements.

Consolidated Statement of Financial Position

FOR THE SIX MONTHS ENDED 30 JUNE 2015 - UNAUDITED
(Expressed in Renminbi)

	Note	At 30 June 2015 (unaudited) RMB'000	At 31 December 2014 (audited) RMB'000
Non-current assets			
Property, plant and equipment	11	**14,268**	5,121
Investment properties	12	**95,980**	92,420
Interest in a joint venture		**47,628**	45,033
Deposit paid for property, plant and equipment		**75,000**	75,000
Goodwill	13	**76,387**	—
Intangible assets	14	**155,780**	—
Available-for-sale financial assets	15	**9,481**	—
		474,524	217,574
Current assets			
Inventories		**36,643**	70,016
Trade and other receivables	16	**254,952**	417,774
Available-for-sale financial assets	15	**62,800**	—
Structured bank deposits	17	**114,000**	—
Pledged bank deposits	18	**—**	84,097
Cash and bank balances		**258,580**	230,028
		726,975	801,915
Current liabilities			
Trade and other payables	19	**90,132**	186,062
Bank loans		**375,176**	228,677
Liability component of mandatorily convertible bonds		**3,909**	7,277
Current taxation		**18,844**	12,868
		488,061	434,884
Net current assets		**238,914**	367,031
Total assets less current liabilities		**713,438**	584,605
Non-current liability			
Liability component of mandatorily convertible bonds		**3,469**	3,326
Deferred tax liabilities		**33,402**	10,304
		36,871	13,630
NET ASSETS		**676,567**	570,975
CAPITAL AND RESERVES			
Share capital	20	**53,468**	53,468
Reserves		**623,099**	517,507
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**676,567**	570,975

The accompanying notes form part of these condensed consolidated financial statements.

Consolidated Statement of Changes In Equity

FOR THE SIX MONTHS ENDED 30 JUNE 2015 - UNAUDITED
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company										
	Share capital	Share premium	Statutory and discretionary reserves	Contributed surplus	Property revaluation reserve	Convertible bonds equity reserve	Exchange reserve	Retained profits	Total	Non-Controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014	53,468	152,700	32,681	29,068	5,003	–	(13,683)	198,187	457,424	–	457,424
Changes in equity for the six months ended 30 June 2014											
Transfer	–	–	3,877	–	–	–	–	(3,877)	–	–	–
Dividends (note 9(b))	–	–	–	–	–	–	–	(18,862)	(18,862)	–	(18,862)
Total comprehensive income for the period	–	–	–	–	–	–	1,095	19,475	20,570	–	20,570
At 30 June 2014 (unaudited)	53,468	152,700	36,558	29,068	5,003	–	(12,588)	194,923	459,132	–	459,132
At 1 January 2015	**53,468**	**152,700**	**33,936**	**29,068**	**5,003**	**94,905**	**(14,040)**	**215,935**	**570,975**	**–**	**570,975**
Changes in equity for the six months ended 30 June 2015											
Dividends (note 9(b))	–	–	–	–	–	–	–	(9,425)	(9,425)	(144)	(9,569)
Non-controlling interests arising from acquisition of subsidiary companies	–	–	–	–	–	–	–	–	–	92,438	92,438
Total comprehensive income for the period	–	–	–	–	–	–	1,440	17,326	18,766	3,957	22,723
At 30 June 2015 (unaudited)	**53,468**	**152,700**	**33,936**	**29,068**	**5,003**	**94,905**	**(12,600)**	**223,836**	**580,316**	**96,251**	**676,567**

The accompanying notes form part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Cash Flows

FOR THE SIX MONTHS ENDED 30 JUNE 2015 - UNAUDITED
(Expressed in Renminbi)

		Six months ended 30 June	
		2015	2014
		(unaudited)	(unaudited)
	Note	**RMB'000**	RMB'000
Operating activities			
Cash generated from operations		**91,253**	76,289
Interest received		**3,306**	—
PRC income tax paid		**(10,060)**	(7,136)
Net cash generated from operating activities		**84,499**	69,153
Investing activities			
Increase in interest in a joint venture		**—**	(3,168)
Purchase of property, plant and equipment		**(2,765)**	—
Purchase of available-for-sales financial assets		**(13,381)**	—
Proceeds from sales of property, plant and equipment		**6**	—
Purchase of structured bank deposits		**(114,000)**	—
Net outflow for acquisition of subsidiaries	23	**(147,821)**	—
Net outflow for disposal of a subsidiary		**(464)**	—
Other cash flow arising from investing activities		**—**	179
Net cash used in investing activities		**(278,425)**	(2,989)
Financing activities			
Net proceeds from bank loans		**146,499**	56,157
Dividend paid		**(9,425)**	(18,862)
Dividend paid to non-controlling interests of a subsidiary		**(144)**	—
Decrease/(increase) in pledged bank deposits		**84,097**	(31,309)
Other cash flow arising from financing activities		**—**	(3,163)
Net cash generated from financing activities		**221,027**	2,823
Net increase in cash and cash equivalents		**27,101**	68,987
Cash and cash equivalents at 1 January		**230,028**	91,416
Effect of foreign exchange rate changes		**1,451**	990
Cash and cash equivalents at 30 June		**258,580**	161,393

The accompanying notes form part of these condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015 - UNAUDITED
(Expressed in Renminbi unless otherwise indicated)

1. GENERAL INFORMATION

Kingworld Medicines Group Limited (the "Company") was incorporated in the Cayman Islands with limited liability. The Company is an investment holding company. The Company and its subsidiaries (the "Group") are principally engaged in (i) distribution sales of branded imported pharmaceutical and healthcare products, and (ii) manufacturing and sales of electrotherapeutic and physiotherapeutic devices and general medical examination devices in the People's Republic of China ("PRC").

2. BASIS OF PREPARATION

The condensed consolidated 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").

The condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements.

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties, structured bank deposits and certain available-for-sale financial assets, which are measured at fair value.

The interim financial report is unaudited, but has been reviewed by the Company's audit committee.

3. CHANGES IN ACCOUNTING POLICIES

In the current interim period, the Group has adopted and applied, for the first time, the following amendments to HKFRSs issued by the HKICPA:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle

The application of the above revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

Save as disclosed in the annual report for the year ended 31 December 2014, the directors of the Company anticipate that the application of the other new and revised standards and amendments issued but not yet effective will have no material impact on the results and financial position of the Group.

4. TURNOVER

Turnover 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 period.

	Six months ended 30 June	
	2015	2014
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Sales of		
– pharmaceutical products	**229,804**	296,962
– healthcare products	**65,110**	22,077
– medical devices	**72,084**	—
	366,998	319,039

5. SEGMENT INFORMATION

Operating segments, and the amounts of each segment item reported in the condensed consolidated 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, 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 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. Currently, the Group's activities in this regard are primarily carried out in the PRC.

The principal assets of the Group were located in the PRC during the six months ended 30 June 2015 and 2014. Accordingly, no analysis by geographical information is provided.

5. SEGMENT INFORMATION *(Continued)*

During the reporting period, there was no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

(a) Information about profit or loss, assets and liabilities

Information regarding the Group's reportable segments as provided to the chief operating decision-makers for the purposes of resource allocation and assessment of segment performance for the period 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					
For the six months ended	**2015 (unaudited) RMB'000**	2014 (unaudited) RMB'000	**2015 (unaudited) RMB'000**	2014 (unaudited) RMB'000	**2015 (unaudited) RMB'000**	2014 (unaudited) RMB'000	**2015 (unaudited) RMB'000**	2014 (unaudited) RMB'000
Revenue from external customers	**44,122**	11,359	**250,792**	307,680	**72,084**	—	**366,998**	319,039
Reportable segment revenue	**44,122**	11,359	**250,792**	307,680	**72,084**	—	**366,998**	319,039
Reportable segment profit (adjusted EBITDA)	**15,182**	1,781	**12,929**	21,501	**16,207**	—	**44,318**	23,282
As at 30 June/31 December								
Reportable segment assets	**41,641**	21,522	**677,650**	741,248	**352,240**	—	**1,071,531**	762,770
Reportable segment liabilities	**17,311**	166	**285,187**	351,850	**62,279**	—	**364,777**	352,016

(b) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2015 (unaudited) RMB'000	2014 (unaudited) RMB'000
Reportable segment profit derived from Group's external customers	**44,318**	23,282
Share of profit of a joint venture	**2,595**	3,303
Other income	**4,759**	3,724
Depreciation and amortisation	**(8,628)**	(830)
Finance costs	**(7,989)**	(3,161)
Unallocated head office and corporate expenses	**(6,753)**	(2,766)
Consolidated profit before taxation	**28,302**	23,552

6. OTHER REVENUE AND OTHER NET LOSS

a) *Other revenue*

	Six months ended 30 June	
	2015	2014
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Total interest income on financial assets not at fair value through profit or loss:		
Bank interest income	**3,306**	1,449
Promotion service income	**3,023**	7,335
Gross rental income from investment properties	**1,269**	1,039
Others	**652**	—
	8,250	9,823

b) *Other net loss*

	Six months ended 30 June	
	2015	2014
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Net foreign exchange loss	**3,491**	6,099

7. PROFIT BEFORE TAXATION

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

		Six months ended 30 June	
		2015	2014
		(unaudited)	(unaudited)
		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	**7,261**	3,161
	Interest imputed on the liability component of mandatorily convertible bonds	**728**	—
		7,989	3,161
b)	***Other items***		
	Auditor's remuneration	**280**	330
	Amortisation of intangible assets	**6,773**	—
	Cost of inventories	**251,571**	240,748
	Depreciation	**1,855**	830
	Impairment loss on other receivables	**18**	126
	Impairment loss on trade receivables	**584**	674
	Reversal of impairment loss on trade receivables	**(45)**	—
	Loss on disposal of property, plant and equipment	**9**	9
	Operating lease charges in respect of land and buildings	**2,366**	1,852
	Write-down of inventories	**—**	1,102
	Rental income from investment properties less direct outgoings of RMB210,000 (six months ended 30 June 2014: RMB201,000)	**(1,059)**	(838)

8. INCOME TAX

	Six months ended 30 June	
	2015	2014
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Hong Kong Profits Tax		
Provision for the period	**2,507**	—
PRC income tax		
Provision for the period	**5,528**	4,047
Under-provision in prior year	**—**	30
	8,035	4,077
Deferred tax		
Current period	**(1,016)**	—
	7,019	4,077

Notes:

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 is calculated by applying the estimated annual effective tax rate of 16.5% to the six months ended 30 June 2015. (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 2014.)

iii) The PRC income tax charge of the Group during the six months ended 30 June 2015 represents the PRC income tax charge on the Group's PRC subsidiaries, which is based on a statutory rate of 25% (six months ended 30 June 2014: 25%), except for a newly acquired PRC subsidiary, Shenzhen Dong Di Xin Technology Company Limited, which is based on a preferential income tax rate of 15%.

9. DIVIDENDS

a) The Company's directors do not recommend the payment of an interim dividend for the six months ended 30 June 2015 and 2014.

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

	Six months ended 30 June	
	2015	2014
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Final dividend in respect of the previous financial year ended, approved and paid during the reporting period, of HK$1.92 cents (equivalent to approximately RMB1.51 cents) (2014: HK$3.86 cents (equivalent to approximately RMB3.03 cents))	**9,425**	18,862

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:

i) *Profit attributable to owners of the Company*

	Six months ended 30 June	
	2015 **(unaudited)** **RMB'000**	2014 (unaudited) RMB'000
Profit for the year attributable to owners of the Company	**17,326**	19,475
Interest imputed on the liability component of mandatorily convertible bonds	**608**	—
Earnings for the purpose of basic earnings per share	**17,934**	19,475

ii) *Weighted average number of ordinary shares*

	Six months ended 30 June	
	2015 **(unaudited)**	2014 (unaudited)
Weighted average number of ordinary shares in issue	**622,500,000**	622,500,000
Effect of weighted average number of ordinary shares to be issued upon the conversion of mandatorily convertible bonds*	**62,250,000**	—
Weighted average number of ordinary shares for the purpose of basic earnings per share	**684,750,000**	622,500,000

* The convertible bonds are mandatorily convertible into ordinary shares of the Company on the maturity date. Shares that are issuable solely after the passage of time are not contingently issuable shares and are included in the calculation of basic earnings per share.

b) *Diluted earnings per share*

During the six months ended 30 June 2015 and 2014, there were no potential dilutive ordinary shares outstanding. The Company's share options had anti-dilutive effects as the exercise price was above the weighted average market price of the Company's shares. Therefore, the diluted earnings per share was the same as the basic earnings per share for the six months ended 30 June 2015 and 2014.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2015, the Group acquired items of property, plant and equipment of RMB11,019,000 (six months ended 30 June 2014: RMB1,272,000) of which RMB8,254,000 through a business combination (note 23), and disposed of property, plant and equipment with an aggregate net carrying amount of RMB15,000 (six months ended 30 June 2014: RMB9,000), resulting in a loss on disposal of RMB9,000 (six months ended 30 June 2014: RMB9,000).

12. INVESTMENT PROPERTIES

	RMB'000
At 31 December 2014 and 1 January 2015	92,420
Acquisition of subsidiaries	3,560
At 30 June 2015 (unaudited)	95,980

a) The Group's investment properties were revalued as at 31 December 2014 on an open market value basis calculated by reference to recent market transactions in comparable properties and net rental income allowing for reversionary income potential. The valuations were carried out by an independent firm of valuers, DTZ Debenham Tie Leung Limited, who amongst their staff have members of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued.

   The Group's investment properties were not revalued as at 30 June 2015 by independent valuers. The directors were aware of the possible change in the conditions of the property market. The directors considered that the carrying amount of the Group's investment properties did not differ significantly from the fair values as at 31 December 2014 carried out by independent qualified professional valuers. Consequently, no change in fair value of investment properties has been recognized in the current period.

b) The Group's investment properties are held under medium-term lease in the PRC.

c) At 30 June 2015, the Group's investment property with a carrying amount of RMB86,920,000 (31 December 2014: RMB86,920,000) was pledged to secure general banking facilities granted to the Group (note 21).

13. GOODWILL

	The Group RMB'000
Cost	
At 1 January 2015	—
Acquisition of subsidiaries (note 23)	76,387
At 30 June 2015	76,387
Impairment	
At 31 December 2014, 1 January 2015 and 30 June 2015	—
Carrying amount	
At 30 June 2015 (unaudited)	76,387
At 31 December 2014 (audited)	—

The goodwill arose on acquisition of Shenzhen Dong Di Xin Technology Company Limited during the six months ended 30 June 2015.

14. INTANGIBLE ASSETS

	Customer relationship RMB'000	Patents RMB'000	Total RMB'000
Cost:			
At 1 January 2014, 31 December 2014 and 1 January 2015	—	—	—
Acquisition of subsidiaries (note 23)	118,420	44,133	162,553
At 30 June 2015	118,420	44,133	162,553
Accumulated amortisation and impairment:			
At 1 January 2014, 31 December 2014 and 1 January 2015	—	—	—
Charge for the period	4,934	1,839	6,773
At 30 June 2015	4,934	1,839	6,773
Carrying amount:			
At 30 June 2015 (unaudited)	113,486	42,294	155,780
At 31 December 2014 (audited)	—	—	—

14. INTANGIBLE ASSETS *(Continued)*

(a) The customer relationship has a finite useful life and is amortised on a straight-line basis over 10 years.

(b) Patents represent the patent rights and know-how of the Group in relation to the manufacturing and sales of electrotherapeutic and physiotherapeutic devices and general medical examination devices which is amortised on a straight-line basis over 10 years.

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Note	**At 30 June 2015 (unaudited) RMB'000**	At 31 December 2014 (audited) RMB'000
Non-current			
Unlisted Equity Investments, at cost	(a)	**300**	—
Unlisted Equity Investments, at fair value	(b)	**9,181**	—
		9,481	—
Current			
Bank Wealth Management Products, at cost	(c)	**62,800**	—

Notes:

(a) This available-for-sale investment represents investment in unlisted equity securities which are designated as available-for-sale financial assets and has no fixed maturity date or coupon rate. As at 30 June 2015, the Group's unlisted equity securities were stated at cost less impairment, if any, because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose it in the near future.

(b) This available-for-sale investment represents investment in 3.33% interest in the Sinopharm Healthcare Fund L. P. (the "Fund") which are designated as available-for-sale financial assets and has no fixed maturity date or coupon rate. Pursuant to the Partnership Agreement signed on 24 June 2015, the Group has committed to invest US$5 million (equivalent to approximately RMB30.58 million) to subscribe approximately 3.33% of the aggregate initial Limited Partners' interest of the Fund. As at 30 June 2015, the Group has contributed US$1.5 million (equivalent to approximately RMB9.18 million) into the Fund. The Group does not intend to dispose it in the near future.

(c) Bank wealth management products were issued by a reputable bank in Mainland China and there are no fixed or determinable returns of these bank wealth management products, and with maturity date within one year.

16. TRADE AND OTHER RECEIVABLES

As of the end of the Reporting Period, the ageing analysis of trade debtors and bills receivables (which are included in trade and other receivables), based on the income date and net of allowance for doubtful debts, is as follows:

	At 30 June 2015 (unaudited) RMB'000	At 31 December 2014 (audited) RMB'000
0-90 days	**170,292**	326,940
91-180 days	**16,386**	20,167
181-365 days	**15,810**	9,321
More than 1 year	**251**	491
Trade debtors and bills receivables, net of allowance for doubtful debts	**202,739**	356,919
Other receivables	**17,275**	12,733
Amount due from a director	**2,852**	2,853
Loans and receivables	**222,866**	372,505
Prepayments	**23,074**	22,548
Trade and other deposits	**1,079**	15,812
Trade deposits to related parties	**7,933**	6,909
	254,952	417,774

a) The Group generally granted credit terms ranging from 30 days to 90 days to its customers.

b) As at 30 June 2015, none of bills receivables (31 December 2014: RMB47,116,000) were pledged to banks for banking facilities granted to the Group (note 21).

17. STRUCTURED BANK DEPOSITS

	Note	At 30 June 2015 (unaudited) RMB'000	At 31 December 2014 (audited) RMB'000
Structured bank deposits	(a)	**114,000**	—

Note:

(a) As at 30 June 2015, the Group's structured bank deposits are placed with a licensed bank in the PRC. These deposits are denominated in RMB with maturity date within one year. These deposits have a fixed annual rate of return 2.65% and a variable annual rate of return ranging from 0% to 1.75%. The variable annual rate of return is linked with the London Gold Fixing. The structured bank deposits are classified as financial asset designated as at fair value throught profit or loss as at 30 June 2015.

At 30 June 2015, the Group's structured bank deposits with a carrying amount of RMB114,000,000 (31 December 2014: Nil) was pledged to secure general banking facilities granted to the Group (note 21).

18. PLEDGED BANK DEPOSITS

No bank deposits are pledged to banks as security for banking facilities granted to the Group (31 December 2014: RMB84,097,000) (note 21). Pledged banks deposits carry interest rates of Nil (31 December 2014: 0.35%) per annum as at 30 June 2015.

19. TRADE AND OTHER PAYABLES

The credit terms granted by the suppliers were generally 45 days to 90 days. Ageing analysis of trade payable is presented based on invoice date as of the end of the Reporting Period as follows:

	At 30 June 2015 (unaudited) RMB'000	At 31 December 2014 (audited) RMB'000
0-90 days	**39,418**	148,676
91-180 days	**13**	8,496
Total creditors	**39,431**	157,172
Accruals	**4,491**	4,818
Other payables	**39,923**	21,848
Financial liabilities measured at amortised cost	**83,845**	183,838
Trade deposits received	**6,287**	2,224
	90,132	186,062

20. 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

21. PLEDGE OF ASSETS

The Group's assets with the following carrying amounts have been pledged to secure bank loans and banking facilities:

	Note	At 30 June 2015 (unaudited) RMB'000	At 31 December 2014 (audited) RMB'000
Investment property	12(c)	**86,920**	86,920
Bills receivables	16(b)	—	47,116
Pledged bank deposits	18	—	84,097
Structured bank deposits	17	**114,000**	—
		200,920	218,133

22. FINANCIAL INSTRUMENTS

Fair value

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities, recorded at amortised cost, in the consolidated financial statements approximate their fair values.

Fair value hierachy

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.

	Fair value at 30 June 2015 (unaudited) RMB'000	Fair value measurements as at 30 June 2015 categorised into		
		Level 1 (unaudited) RMB'000	Level 2 (unaudited) RMB'000	Level 3 (unaudited) RMB'000
Group				
Recurring fair value measurement				
Assets				
Structured bank deposits	**114,000**	—	114,000	—
Available-for-sale financial assets, at fair value	**9,181**	—	9,181	—

During the period ended 30 June 2015, 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.

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. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

The fair value of structured bank deposits in Level 2 is determined by the present value of an investment by the discounted sum of all cash flows to be received in future, discounted at a rate that reflects the credit risk of various counterparties.

The fair value of available-for-sale financial assets, at fair value in Level 2 is calculated based on the quoted prices of equity instruments on which the Fund invested in.

23. NOTES TO CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Acquisition of 55% equity interest in Shenzhen Dong Di Xin Technology Company Limited and its subsidiaries during the six months ended 30 June 2015

On 8 May 2014, Kingworld (Hong Kong) Holdings Limited, an indirect wholly-owned subsidiary of the Company, ("HK Holdings Kingworld"), Shenzhen Dong Di Xin Technology Company Limited (深圳市東迪欣科技有限公司*) (the"Target Company"), and its shareholders, Zhao Zhigang and Zhao Wen (the "Vendors"), being independent third parties, entered into a cooperation agreement (as supplemented and amended by a supplemental agreement and further supplemental agreements dated 31 July 2014, 30 September 2014 and 25 November 2014 respectively), pursuant to which HK Holdings Kingworld conditionally agreed to acquire, and the Vendors conditionally agreed to transfer 55% equity interest in the Target Company for an aggregate consideration of RMB189,367,000. The Target Company is engaged in the business of manufacturing and sales of electrotherapeutic and physiotherapeutic devices and general medical examination devices.

On 13 February 2015, the acquisition of 55% equity interest of the Target Company was completed. Upon completion of the acquisition, the equity interest in the Target Company is owned as to 55% by HK Holdings Kingworld, 15% by Zhao Zhigang and 30% by Zhao Wen, and the Target Company has become a 55% indirectly owned subsidiary of the Company and has been consolidated into the financial statements of the Group since the completion date.

* The English name of the above PRC incorporated entity is for identification purpose only

23. NOTES TO CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

Acquisition of 55% equity interest in Shenzhen Dong Di Xin Technology Company Limited and its subsidiaries during the six months ended 30 June 2015 *(Continued)*

The unaudited values of assets and liabilities of the Target Company at the completion date, provisionally determined, are as follows:

	Amounts recognized (at fair value) (unaudited) RMB'000
Net assets acquired of	
Property, plant and equipment	8,254
Intangible assets	162,553
Investment properties	3,560
Deferred tax assets	270
Cash and cash equivalents	41,546
Available-for-sale financial assets	58,900
Trade and other receivables	24,976
Inventories	9,468
Trade and other payables	(71,724)
Income tax payable	(8,002)
Deferred tax liabilities	(24,383)
Net identifiable assets and liabilities	205,418
Non-controlling interests (45% equity interest)	(92,438)
Goodwill arising on acquisition	76,387
Total consideration by cash	189,367
Analysis of the net outflow of cash and cash equivalents in respect of the acquisition of Target Company	
Cash consideration paid	(189,367)
Cash and cash equivalent acquired	41,546
Net outflow of cash and cash equivalents in respect of the acquisition of the subsidiaries	(147,821)

23. NOTES TO CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(i) The unaudited initial accounting for the acquisition of the Target Company involves identifying and determining the fair values to be assigned to the identifiable assets (including intangible assets), liabilities and contingent liabilities. However, the identification and determination of the fair values of identifiable assets (including intangible assets), liabilities and contingent liabilities could only be performed provisionally and pending finalisation as at the date of approval of these Interim financial statements. Hence, the carrying amounts of the assets (including intangible assets), liabilities, contingent liabilities and goodwill as listed above may be subject to further changes upon finalisation of their fair values by experts and therefore, the allocation of the purchase consideration is subject to adjustment. The goodwill arising on acquisition, provisionally determined, is primarily attributable to expected future profitability of the Target Company.

(ii) Except for intangible assets, the fair value of the identifiable assets acquired and liabilities assumed is approximately the same as their corresponding carrying amount immediately before the acquisition.

(iii) The trade and other receivables in the transaction with a fair value of RMB24,976,000 had an equivalent gross contractual amount. There is no expected uncollectible balance.

(iv) Pursuant to the sale and purchase agreement, the Vendors have guaranteed that the consolidated profit of the Target Company shall not be less than RMB32,047,000, RMB35,252,000 and RMB38,777,000 for the years ending 31 December 2015, 2016 and 2017, respectively. In the opinion of the directors of the Company, the forecasted consolidated net profits of the Target Company for the years ending 31 December 2015, 2016 and 2017 are expected to meet the guaranteed profits and the fair value of the profit guarantees is considered, provisionally, to be insignificant.

24. CAPITAL COMMITMENTS

Capital commitments of the Group at the six months ended 30 June 2015 are as follows:

	At 30 June 2015 (unaudited) RMB'000	At 31 December 2014 (audited) RMB'000
Capital commitment for the proposed acquisition of Shenzhen Dong Di Xin Technology Company Limited	**—**	189,367
Capital commitment for the investment in 3.33% equity interest in the Sinopharm Healthcare Fund L. P. (note15 (b))	**21,423**	—

Apart from the above, the Group did not have other significant capital commitment as at six months ended 30 June 2015 and year ended 31 December 2014.

25. EQUITY SETTLED SHARE-BASED TRANSACTIONS

On 1 June 2015 (the "date of grant"), 17,108,000 share options were granted for nil consideration to employees and consultants of the Company under the Company's employee share option scheme (no share option were granted during the six months ended 30 June 2014). Each option gives the holder the right to subscribe for one ordinary share of the Company. 5,342,400 share options will vest on the first anniversary of the date of grant (i.e. 1 June 2016) and then exerciseable from the first anniversary of the date of grant to the day immediately before the second anniversary of the date of grant (i.e. from 1 June 2016 to 31 May 2017), 5,042,400 share options will vest on the second anniversary of the date of grant (i.e. 1 June 2017) and then exerciseable from the second anniversary of the date of grant to the day immediately before the third anniversary of the date of grant (i.e. from 1 June 2017 to 31 May 2018), and 6,723,200 share options will vest on the third anniversary of the date of grant (i.e. 1 June 2018) and then exerciseable from the third anniversary of the date of grant to the day immediately before the fourth anniversary of the date of grant (i.e. from 1 June 2018 to 31 May 2019).

The exercise price is HK$2.54, representing the highest of (i) the closing price of HK$2.45 per share as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant; (ii) the average closing price of HK$2.54 per share as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share.

No option were exercised during the six months ended 30 June 2015 (2014: Nil).

In the opinion of the directors of the Company, the fair value of the share options is considered, provisionally, to be insignificant.