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

2019
INTERIM REPORT

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Corporate Information

DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

COMPANY SECRETARY

Mr. Chan Hon Wan

LEGAL ADVISORS TO THE COMPANY

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The Landmark
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Central
Hong Kong

AUDITOR

Crowe (HK) CPA Limited
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Leighton Centre
77 Leighton Road
Causeway Bay
Hong Kong

AUTHORISED REPRESENTATIVES

Mr. Zhao Li Sheng
Mr. Chan Hon Wan

REGISTERED OFFICE

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Grand Cayman KY1 - 1108
Cayman Islands

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Guangdong Province
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

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Corporate Information

PRINCIPAL BANKS

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Shenzhen Binhe Sub-branch
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BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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Wanchai
Hong Kong

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		% Changes
	2019	2018	Increase/
	RMB '000	RMB '000	(Decrease)
Financial Highlights			
Revenue	**519,042**	556,548	(6.7)%
Cost of sales	**(373,577)**	(382,263)	(2.3)%
Gross profit	**145,465**	174,285	(16.5)%
Gross profit margin	**28.0%**	31.3%	(3.3)% points
Profit attributable to owners of the Company	**32,885**	27,548	19.4%
Basic earnings per share (RMB cents)	**5.28**	4.43	19.2%

	As at	As at	% Changes
	30 June	31 December	Increase/
	2019	2018	(Decrease)
Liquidity and Gearing			
Current ratio[1]	**1.33**	1.23	8.1%
Quick ratio[2]	**1.21**	0.94	28.7%
Asset-liability ratio[3]	**22.3%**	26.0%	(3.7)% 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. *China's GDP increased mildly in the first half of the year while facing the new threats of economic downturn in the second half of the year*

In the first half of 2019, amid complex international and domestic circumstances, China's gross domestic product ("GDP") was approximately RMB45,093.3 billion, representing a year-on-year increase of 6.3%. On quarterly basis, China's GDP grew by 6.4% and 6.2% quarter-on-quarter in the first quarter and second quarter of 2019, respectively, which is the slowest in 27 years. In the first half of 2019, domestic consumer price index increased by 2.2% year-on-year; disposable income per capita was approximately RMB15,294, representing an increase of 6.5% year-on-year. The disposable income per capita of urban residents was approximately RMB21,342, representing an increase of 5.7% year-on-year, whereas that of rural residents was approximately RMB7,778, representing an increase of 6.6% year-on-year, reflecting the consistently faster growth of disposable income per capita of rural residents than that of urban residents. During the six months ended 30 June 2019 (the "Reporting Period"), the Group actively developed channels in lower-tier cities and explored and filled market gaps, and increased products coverage.

In the first half of 2019, the Chinese economy had generally moved within a reasonable range and had experienced moderate growth rate. It was mainly due to the current complex and challenging economic environment and the slowing down of the global economy. The external instability and uncertainties are growing and the development within the country has been obviously unbalanced and stifled. Looking at the second half year, the domestic economy will face downward pressure, and compounded by the unsuccessful trade negotiations between China and the United States of America (the "United States"), the fundamentals of the Chinese economy is expected to weaken and the consumer market is expected to turn conservative.

2. *Monetary easing and tax deduction policies implemented in the first half year to encourage consumption and alleviate pressure on businesses*

In the first half of 2019, the Chinese government has stepped up efforts to support development of the real economy, to optimize the liquidity structure and lower financing cost. The People's Bank of China announced in January this year the lowering of the deposit reserve ratio of financial institutions by one percentage point, releasing capital of approximately RMB1.5 trillion. In May this year, the government announced for the first time a lower deposit reserve ratio for small and medium local banks servicing towns and counties, releasing capital of approximately RMB100 billion. The Renminbi ("RMB") to US dollars ("USD") exchange rate climbed and then came back down in the first half of 2019. On top of the RMB facing devaluation pressure, there were various domestic structural issues that need to be resolved. In a bid to bolster businesses' expectation and economic effectiveness, in April this year, the Ministry of Finance started to gradually implement various tax and administrative fee reduction policies including Additional Special Deductions for Individual Income Tax and Value-added Tax ("VAT"). The Group benefited from the VAT and administrative fee reduction policies as its products sold in the domestic market were entitled to the lower VAT. The series of tax and administrative fee reduction policies of the Chinese government has helped alleviate certain pressure on enterprises in operating their business.

3. *Collaboration on Chinese medicine encouraged in the Greater Bay Area, the Group plans to promote the development of the International Chinese Medicine in Shenzhen and Hong Kong in the future*

On 18 February 2019, the State Council of the People's Republic of China ("PRC") published a set of outlines of the development plan for the Greater Bay Area ("Outline"), which included the future development direction of the biomedical industry in the Guangdong-Hong Kong-Macao Bay Area (commonly refers to as the Greater Bay Area). For the industry, the Outline stated five main directions namely capital support, medical insurance, co-operation between the medical and health sectors, collaboration between Chinese medicine and practitioners of Chinese medicine and other biomedical industries. Regarding collaboration between Chinese medicine and practitioners of Chinese medicine, the government encourages the State Key Laboratory of Quality Research in Chinese Medicines in Macao and the Government Chinese Medicine Testing Institute of the HKSAR to develop a set of globally recognized Chinese medicine product quality standards together with scientific research institutions in PRC to help promote the standardization and internationalization of Chinese medicine. This policy benefits the Group in promoting the development of the International Chinese medicine in Shenzhen and Hong Kong. Such development assists China in gaining autonomy, authority, pricing rights and control in the development of Chinese medicine, as well as promote the development of the Chinese medicine industry in Hong Kong.

4. *Greater health industry has huge development potential and the Group has been providing premium health products for 25 years*

As the Chinese economy continues to develop stably and the living standard citizens improves, demand for healthcare services is shifting from traditional medicines for treatment to disease prevention and health preservation. According to the "China Urban Household Wealth Health Report" published by China Guangfa Bank and the Southwestern University of Finance and Economics, the current average wealth health score of Chinese families is 68.5, indicative of an overall "sub-health" stage. In terms of asset amount in 2018, on average each city-dwelling family had an asset worth of approximately RMB1.617 million, growing at nearly 2.5 times than the rate of the United States families. However, according to the World Health Organization, the health expense per capita in China is less than 5% of the United States and only one-fifth of the global average, appointing clearly to the huge development potential of the greater health industry in China. In the past 25 years, the Group has focused on greater health product services, striving to realize the corporate mission of "offer help to people, benefit the world (效力世人、澤潤蒼生)"and turn Kingworld into a renowned distributor brand for well-known premium brands around the world. It has been providing premium greater health products to consumers and building a network of care for citizens' health.

BUSINESS REVIEW

The Group has been dedicated to developing a well-established upstream and downstream supply chain system for the greater health products and services industry for the past 25 years. Currently, it has a business footprint covering more than 34 provinces and cities in China (including Hong Kong and Macao regions). From 2009 to 2014, the Group was among the Top 100 Import Enterprises of Pharmaceutical and Healthcare Product in China for six consecutive years and was named as one of the Top 5 Enterprises of Chinese Patent Medicines in terms of sales in 2013 and was ranked among Shenzhen Top 500 Enterprises in 2018 and 2019.

The Group is a globally leading and well-known omni-channel enterprise with a complete supply chain in the greater health products and services industry in China. It provides high-end logistics management services, business-to-customer (B2C) trading services and data services to major leading pharmaceutical and healthcare product suppliers, manufacturers and distributors and is a pharmaceutical and healthcare product supply chain management service enterprise integrated with logistics, product and information.

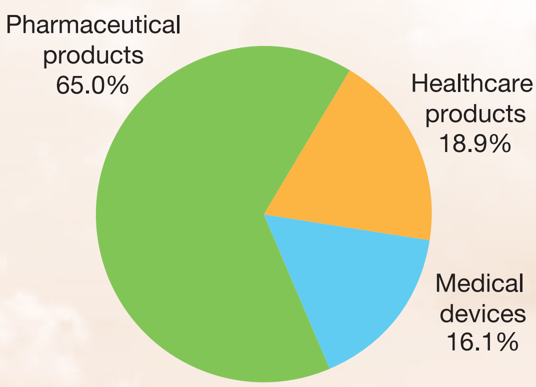
The three major business segments of the Group in the greater health services industry are:

(i) Pharmaceutical products segment – acting as an agent and distributor of high-quality and well-known pharmaceutical products from overseas, including the Nin Jiom (京都念慈菴) product series and Taiko Seirogan (喇叭牌正露丸);

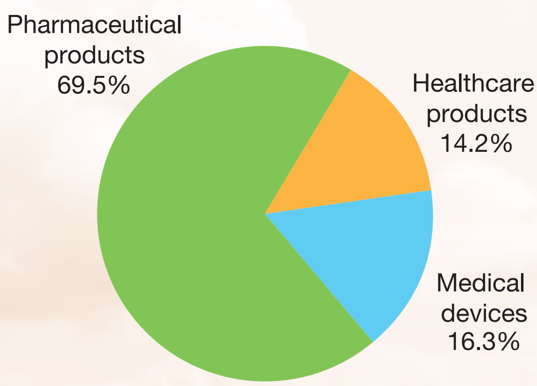
(ii) Healthcare products segment – distributing high-quality and well-known healthcare products from overseas, including the Culturelle (康萃樂) probiotics product series, the Lifeline Care maternal and infant fish oil nutrient product series,"Global Slimming" product series and medicated oils for external use; and

(iii) Medical devices segment – undertaking research and development ("R&D"), manufacturing and production of medical devices.

For the Reporting Period, revenue from the pharmaceutical products segment amounted to approximately RMB360,357,000, representing a decrease of 0.4% as compared to the same period last year and accounting for 69.5% of the Group's total revenue; revenue from the healthcare products segment was approximately RMB73,906,000, representing a decrease of 29.9% as compared to the same period last year and accounting for 14.2% of the Group's total revenue; and revenue from the medical devices segment amounted to approximately RMB84,779,000, representing a decrease of 5.2% as compared to the same period last year, and accounting for 16.3% of the Group's total revenue.



First half of 2018



First half of 2019

Highlights of Pharmaceutical Products Segment

Nin Jiom product series

In the first half of 2019, the Group optimized the structure of its distribution channel. It expanded the market into lower-tier cities and enhanced terminal coverages for the products as well as the cooperation between regional pharmacy chains for the Nin Jiom product series, so that more consumers can try the products of Nin Jiom. However, affected by the macroeconomic of the market in the first half of 2019, the revenue generated from the Nin Jiom Chuan Bei Pei Pa Koa (京都念慈菴蜜煉川貝枇杷膏) decreased by 9.1% to approximately RMB256,568,000 as compared to the same period last year. During the Report Period, the Group continued to coordinate with Nin Jiom actively and conducted various large-scale promotional events and new media brand promotion, which aims at cultivating younger consumers group, consolidating the loyalty of old customers, act as brand injection and sense of the times. Promotional events mainly including the "Filial festival (孝心嘉年華)", conducted new stage of "Filial projects, youth company for the elderly (孝心工程，青春伴夕陽)" and organized "Nin Jiom cheer for mothers (為媽媽喝彩)" during Mother's Day to attract consumers' attention.

Point-of-sale promotional event of Nin Jiom Pei Pa Koa (念慈菴枇杷膏) at pharmacy chain

Point-of-sale promotional event of Nin Jiom Pei Pa Candies (念慈菴枇杷糖) at pharmacy chain

Taiko Seirogan (喇叭牌正露丸)

Taiko Seirogan from Japan is another core product of the Group's pharmaceutical segment. During the Reporting Period, the Group, through different product deployment activities, had expanded its market coverage and strengthened its relationship with its partners. As for branding promotion, the Group placed large billboard advertisements in high-traffic areas such as alongside busy road in cities, trains, magazine and bus advertising campaigns as well as participating in charitable marathon runs. As for e-commerce platforms, the Group strengthened the promotional events with cooperative companies and various online merchandising platforms, including marketing activities with JD.com and liangxinyao.com in order to facilitate integration of online and offline channels. During the Reporting Period, Taiko Seirogan recorded RMB64,939,000 of revenue from sales, representing an increase of 56.3% as compared to the same period last year.

Training on product knowledge provided by Taiko Seirogan for salespersons of Guangdong Holy Sky Pharmaceutical Group Medical Co., Ltd. (廣東一片天醫藥集團製藥有限公司)

Training on product information provided by Taiko Seirogan for Guangzhou Hua An Drug Store Ltd. (廣州華安醫藥連鎖有限公司)

Management Discussion and Analysis

Highlights of Healthcare Products Segment

Culturelle probiotics product series

In the first half of 2019, China was affected by macroeconomic factors and the segmentation of consumer market in China has become complicated as a result of the keen competition among numerous probiotics products in the domestic market. The Culturelle probiotics product had been out of stock for more than one year in the Chinese market due to formula adjustment and there were various factors to be resolved for the newly formulated product. As such, the Group fully reviewed the business scope of its mainstream products so as to focus its efforts on those more profitable and mature products. After evaluating different facets, the Group adjusted its marketing strategy correspondingly and invested the core sales resources for the development of the Culturelle probiotics product in Hong Kong and Macao markets in 2019.

According to ACNielsen's report, the sales volume of Culturelle probiotics product series ranked as the No.1 probiotics brand in Hong Kong in 2018. During the Reporting Period, the Group focused on the sales coverage and distribution channels in Hong Kong and Macao markets. Currently, the sales coverage and distribution channels of the Group mainly cover Mannings, Watsons, SaSa, Colourmix, CR Care, HealthPlus, Eugene Baby, Yue Wah Chinese Products, AEON Stores, HKTV Mall and a number of pharmacy chain stores and individual pharmacies. There are about 1,600 retail outlets in the distribution channels of sales terminal sites in Hong Kong and Macao markets. During the Reporting Period, the overall income of Culturelle probiotics product series in Hong Kong and Macao offline real shop markets increased by 3.2% as compared to the same period last year.

Advertisement of Culturelle probiotics on the East Rail line of the MTR

Advertisement of Culturelle probiotics on bus body in Central, Hong Kong

Lifeline Care maternal and infant fish oil nutrient product series

Lifeline Care maternal and infant fish oil nutrient product series from Norway which is another star healthcare product brand developed in Mainland China as well as Hong Kong and Macao markets by the Group. During the Reporting Period, the Group established strategic cooperation with large scale cross-border e-commerce platforms and maternal and infant public accounts, maintaining a close cooperation on brand exposure and sales. We are able to reach more target audiences through integrating platform resources. As for the word-of-mouth communication, we captured the trend of promotion platform by cooperating with key opinion leaders ("KOL") to raise many hot topics on different promotion platforms like Xiaohongshu (小紅書) and Kaola.com. Through recommendation from professional doctors, maternal and infant experts and celebrities, consumers' trust in our brand was greatly enhanced. During the Reporting Period, Lifeline Care maternal and infant fish oil nutrient product series gained well-deserved reputation towards its brand and products through diversified marketing activities, which resulted in a significant increase in sales volume. The sales revenue grew significantly by 66.4% as compared to the same period last year.

Lifeline Care fish oil product sponsored the charitable activity "Campaign for Sharing Knowledge on the Immune System of Children in China"

Lifeline Care fish oil product conducted promotion on "MamiBuy" platform, which allows users to share their experience of using the product

Product series of medicated oils for external use

The Group is an agent and distributor of various medicated oil products for external use, including the Mentholatum (曼秀雷敦) series, Hoe Hin White Flower Embrocation (和興白花油) as well as its own brand, Kingworld Imada Red Flower Oil (金活依馬打正紅花油). During the Reporting Period, we formulated online and offline promotion activities respectively based on the characteristic and target consumer of each product. Among which, Mentholatum series kept strengthening its close cooperation with online pharma retail while conducting KOL advertorials through TikTok and Xiaohongshu. Hoe Hin White Flower Embrocation launched marketing activities during shopping festivals on e-commerce platforms and offered gift-with-purchase activities for consumers during major festivals to improve terminal sales and brand influence. During the Reporting Period, we distributed product trial packs and oil massage service of Kingworld Imada Red Flower Oil to the residents in various communities. Moreover, we continued to launch several charitable activities of "quality goods welcome your trial", capable of serving more than 10,000 users and easing the fatigue caused by mountaineer friends in various communities. Through the experience services rendered to consumers, both the product recognition and purchase confidence were enhanced. In addition, during the Chinese Lunar New Year, Kingworld Imada Red Flower Oil sponsored the weather forecast broadcast by the News Channel of CCTV-13 to publicize and add "oil" to the health of people. During the Report Period, the Group continued to support a variety of sports events, which mainly included sponsoring influential sport events, such as Shenzhen Guangming Town International Half Marathon, Shenzhen's Mofang 100km Hike, Shanxi Youyu Marathon and Shenzhen Longgang City Orienteering competition. On the other hand, the Group strived to strengthen the cooperation with downstream enterprises, so as to enlarge the deployment of various external use of medicated oil products in terminal retail store while further enhancing the coverage in the unclaimed markets, which increased the market coverage of our products. During the Reporting Period, the sales revenue of external use medicated oil product series grew by 36.8% as compared to the same period last year.

Mentholatum product display in China Jo-Jo Drugstore(九洲大藥房)

Hoe Hin White Flower Embrocation product display in shelves of pharmacy chain store

Shanxi Youyu Marathon sponsored by the Group

Launch the "Quality goods welcome your trial" charitable activities of Kingworld Imada Red Flower Oil to serve more than 10,000 people

Provide oil massage service of Kingworld Imada Red Flower Oil for participants of the Mofang 100km Hike

Kingworld Imada Red Flower Oil sponsored the weather forecast broadcast by the News channel of CCTV-13

Highlights of Medical Devices Segment

In the first half of 2019, in the context of both continuing China-US trade frictions and the slowing of global economy, there was a great downward pressure on Chinese export. Shenzhen Dong Di Xin Technology Company Limited ("Dong Di Xin"), a non-wholly owned subsidiary of the Group, recorded a decrease in sales and profit, as some of its export products caused by the increase in the US tariffs and exchange rate fluctuation in the first half of the year. During the Reporting Period, revenue from Dong Di Xin amounted to approximately RMB84,779,000, representing a decrease of 5.2% as compared to the same period last year.

MANAGEMENT REVIEW

1. Adjusted operation strategy and management structure of the Group

In the first half of 2019, to strengthen the operation strategy and management of the Group, as well as keep implementing the "deep-rooted, optimized and refined" operation and sales management strategy, the Group conducted a series of adjustments of its organizational structure, sales system and related management positions. Industry experts were invited to join the Group and take up general manager positions and be responsible for the overall operation and strategic planning, sales and market management of domestic business, and adjustments were made to the structure and appointment of personnel of each sales region to enhance the management in each business region and improve the professional quality of regional staffs and market coverage of products. The Group strongly believes the internal personnel and management structure adjustments are crucial to the Group in extending channel reach to lower tier markets, enhancing market coverage of products and strengthening the execution capability of each business segment in the future.

2. Implemented SMART system to enhance precise and efficient marketing

During the Reporting Period, the Group made significant breakthrough in the construction of its internal information system and Big Data. It officially launched the Market Sales Traceability Management system (the "SMART system"), which is a data-linked sales management system that can thoroughly analyze real time customer, product, region and personnel data streams to help the Group understand customers, discover potential markets and products, develop reasonable plan for sales, procurement and inventory, manage activities as well as optimize workflow. By collecting and keeping safe the stream of channel data, the Group has access to useful active first hand sales data, which in turn help boost the Group's work efficiency and business management standard. The SMART system uses scientific Big Data analysis to ascertain target consumers' needs, explore niche markets and explore new markets, that the Group may formulate more precise and profitable marketing strategy. At the same time, the system can meet the country's requirements for traceability and safety monitoring of pharmaceutical products and food. It can help the Group to systematically manage the monitoring processes of the pharmaceutical and healthcare product businesses, forming an integrated monitoring platform to achieve the objectives of traceability of product source, physical flow, quality investigation and accountability so that strong protection can be provided for customers.

3. *Actively promoted online and offline integration to enhance sales conversion*

The Group has been active in building a new Kingworld retail ecosystem integrating online and offline operations. During the Reporting Period, the Group had more than 200,000 over-the-counter ("OTC") retail pharmacies and over 3,500 pharmacy chains nationwide as strategic partners. As for online network, the Group had presence on major integrated e-commerce platforms, including JD.com, Taobao and Tmall Global, specialized e-commerce platforms, including Kaola.com, VIP.com and Xiaohongshu and also self-media public accounts including Kingworld Health Family APP, Kingworld Health Family WeChat Shop, Nicomama and Yuxueyuan. In the future, the Group will focus on connecting and interacting with consumers. It will use the "people" and "scenarios", with the aim of enhancing consumption experience and ultimately sales conversion.

4. *Capital operation aided implementation of Hong Kong Chinese Pharmaceutical Demonstration Platform*

During the Reporting Period, various investment projects of the Group delivered stable and positive results. Such projects included the 15% equity interest in Dong Hua Tong Investments Limited (東華通投資有限公司) in 2015, the stake indirectly held in Miquel Alimentació (西班牙米蓋爾公司) (a Spanish company engaged in food distribution and wholesale and supply chain management) and Manassen Foods Australia (a major food company), as well as the 2,302,000 shares of Chuangmei Pharmaceutical Co., Ltd. (02289.HK) the Group subscribed for in 2015. The Group has continued to receive steady dividend from these two investments.

Moreover, on 2 January 2018, Shenzhen Kingworld Medicine Company Limited, a wholly-owned subsidiary of the Group, invested in the "Shenzhen Zhiyuan Healthcare Technology Innovation Center" (深圳至元健康科技創新中心), a greater health services project in the Lok Ma Chau Loop, on the Hong Kong border. Shenzhen Zhiyuan Healthcare Technology Innovation Center and Kingworld Medicines Group are two main initiators. The two partners together, among others, also initiated development of a Hong Kong Chinese Pharmaceutical Demonstration Platform and an agreement was entered into on 12 April 2019. The different parties concerned vowed to use the advantageous Chinese pharmaceutical resources of Hong Kong, complemented by their industrial strengths in Shenzhen to develop the Hong Kong Chinese Pharmaceutical Demonstration Platform, opening up an all greenlight channel for Chinese pharmaceutical products of Hong Kong to enter the mainland market and partners to pursue in-depth cooperation on such aspects as where to make deployment, policy requirements as well as commercial trade and logistics, paving the path for the smooth penetration of quality centuries-old Chinese medicine brands to enter into the mainland market and deliver them to hundreds and thousands of households through the sales network platforms of Kingworld across the country, thereby continuously providing customers with quality healthcare products and taking care of the health of the Chinese people.

Construction of the Hong Kong Chinese Pharmaceutical Demonstration Platform is an important tool for implementing the instruction of Xi Jinping, President of the PRC, on reviving the Chinese pharmaceutical industry, and also an important vehicle in facilitating the integrated development of the Chinese pharmaceutical industry in Shenzhen, Hong Kong and Macao and hastening integration of the Chinese pharmaceutical industries in Hong Kong and Macao with that in the Mainland, directions as set out in the outline of the Greater Bay development plan. It will also be a measure that can boost the modernization and internationalization of Chinese medicines and see Shenzhen develop to become a bridgehead for pharmaceutical industry related cooperation along the "Belt and Road".

5. *Strengthened staff training to enhance core competitiveness*

To realize the development goals of the Group, implement the "deep-rooted, optimized and refined" sales management strategy and enhance its core competitiveness, the Group's Human Resources Center and Kingworld Business School organized various training courses covering different contents and targets during the Reporting Period, which mainly included (i) sales skills training to staff from different sales regions and sharing of outstanding cases; (ii) replicating key talent training project quickly by cultivating a part-time internal trainer team; (iii) organizing new recruits training programme to enhance their understanding of the corporate system, corporate culture, and boost their product knowledge as well as operational and management knowledge; (iv) organizing the Kingworld talent training project in cooperation with the Food & Drug Vocational College in Guangzhou (廣州食品藥品學院), aiming to cultivate a reserve of talent for the sales system.

In addition, the Group has strived to help employees adopt a healthy and active lifestyle to enhance their sense of belonging to the Group and happiness. In March 2019, a staff gym was added in the Shenzhen headquarters building to encourage Kingworld's employees to care about their health and respond to the call for a "Healthy China, Healthy Bay Area, Healthy Shenzhen, and Healthy Kingworld". The Group also organized various team building activities and activities to enrich employees' live and boost corporate spirit. Outdoor activities helped employees gain physical strength while indoor activities helped foster exchange and relationship among employees, which is conducive to boosting the Kingworld culture.

During the Reporting Period, the Kingworld Art Space "Mind Comforting Hall · Living Space (舒心堂•生空間)" was opened at the headquarters of the Group in Shenzhen. The famous contemporary Buddhist monk and painter, the Buddhist Master Xinde (心德法師), was invited to the opening ceremony and the exhibition of the series of Buddha and Buddha icon inherited from the Chinese Han Dynasty, namely "The Buddha and Buddha Image Exhibition", which showcased the culture of healthy body and mind as well as the culture of mercy and wisdom to foster the cultural development of employees' physical and mental health, strengthen the positive relationship between the physical and mental health and improve their work efficiency. This exhibition was the first painting exhibition held after the establishment of "Mind Comforting Hall · Living Space " highly regarded for its aesthetic value and research value.

Intern Graduation Group Photo of Kingworld Talent Training Class

Kingworld Sales & Marketing Training Campaign 2019

Team Building Activities for Kingworld Mountain Climbing and Exhibition Visit

Lantern Making Contest of Lantern Festival

Opening of the Kingworld gymnasium to promote "Healthy China, Healthy Bay Area, Healthy Shenzhen, Healthy Kingworld"

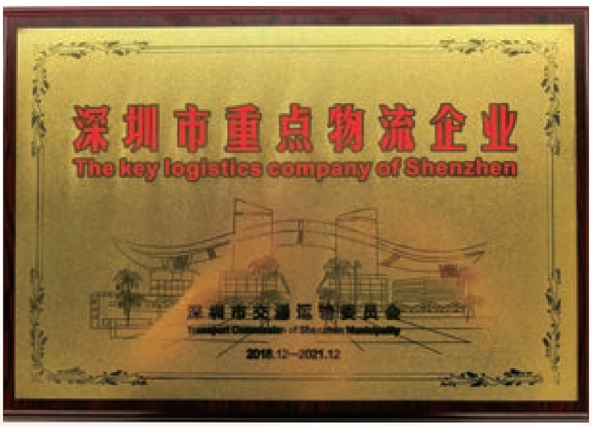
The grand opening of the "Mind Comforting Hall · Living Space (舒心堂•生空間)"

6. Honors

During the Reporting Period, the Group received the following honors and awards:

- In January 2019, the Group's Culturelle probiotics product series from the United States and Lifeline Care maternal and infant fish oil product series from Norway were named "2018 Parents-Preferred Brand of Infant Probiotics" and "2018 Parents-Preferred Brand of Infant Fish Oil" by Baby Kingdom in Hong Kong, respectively
- In March 2019, the Group was awarded "The Key Logistics Company of Shenzhen" plaque by the Transport Commission of Shenzhen Municipality
- In March 2019, the Group was awarded the "Marketing Innovation Award" at the 3rd Super Brand Conference
- In April 2019, Ms. Chan Lok San, the Executive Director of the Group, was invited to be the Honorary Chairman of the Second Council of Greater Health Association of the EDP Alumni Association of Lingnan College of Sun Yat-Sen University

- In April 2019, Mr. Zhao Li Sheng, the Chairman of the Board of the Group, was awarded the "Leader of Shenzhen Health Industry 2018" at the Shenzhen Health Industry Annual Meeting 2018
- In May 2019, the Group was awarded the "Certificate of Excellence" from the Hong Kong Investor Relations Association at the 5th Hong Kong Investor Relations Awards



Management Discussion and Analysis

FINANCIAL REVIEW

1. *Revenue*

Revenue of the Group for the six months ended 30 June 2019 amounted to approximately RMB519,042,000, representing a decrease of approximately RMB37,506,000 or 6.7% compared to approximately RMB556,548,000 for the six months ended 30 June 2018. The decrease was mainly as a result of the decrease in revenue from the sales of Nin Jiom Chuan Bei Pei Pa Koa and Culturelle probiotics product series.

2. *Cost of sales*

For the six months ended 30 June 2019, cost of sales for the Group amounted to approximately RMB373,577,000, decreased by approximately RMB8,686,000 or 2.3% when compared to approximately RMB382,263,000 for the six months ended 30 June 2018. The decrease in cost of sales was mainly due to the decrease in revenue and the change of product mix. Gross profit margin decreased from 31.3% for the six months ended 30 June 2018 to 28.0% for the six months ended 30 June 2019 as a result of the decrease in proportion of revenue from products with relatively higher margin during the Reporting Period.

3. *Other revenue, income and other net gains*

Other revenue, income and other net gains mainly included rental income, interest income, promotion service income, commission income, investment gain and exchange loss. For the six months ended 30 June 2019, other revenue, income and other net gains amounted to approximately RMB18,330,000, increased by approximately RMB9,194,000 or 100.6% when compared to approximately RMB9,136,000 for the six months ended 30 June 2018. This increase was mainly due to the increase in promotion service income during the Reporting Period.

4. *Selling and distribution costs*

For the six months ended 30 June 2019, selling and distribution costs amounted to approximately RMB54,683,000, decreased by approximately RMB34,339,000 or 38.6% when compared to approximately RMB89,022,000 for the six months ended 30 June 2018. This decrease was mainly due to the decrease in advertising and promotion expenses from approximately RMB42,240,000 for the six months ended 30 June 2018 to approximately RMB17,324,000 for the Reporting Period and the decrease in bonus costs from RMB7,728,000 for the six months ended 30 June 2018 to RMB6,827,000 for the Reporting Period.

5. *Administrative expenses*

For the six months ended 30 June 2019, administrative expenses amounted to approximately RMB46,221,000, increased by approximately RMB4,553,000 or 10.9% when compared to approximately RMB41,668,000 for the six months ended 30 June 2018. This increase was mainly due to the increase in research and development expenses during the Reporting Period.

6. *Profit from operations*

For the six months ended 30 June 2019, profit from operations for the Group amounted to approximately RMB53,240,000, increased by approximately RMB10,885,000 or 25.7% when compared to approximately RMB42,355,000 for the six months ended 30 June 2018. The increase in profit from operations was mainly due to the decrease in selling and distribution costs and increase in other revenue, income and other net gains, which was partially off-set by the decrease in gross profit and increase in administrative expenses for the Reporting Period.

7. *Finance costs*

For the six months ended 30 June 2019, finance costs amounted to approximately RMB8,800,000, increased by approximately RMB779,000 or 9.7% when compared to approximately RMB8,021,000 for the six months ended 30 June 2018. The increase was mainly due to the increase in interest charged on bank loans.

8. *Profit before taxation*

For the six months ended 30 June 2019, profit before taxation for the Group amounted to approximately RMB50,510,000, increased by approximately RMB8,322,000 or 19.7% when compared to approximately RMB42,188,000 for the six months ended 30 June 2018. The increase in profit before taxation was mainly due to the increase in profit from operations.

9. *Income tax*

For the six months ended 30 June 2019, income tax for the Group amounted to approximately RMB12,360,000, increased by approximately RMB2,365,000 or 23.7% when compared to approximately RMB9,995,000 for the six months ended 30 June 2018. The effective tax rate during the Reporting Period was 24.5%, compared to 23.7% for the six months ended 30 June 2018. Details of income tax are set forth in note (8) to the unaudited interim financial report.

10. *Profit for the period attributable to owners of the Company*

For the six months ended 30 June 2019, profit for the period attributable to owners of the Company amounted to approximately RMB32,885,000, increased by approximately RMB5,337,000 or 19.4% when compared to approximately RMB27,548,000 for the six months ended 30 June 2018.

11. *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 ranged from 4.01% to 6.38%. 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 2019, the Group had cash and cash equivalents of RMB157,617,000 mainly generated from operations of the Group.

12. *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 RMB90,369,000, representing a decrease of net cash generated from operating activities of approximately RMB18,569,000 from approximately RMB108,938,000 for the six months ended 30 June 2018.

Net cash used in investing activities

The Group's net cash outflow used in investing activities amounted to approximately RMB2,305,000 during the Reporting Period, representing a decrease of approximately RMB49,446,000 as compared with the net cash outflow used in investing activities of approximately RMB51,751,000 for the six months ended 30 June 2018. The decrease is mainly due to the increase in net inflow for proceeds from the disposal of financial assets at fair value through other comprehensive income.

Net cash used in financing activities

The Group's net cash outflow used in financing activities amounted to approximately RMB93,026,000 during the Reporting Period, representing an increase of approximately RMB411,000 as compared with net cash used in financing activities of approximately RMB92,615,000 for the six months ended 30 June 2018. The increase is mainly due to the decrease in repayment of bank loans.

13. *Capital structure*

Indebtedness

Total amount of the borrowings of the Group as at 30 June 2019 was approximately RMB269,996,000, which will be due within one to three years. 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 2019, the Group's asset-liability ratio was 22.3% (as at 31 December 2018: 26.0%), calculated as the total bank borrowings divided by total assets multiplied by 100%. The decrease was mainly due to the decrease in bank borrowings.

Pledge of assets

As at 30 June 2019, the Group had pledged investment properties, leasehold land held for own use under operating leases and property, plant and equipment to certain banks in the amount of approximately RMB108,900,000, RMB58,970,000 and RMB21,530,000, respectively (as at 31 December 2018: the Group had pledged investment properties, leasehold land held for own use under operating leases and property, plant and equipment to certain banks in the amount of approximately RMB108,900,000, RMB59,652,000 and RMB22,076,000, respectively).

Capital expenditure

The capital expenditures of the Group primarily included purchase of plant and equipment and leasehold improvements. The Group's capital expenditures amounted to approximately RMB4,090,000 and RMB6,227,000 for the Reporting Period and the six months ended 30 June 2018, 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.

14. *Contingent liabilities, legal and potential proceedings*

As at 30 June 2019, the Group did not have any material contingent liabilities, legal proceedings or potential proceedings. As disclosed in the 2018 annual report of the Company (the "2018 Annual Report"), a claim was filed by the former chief executive officer of Dong Di Xin (the "Plaintiff") against the substantial shareholder of Dong Di Xin (the "Substantial Shareholder") and Dong Di Xin and the appeal lodged by Dong Di Xin (the "Appeal") to Shenzhen Intermediate People's Court of Guangdong Province (廣東省深圳市中級人民法院) (the "Intermediate Court") against the judgment (the "Judgment") handed down by Shenzhen Nanshan District People's Court of Guangdong Province (廣東省深圳市南山區人民法院) (the "Court") ordering: (1) the Substantial Shareholder to transfer his 15% equity interest in Dong Di Xin to the Plaintiff (the "Equity Transfer"); (2) the Substantial Shareholder and Dong Di Xin to assist in all relevant procedures for completing the Equity Transfer; and (3) the litigation fee of RMB2,900 shall be borne by the Substantial Shareholder and Dong Di Xin. As disclosed in the 2018 Annual Report, the Judgment will not have any material adverse impact on the Group's ordinary operations and financial positions as the Company will not bear any liability or any significant litigation fee being ordered to pay and there will be no dilutive effect on the Group's holding in the equity interest in Dong Di Xin. On 30 July 2018, the Intermediate Court, among other things, set aside the Judgment of the Court and ruled the case to be returned to the Court for re-trial (the "Re-trial"). According to the judgment for the Re-trial dated 19 June 2019 (the "2019 Judgment") handed down by the Court, the Court ordered (i) the Equity Transfer; and (ii) Dong Di Xin to provide relevant assistance for completing the Equity Transfer and dismissed the claims and counterclaims of the Substantial Shareholder. The Company has been informed that each of the Substantial Shareholder and Dong Di Xin has lodged an appeal (the "2019 Appeal") against the 2019 Judgment. As at the date of this report, no hearing date of the 2019 Appeal has been set. The Company confirmed that the 2019 Judgement will not have any material adverse impact on the ordinary operations and financial positions of the Company and its subsidiaries. The Company will keep the shareholders of the Company and the public informed of any material progress on the case or if an appeal is lodged by way of further announcement(s) as and when appropriate according to the the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

15. *Major acquisitions and disposals*

For the six months ended 30 June 2019, the Group did not make any material acquisition or disposal.

16. *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.

Management Discussion and Analysis

FUTURE OUTLOOK

1. To start in its 25th anniversary year the new journey of pursuing the greater health dream

Since the outset of reform and opening up in China, the Shenzhen Special Economic Zone has been an important gate for the reform and opening up of the country with outstanding achievement in various business sectors, thereby becoming an internationalized and innovative city full of attractiveness, momentum, liveliness and creativity. At the same time, Shenzhen is one of the key strategic cities in the Greater Bay Area to promote new business development under the "one country, two systems" principle. Pursuant to the support of the State Council regarding "The Opinion in Building Shenzhen into a Pilot Demonstration Region of Socialism with Chinese Characteristics", it is expected to achieve the scale in terms of the goal of development , economic capability and development quality of Shenzhen among global cities by strengthening the research and development, promoting the industrial innovation capability to the world-class standard, significantly upgrading the cultural soft strength as well as advancing the quality of utility services and ecological environment to the international and advanced standard, thereby erecting Shenzhen to become a modernized and internationalized city of innovation by 2025. Meanwhile, it is expected to develop Shenzhen into a national paradigm of high-quality development, to become a world-leading comprehensive economic competitiveness of cities, shaping it as a city of innovation, startups and creativity with global influence by 2035. In this regard, Shenzhen will become a model city developed under the powerful modernization of Chinese socialism. In addition, in the mid of the century, Shenzhen will proudly rank among the advanced cities in the world, and become a benchmark city with remarkable competitiveness, innovative power and global influence.

In 2019, the Group celebrates its 25th anniversary. In the past quarter century, the Group has been rooted in Shenzhen and succeeded in grasping development opportunities from the country's reform policies and marched into the pharmaceutical industry, starting its journey of pursuing the dream of "To serve the community and to heal the soul (效力世人，澤潤蒼生)" and meeting peoples' demand for quality and healthy living. In the past 25 years, the Group has brought in high-quality and efficacy products of more than 60 famous long-lasting overseas brands. These products, with the support of the Group's sales and marketing networks across the nation and Kingworld representative taking them direct to local retail outlets, together with effective marketing, have been serving thousands of household consumers in China.

Looking forward, it is expected that Shenzhen will become a benchmark city in the world and there will be a greater and broader room of development for Kingworld. The Group will grasp the opportunities arising from the vigorous national policy to develop Shenzhen and strive to enlarge Kingworld to become a world-leading and well-known omni-channel enterprise with a complete supply chain in the greater health products and services industry.

2. *Fully enhance the sales scales from the product lines to sales and management*

For the Group, its 25th anniversary marks a new beginning. The macro-environment, at home and abroad, is more complex and volatile. The Sino-US trade frictions, the continual launch of new policies related to the pharmaceutical industry, the logistics industry and retail industry have become increasingly concentrated, survival pressure persists for small and medium enterprises, more diverse purchase channels and flattening of purchase behaviour is also observed. To adapt to the changes in the business environment and with market, consumption and technology, the Group must adapt to the online and offline channels integration trend, grasp and apply the hot experiential marketing tactics, as well as strive to perfect the overall marketing strategy and focus for each product. The Group will strive to grasp the policies that are favourable for the vigorous development of Chinese medicine industry in China, actively deploy further cooperations with the long-established Chinese medicine manufacturers, enrich the product lines, seize the opportunities to participate in investment in upstream manufacturers, and promote existing products to the third- and forth-tier cities to enhance the sales scale.

In addition, the Group plans to launch collaborative projects with the Hong Kong University of Science and Technology ("HKUST") in the future. Collaborating with HKUST's research and development capability with the Group's analysis and judgement regarding future market trends, the collaboration targets to develop Chinese medicines with probiotics and anti-inflammatory properties. Such cooperation will enable the Group to expand the varieties in product lines and accommodate for the various demands of a broader spectrum of consumers.

3. *Adjust product structure appropriately to support expansion of greater health industry*

As market demand and the market's competitive landscape change, naturally the Group will fine-tune the product mix of each product segment. As a result, some mainstream products may achieve relatively steady growth, while some products may continue to achieve higher profits, and a small number of non-mainstream products may grow at a slower rate. Pinpointing changes in the market, the Group strives to meet profit targets, push forward with its business differentiation strategy and keep making appropriate deployment. In the future, it plans to optimize existing product portfolio, which mainly includes: (i) expanding the portfolio of mainstream products, including enlarging the scope of operation of mainstream products and strengthening product varieties in its portfolios by adding new product items to existing product lines; (ii) adjusting the non-mainstream product portfolio, not ruling out adjustment of product lines and items that have been growing slow or flat, to allow for more focused effort on developing product lines and items which are more profitable or growing at a fast or steady rate; (iii) nurturing new products with market potential and doubling effort on promoting and enhancing their brand awareness and market coverage; (iv) product upgrade and renewal including adjusting the specifications and packaging of some products.

Furthermore, the capital operating team will continue to propel the Group's greater health service related business by actively identifying quality products with promising market potential and merger and acquisition and investment targets with priority consideration to be given to production enterprises and overseas upstream manufacturers with operation tied in with greater health concept. At the same time, it will look for collaborative partners in domestic GMP enterprises to reinforce development of an upstream and downstream integrated greater health service supply chain system.

4. *Explore untapped market to increase product penetration rate and profit*

Forty years of reform efforts have resulted in the acceleration of urbanization. Over the past two years, the per capita disposable income and consumption expenditure of rural residents in China had increased at a faster rate than those of urban residents, reflecting the continuous upgrade of consumption needs and consumption perception of rural residents. To expand sales routes for products and boost profits, to focus on the consumption and trend in third-and fourth-tier cities, the Group will push for channel penetration as well as enlarge its product coverage and strength product reach in those cities and rural villages and explore those untapped markets, so as to increase product penetration and enhance profits.

5. *Strengthen financial risk management to foster stable and healthy business operations*

In the second half of 2019, facing uncertainties brought by global trade protectionism and the Sino-US trade frictions, growth of the global economy is expected to slow down and major economies is expected to begin to change the direction of their monetary policies. With debt risks of local governments in China surfacing and against the background of de-leveraging and risk aversion, local financing channels such as urban investment, private placement, and trust may gradually tighten and supply of fund in the capital market will shrink. The Group will exercise a stronger grip on its finance, including closely monitoring and identifying various market risks in and outside the country, measuring, analyzing and rating them, so as to make adjustment to relevant solutions and implement timely measures to prevent and control risk. Those solutions and measures include but are not limited to using forward foreign exchange transactions for hedging purposes to minimize the risk of exchange rate fluctuation. The Group will adopt an even more prudent investment strategy and make sure it has sufficient cash in its reserve to support the smooth operation of its business. Proper adjustment will also be made to its operating strategy to cope with changes in the market and its business so as to safeguard the investment returns of shareholders and other stakeholders.

HUMAN RESOURCES AND TRAINING

As at 30 June 2019, the Group had a total of 991 employees, of which 125 worked at the Group's headquarters in Shenzhen, and 391 were stationed in other 34 regions mainly responsible for sales and marketing, and 475 worked at Dong Di Xin. 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 and its staff were 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.

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 2019, 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 of Hong Kong Limited (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	17,104,000	2.75%
	Interest of spouse	90,744,000	14.58%
	Interest of a controlled corporation	297,812,250	47.84%
Chan Lok San (Note 2)	Beneficial owner	744,000	0.12%
	Interest of spouse	314,916,250	50.59%
	Interest of a controlled corporation	90,000,000	14.46%
Zhou Xuhua (Note 3)	Beneficial owner	744,000	0.12%
	Interest of spouse	3,800,000	0.61%
Duan Jidong (Note 4)	Beneficial owner	660,000	0.11%
Wong Cheuk Lam (Note 4)	Beneficial owner	660,000	0.11%
Zhang Jianbin (Note 4)	Beneficial owner	660,000	0.11%

Notes:

1. In addition to 17,104,000 shares which are beneficially owned by Mr. Zhao Li Sheng ("Mr. Zhao"), Mr. Zhao is deemed (by virtue of the SFO) to be interested in 388,556,250 shares in the Company. These shares are held in the following capacities:

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

   (b) 744,000 shares are held by Ms. Chan Lok San ("Ms. Chan"), the spouse of Mr. Zhao, in her own name and 90,000,000 shares are held by Golden Morning International Limited ("Golden Morning"). Ms. Chan is the beneficial owner of the entire issued share capital of Golden Morning, therefore, Mr. Zhao is also deemed to be interested in the 744,000 shares held by Ms. Chan and 90,000,000 shares held by Golden Morning.

2. Ms. Chan is deemed (by virtue of the SFO) to be interested in 405,660,250 shares in the Company. These shares are held in the following capacities:

   (a) 744,000 shares are held by Ms. Chan in her own name and 90,000,000 shares are held by Golden Morning. Ms. Chan is the beneficial owner of the entire issued share capital of Golden Morning, therefore, Ms. Chan is deemed to be interested in the 90,000,000 shares held by Golden Morning. Ms.Chan is also the sole director of Golden Morning.

   (b) 17,104,000 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 17,104,000 shares held by Mr. Zhao and the 297,812,250 shares held by Golden Land.

3. 744,000 shares are held by Mr. Zhou Xuhua ("Mr. Zhou") in his own name and Mr. Zhou is also deemed (by virtue of the SFO) to be interested in 3,800,000 shares in the Company held by his spouse, Ms. Huang Xiaoli.

4. Interests in options granted pursuant to the share option scheme of the Company (the "Share Option Scheme").

(II) Long positions in the underlying shares – share options under the Share Option Scheme

				Number of Share Options					
Name of Directors	Date of grant	Option Period (Note 3)	Exercise Price per Share (HK$) (Note 4)	Outstanding as at 1 January 2019	Granted during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at 30 June 2019	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	208,000	–	–	(208,000)	–	–
	23 April 2018	23 April 2018 to 22 April 2024	1.26	468,000	–	–	–	468,000	0.0751%
Chan Lok San (Note 2)	1 June 2015	1 June 2015 to 31 May 2019	2.54	188,000	–	–	(188,000)	–	–
	23 April 2018	23 April 2018 to 22 April 2024	1.26	416,000	–	–	–	416,000	0.0668%
Zhou Xuhua	1 June 2015	1 June 2015 to 31 May 2019	2.54	188,000	–	–	(188,000)	–	–
	23 April 2018	23 April 2018 to 22 April 2024	1.26	416,000	–	–	–	416,000	0.0668%

Name of Directors	Date of grant	Option Period (Note 3)	Exercise Price per Share (HK$) (Note 4)	Number of Share Options: Outstanding as at 1 January 2019	Granted during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at 30 June 2019	Approximate percentage of the Company's total issued share capital
Duan Jidong	1 June 2015	1 June 2015 to 31 May 2019	2.54	164,000	—	—	(164,000)	—	—
	23 April 2018	23 April 2018 to 22 April 2024	1.26	372,000	—	—	—	372,000	0.0597%
Zhang Jianbin	1 June 2015	1 June 2015 to 31 May 2019	2.54	164,000	—	—	(164,000)	—	—
	23 April 2018	23 April 2018 to 22 April 2024	1.26	372,000	—	—	—	372,000	0.0597%
Wong Cheuk Lam	1 June 2015	1 June 2015 to 31 May 2019	2.54	164,000	—	—	(164,000)	—	—
	23 April 2018	23 April 2018 to 22 April 2024	1.26	372,000	—	—	—	372,000	0.0597%
Total				**3,492,000**	—	—	**(1,076,000)**	**2,416,000**	0.3881%

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

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

Note 3: 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.

Note 4: The closing price of the share on the date of grant of share options on 1 June 2015 and 23 April 2018 was HK$2.45 and HK$1.26, respectively.

(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%

As at 30 June 2019, 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 2019, 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 2019, 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	17,104,000	2.75%
	Interest of spouse	90,744,000	14.58%
	Interest of a controlled corporation	297,812,250	47.84%
Chan Lok San (Note 2)	Beneficial owner	744,000	0.12%
	Interest of spouse	314,916,250	50.59%
	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%
Sun Hill Capital Investments Limited (Note 5)	Interest of a controlled corporation	62,187,750	9.99%
Wu Aimin (Note 6)	Interest of a controlled corporation	62,187,750	9.99%

Notes:

1. In addition to 17,104,000 shares which are beneficially owned by Mr. Zhao, Mr. Zhao is deemed (by virtue of the SFO) to be interested in 388,556,250 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) 744,000 shares are held by Ms. Chan, the spouse of Mr. Zhao, in her own name and 90,000,000 shares are held by Golden Morning. Ms. Chan is the beneficial owner of the entire issued share capital of Golden Morning, therefore, Mr. Zhao is also deemed to be interested in the 744,000 shares held by Ms. Chan and 90,000,000 shares held by Golden Morning.

2. Ms. Chan is deemed (by virtue of the SFO) to be interested in 405,660,250 shares in the Company. These shares are held in the following capacities:

    (a) 744,000 shares are held by Ms. Chan in her own name and 90,000,000 shares are held by Golden Morning. Ms. Chan is the beneficial owner of the entire issued share capital of Golden Morning, therefore, Ms. Chan is deemed to be interested in the 90,000,000 shares held by Golden Morning. Ms. Chan is also the sole director of Golden Morning.

    (b) 17,104,000 shares are held by Mr. Zhao, the spouse of Ms. Chan, in his own name and 297,812,250 shares are held by Golden Land. Mr. Zhao is the beneficial owner of the entire issued share capital of Golden Land, therefore, Ms. Chan is also deemed to be interested in the 17,104,000 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 Limited dated 16 September 2014 (as supplemented by the supplemental agreements dated 7 November 2014 and 15 December 2014), Sinopharm Capital Limited 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 1.64% interest in Sinopharm Healthcare Fund L.P..

5. 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 1.64% interest in Sinopharm Healthcare Fund L.P..

6. The individual substantial shareholder notice filed by Wu Aimin indicated that he controlled 70% interest in Sun Hill Capital Investments Limited, indirectly controlled 100% interest in Sinopharm Capital Limited and 1.64% interest in Sinopharm Healthcare Fund L.P..

Save as disclosed above, to the best knowledge of the Directors of the Company, as at 30 June 2019, 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.

SHARE OPTION SCHEME

The Company operates the 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").

As at 30 June 2019, the Company had granted to certain eligible participants (the "Grantees"), a total of 22,408,000 share options to subscribe for a total of 22,408,000 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 as at 30 June 2019 is as follows:

Grantees	Position held with the Group and/or relationship with the Group	Date of grant	Option Period (Note 3)	Exercise Price per Share (HK$) (Note 4)	Number of Share Options: Outstanding as at 1 January 2019	Granted during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at 30 June 2019	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	208,000	–	–	(208,000)	–	–
		23 April 2018	23 April 2018 to 22 April 2024	1.26	468,000	–	–	–	468,000	0.0751%
Chan Lok San (Note 2)	Executive Director	1 June 2015	1 June 2015 to 31 May 2019	2.54	188,000	–	–	(188,000)	–	–
		23 April 2018	23 April 2018 to 22 April 2024	1.26	416,000	–	–	–	416,000	0.0668%
Zhou Xuhua	Executive Director	1 June 2015	1 June 2015 to 31 May 2019	2.54	188,000	–	–	(188,000)	–	–
		23 April 2018	23 April 2018 to 22 April 2024	1.26	416,000	–	–	–	416,000	0.0668%
Duan Jidong	Independent non-executive Director	1 June 2015	1 June 2015 to 31 May 2019	2.54	164,000	–	–	(164,000)	–	–
		23 April 2018	23 April 2018 to 22 April 2024	1.26	372,000	–	–	–	372,000	0.0597%

					Number of Share Options					
Grantees	Position held with the Group and/or relationship with the Group	Date of grant	Option Period (Note 3)	Exercise Price per Share (HK$) (Note 4)	Outstanding as at 1 January 2019	Granted during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at 30 June 2019	Approximate percentage of the Company's total issued share capital
Zhang Jianbin	Independent non-executive Director	1 June 2015	1 June 2015 to 31 May 2019	2.54	164,000	–	–	(164,000)	–	–
		23 April 2018	23 April 2018 to 22 April 2024	1.26	372,000	–	–	–	372,000	0.0597%
Wong Cheuk Lam	Independent non-executive Director	1 June 2015	1 June 2015 to 31 May 2019	2.54	164,000	–	–	(164,000)	–	–
		23 April 2018	23 April 2018 to 22 April 2024	1.26	372,000	–	–	–	372,000	0.0597%
Sub-total of Share Options granted to Directors					3,492,000	–	–	(1,076,000)	2,416,000	0.3881%
57 Employees	Employees of the Group	1 June 2015	1 June 2015 to 31 May 2019	2.54	3,294,000	–	–	(3,294,000)	–	–
97 Employees	Employees of the Group	23 April 2018	23 April 2018 to 22 April 2024	1.26	19,992,000	–	–	–	19,992,000	3.2115%
Total					**26,778,000**	–	–	**(4,370,000)**	**22,408,000**	**3.5996%**

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

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

Note 3: 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.

Note 4: The closing price of the share on the date of grant of share options on 1 June 2015 and 23 April 2018 was HK$2.45 and HK$1.26, respectively.

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 2019, the Group had used net proceeds of approximately RMB176,993,000, of which approximately RMB41,233,000 had been applied for upgrading the transportation and delivery services to customers, approximately RMB20,600,000 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 2019, the Group had capital commitment of approximately RMB173,320,000 (as at 31 December 2018: approximately RMB173,362,000).

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.

Other Information

DIVIDENDS

Pursuant to a resolution passed by the shareholders of the Company on 27 May 2019, the Company declared a final dividend for the year ended 31 December 2018 amounting to approximately HK$14,006,000 (equivalent to approximately RMB12,326,000) to the shareholders of the Company. The dividend was fully paid on 27 June 2019 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 2019 (2018: nil).

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

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

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 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 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. The Company has made specific enquiry of all the Directors and 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 2019 with the management of the Group and agreed with the accounting treatments adopted by the Company.

EVENTS AFTER THE REPORTING PERIOD

There is no material events after the Reporting Period and up to the date of this report.

DISCLOSURE OF INFORMATION

The interim report for the six months ended 30 June 2019 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 2019

Consolidated Statement of Profit or Loss

FOR THE SIX MONTHS ENDED 30 JUNE 2019 - UNAUDITED
(Expressed in Renminbi)

	Note	Six months ended 30 June 2019 (unaudited) RMB'000	2018 (unaudited) RMB'000
Revenue	4	**519,042**	556,548
Cost of sales		**(373,577)**	(382,263)
Gross profit		**145,465**	174,285
Other revenue, income and other net gains		**18,330**	9,136
Selling and distribution costs		**(54,683)**	(89,022)
Administrative expenses		**(46,221)**	(41,668)
Amortisation of intangible assets		**(9,415)**	(9,415)
Change in fair value of financial assets at fair value through profit or loss		**(372)**	(1,178)
(Impairment losses on trade receivable)/reversal of impairment loss on trade receivables		**(64)**	162
Reversal of impairment loss on other receivables		**200**	55
Profit from operations		**53,240**	42,355
Finance costs	7(a)	**(8,800)**	(8,021)
Share of profit of a joint venture		**6,069**	7,854
Share of profit of an associate		**1**	–
Profit before taxation	7	**50,510**	42,188
Income tax	8	**(12,360)**	(9,995)
Profit for the period		**38,150**	32,193
Attributable to:			
Owners of the Company		**32,885**	27,548
Non-controlling interests		**5,265**	4,645
Profit for the period		**38,150**	32,193
Earnings per share	10		
Basic (RMB cents)		**5.28**	4.43
Diluted (RMB cents)		**5.28**	4.43

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 2019 - UNAUDITED
(Expressed in Renminbi)

	Six months ended 30 June	
	2019	2018
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Profit for the period	**38,150**	32,193
Other comprehensive income/(loss) for the period		
Items that will not be reclassified to profit or loss:		
Fair value change on financial assets	**–**	(81)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of entities outside the PRC	**2,005**	635
	2,005	554
Total comprehensive income for the period (net of tax)	**40,155**	32,747
Attributable to:		
Owners of the Company	**34,401**	28,100
Non-controlling interests	**5,754**	4,647
Total comprehensive income for the period	**40,155**	32,747

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

Consolidated Statement of Financial Position

AS AT 30 JUNE 2019 - UNAUDITED
(Expressed in Renminbi)

	Note	30 June 2019 (unaudited) RMB'000	31 December 2018 (audited) RMB'000
Non-current assets			
Leasehold land held for own use under operating lease		91,494	91,139
Property, plant and equipment	11	73,662	59,984
Investment properties	12	122,600	122,600
Interest in a joint venture		68,648	62,579
Interest in an associate		4,027	4,026
Goodwill		90,693	90,693
Intangible assets		50,257	59,672
Financial assets at fair value through profit or loss		5,549	5,549
Financial assets at fair value through other comprehensive income		24,209	24,190
		531,139	520,432
Current assets			
Inventories		57,918	182,064
Trade and other receivables	13	451,010	416,782
Financial assets at fair value through profit or loss		14,770	15,135
Pledged bank deposits		845	1,642
Cash and cash equivalents		157,617	160,660
		682,160	776,283
Current liabilities			
Contract liabilities		82,013	72,718
Trade and other payables	14	145,007	219,711
Lease liabilities		6,574	–
Bank loans		269,996	336,676
Tax payable		10,462	4,123
		514,052	633,228
Net current assets		168,108	143,055
Total assets less current liabilities		699,247	663,487
Non-current liabilities			
Deferred tax liabilities		23,845	25,257
Lease liabilities		9,327	–
		33,172	25,257
NET ASSETS		666,075	638,230
CAPITAL AND RESERVES			
Share capital	15	53,468	53,468
Reserves		534,415	512,324
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		587,883	565,792
NON-CONTROLLING INTERESTS		78,192	72,438
TOTAL EQUITY		666,075	638,230

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

Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 30 JUNE 2019 - UNAUDITED
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company											
	Share capital RMB'000	Share premium RMB'000	Statutory and discretionary reserves RMB'000	Contributed surplus RMB'000	Convertible bonds equity reserve RMB'000	Fair value reserve RMB'000	Exchange reserve RMB'000	Capital reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-Controlling interests RMB'000	Total RMB'000
At 1 January 2019	53,468	152,700	44,108	29,068	–	(5,520)	(21,073)	8,454	304,587	565,792	72,438	638,230
Changes in equity for the six months ended 30 June 2019												
Profit for the period	–	–	–	–	–	–	–	–	32,885	32,885	5,265	38,150
Other comprehensive income for the period	–	–	–	–	–	–	1,516	–	–	1,516	489	2,005
Total comprehensive income for the period	–	–	–	–	–	–	1,516	–	32,885	34,401	5,754	40,155
Appropriation of statutory and discretionary reserves	–	–	1,507	–	–	–	–	–	(1,507)	–	–	–
Dividends (note 9(b))	–	–	–	–	–	–	–	–	(12,310)	(12,310)	–	(12,310)
At 30 June 2019 (unaudited)	53,468	152,700	45,615	29,068	–	(5,520)	(19,557)	8,454	323,655	587,883	78,192	666,075
At 1 January 2018	53,468	152,700	44,108	29,068	–	2,425	(19,117)	8,109	282,333	553,094	88,541	641,635
Changes in equity for the six months ended 30 June 2018												
Profit for the period	–	–	–	–	–	–	–	–	27,548	27,548	4,645	32,193
Other comprehensive (loss)/income for the period	–	–	–	–	–	(83)	635	–	–	552	2	554
Total comprehensive (loss)/income for the period	–	–	–	–	–	(83)	635	–	27,548	28,100	4,647	32,747
Dividends (note 9(b))	–	–	–	–	–	–	–	–	(18,014)	(18,014)	–	(18,014)
Equity settled share-based transactions (note 19)	–	–	–	–	–	–	–	213	–	213	–	213
Distribution to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(22,393)	(22,393)
At 30 June 2018 (unaudited)	53,468	152,700	44,108	29,068	–	2,342	(18,482)	8,322	291,867	563,393	70,795	634,188

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

Condensed Consolidated Statement of Cash Flows

FOR THE SIX MONTHS ENDED 30 JUNE 2019 - UNAUDITED
(Expressed in Renminbi)

	Six months ended 30 June	
	2019	2018
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Operating activities		
Cash generated from operations	**97,802**	118,448
Income tax paid	**(7,433)**	(9,510)
Net cash generated from operating activities	**90,369**	108,938
Investing activities		
Dividend received from financial assets at fair value through other comprehensive income	**740**	695
Purchase of property, plant and equipment	**(4,090)**	(6,227)
Purchase of financial assets at fair value through other comprehensive income	**(450,500)**	(73,067)
Proceeds from sales of property, plant and equipment	**–**	52
Proceeds from disposal of financial assets at fair value through other comprehensive income	**450,500**	25,700
Interest received	**90**	1,096
Interest received from financial assets at fair value through other comprehensive income	**955**	–
Net cash used in investing activities	**(2,305)**	(51,751)
Financing activities		
Net proceeds from bank loans raised	**118,708**	200,228
Dividend paid to owners of the Company	**(12,310)**	(18,014)
Dividend paid to non-controlling interests	**–**	(6,963)
Capital element of lease rentals paid	**(2,426)**	–
Interest element of lease rentals paid	**(1,020)**	–
Repayment of bank loans	**(188,198)**	(267,845)
Finance cost paid	**(7,780)**	(8,021)
Payment for investment in an associate	**–**	(5,000)
Dividend received from a joint venture	**–**	13,000
Net cash used in financing activities	**(93,026)**	(92,615)
Net decrease in cash and cash equivalents	**(4,962)**	(35,428)
Cash and cash equivalents at 1 January	**160,660**	232,755
Effect of foreign exchange rate changes	**1,919**	1,287
Cash and cash equivalents at 30 June	**157,617**	198,614

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 2019 - UNAUDITED
(Expressed in Renminbi unless otherwise indicated)

1. GENERAL INFORMATION

Kingworld Medicines Group Limited (the "Company") was incorporated as an exempted company in the Cayman Islands with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised of the Cayman Island on 10 July 2008. The Company is an investment holding company whereas its subsidiaries (together with the Company, 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 (the "PRC") and Hong Kong.

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, and Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are set out in note 3.

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity (the "functional currency"). The financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand except when otherwise indicated. The Company and other investment holding subsidiaries incorporated in the Cayman Islands, the British Virgin Islands (the "BVI") and Hong Kong adopted Hong Kong dollars ("HK$") as their functional currency. The functional currency of the PRC subsidiaries is RMB. As the Group mainly operates in the Mainland China, RMB is used as its presentation currency.

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

This condensed consolidated financial statements contain selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2018 annual financial statements. The condensed consolidated financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs.

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties, financial instruments classified as financial assets at fair value through other comprehensive income, trading securities and financial assets at fair value through profit or loss, which are measured at fair value.

The condensed consolidated financial statements are unaudited, but have been reviewed by the Company's audit committee.

3. CHANGES IN ACCOUNTING POLICIES

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

(a) New HKFRSs and amendments to HKFRSs adopted by the Group

(i) HKFRS 16, Leases

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases - incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and transition options applied are set out below:

(a) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use. The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

(a) New HKFRSs and amendments to HKFRSs adopted by the Group *(Continued)*

(i) HKFRS 16, Leases (Continued)

(a) Changes in the accounting policies (Continued)

(ii) Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment as disclosed in note 11(a).

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

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. For the Group, low-value assets are typically laptops or office furniture. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

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

3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

(a) *New HKFRSs and amendments to HKFRSs adopted by the Group (Continued)*

(i) HKFRS 16, Leases (Continued)

(a) Changes in the accounting policies (Continued)

(ii) Lessee accounting (Continued)

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

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses, except for the following types of right-of-use asset:

– right-of-use assets that meet the definition of investment property are carried at fair value;

– right-of-use assets related to leasehold land and buildings where the Group is the registered owner of the leasehold interest are carried at fair value; and

– right-of-use assets related to interests in leasehold land where the interest in the land is held as inventory are carried at the lower of cost and net realisable value.

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

(iii) Leasehold investment property

Under HKFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation ("leasehold investment properties"). The adoption of HKFRS 16 does not have a significant impact on the Group's financial statements as the Group previously elected to apply HKAS 40, *Investment properties*, to account for all of its leasehold properties that were held for investment purposes as at 31 December 2018. Consequentially, these leasehold investment properties continue to be carried at fair value.

3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

(a) *New HKFRSs and amendments to HKFRSs adopted by the Group (Continued)*

(i) HKFRS 16, Leases (Continued)

(a) Changes in the accounting policies (Continued)

(iv) Lessor accounting

In addition to leasing out the investment property referred to in paragraph (a)(iii) above, the Group leases out a number of items of machinery as the lessor of operating leases. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.

Under HKFRS 16, when the Group acts as an intermediate lessor in a sublease arrangement, the Group is required to classify the sublease as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. The adoption of HKFRS 16 does not have a significant impact on the Group's financial statements in this regard.

(b) Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies

(i) Classification of interest in leasehold land and buildings held for own use

In accordance with HKAS 16, *Property, plant and equipment*, the Group chooses to apply either the cost model or the revaluation model as its accounting policy for items of property, plant and equipment held for own use on a class-by-class basis. In applying this policy, the Group has concluded that its registered ownership interests in leasehold properties and the right to use other properties leased under tenancy agreements are two separate groupings of assets which differ significantly in their nature and use. Accordingly, they are regarded by the Group as separate classes of asset for subsequent measurement policies in accordance with the above accounting policies. Specifically, registered ownership interests are carried under the revaluation model, while rights to use properties under tenancy agreements are carried at depreciated cost.

In making this judgement, the Group has taken into account that, as the registered owner of a leasehold property, the Group is able to benefit fully from any changes in the valuation of these properties whether as holding gains or by selling the property interest to others, as well as being able to use the properties in its operation free of paying market rents. In contrast, the shorter term tenancy agreements are typically for periods of no more than 10 years and are subject to other restrictions, in particular on transferability of the Group's tenancy rights to others. These shorter term tenancy agreements are executed in order to retain operational flexibility and to reduce the Group's exposure to the property market fluctuation. They may contain termination or extension clauses, and/or variable rental payment clauses linked to the level of sales generated by the Group's use of the premises, and are typically subject to market rent reviews every 2 to 6 years.

3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

(a) New HKFRSs and amendments to HKFRSs adopted by the Group *(Continued)*

(i) HKFRS 16, Leases (Continued)

(b) Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies (Continued)

(ii) Determining the lease term

As explained in the above accounting policies, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

(c) Transitional impact

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 6%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

(a) New HKFRSs and amendments to HKFRSs adopted by the Group *(Continued)*

(i) HKFRS 16, Leases (Continued)

(c) Transitional impact (Continued)

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019 RMB'000
Operating lease commitments at 31 December 2018	21,339
Less: commitments relating to leases exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(4,091)
	17,248
Less: total future interest expenses	(1,445)
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019	15,803

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of HKFRS 16, other than changing the captions for the balances. Accordingly, instead of "obligations under finance leases", these amounts are included within "lease liabilities", and the depreciated carrying amount of the corresponding leased asset is identified as a right-of-use asset. There is no impact on the opening balance of equity.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and presents lease liabilities separately in the statement of financial position.

3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

(a) New HKFRSs and amendments to HKFRSs adopted by the Group *(Continued)*

(i) *HKFRS 16, Leases (Continued)*

(c) *Transitional impact (Continued)*

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018 RMB'000	Capitalisation of operating lease contracts RMB'000	Carrying amount at 1 January 2019 RMB'000
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Property, plant and equipment	59,984	15,803	75,787
Total non-current assets	520,432	15,803	536,235
Lease liabilities (current)	–	5,938	5,938
Current liabilities	633,228	5,938	639,166
Net current assets	143,055	(5,938)	137,117
Total assets less current liabilities	663,487	9,865	673,352
Lease liabilities (non-current)	–	9,865	9,865
Total non-current liabilities	25,257	9,865	35,122
Net assets	638,230	–	638,230

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset at the end of the Reporting Period and at the date of transition to HKFRS 16 is as follows:

	At 30 June 2019 RMB'000	At 1 January 2019 RMB'000
Included in "Property, plant and equipment":		
Properties leased for own use, carried at depreciated cost	**15,297**	15,803

3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

(a) New HKFRSs and amendments to HKFRSs adopted by the Group (Continued)

(i) HKFRS 16, Leases (Continued)

(d) Lease liabilities

The remaining contractual maturities of the Group's lease liabilities at the end of the Reporting Period and at the date of transition to HKFRS 16 are as follows:

	At 30 June 2019		At 1 January 2019	
	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	**6,574**	**6,748**	5,938	6,105
After 1 year but within 2 years	**5,890**	**6,429**	5,115	5,583
After 2 years but within 5 years	**3,437**	**3,982**	4,750	5,560
After 5 years	**–**	**–**	–	–
	9,327	**10,411**	9,865	11,143
	15,901	**17,159**	15,803	17,248
Less: total future interest expenses		**(1,258)**		(1,445)
Present value of lease liabilities		**15,901**		15,803

(e) Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

(a) New HKFRSs and amendments to HKFRSs adopted by the Group (Continued)

(i) HKFRS 16, Leases (Continued)

(e) Impact on the financial result, segment results and cash flows of the Group (Continued)

The following tables may give an indication of the estimated impact of adoption of HKFRS 16 on the Group's financial result, segment results and cash flows for the six months ended 30 June 2019, by adjusting the amounts reported under HKFRS 16 in these interim financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply to 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

	2019				2018
	Amounts reported under HKFRS 16 (A) RMB'000	Add back: HKFRS 16 depreciation and interest expense (B) RMB'000	Deduct: Estimated amounts related to operating leases as if under HKAS 17 (note 1) (C) RMB'000	Hypothetical amounts for 2019 as if under HKAS 17 (D=A+B+C) RMB'000	Compared to amounts reported for 2018 under HKAS 17 RMB'000
Financial result for the six months ended 30 June 2019 impacted by the adoption of HKFRS 16:					
Profit from operations	53,240	3,143	(3,446)	52,937	42,355
Finance costs	(8,800)	1,020	–	(7,780)	(8,021)
Profit before taxation	50,510	4,163	(3,446)	51,227	42,188
Profit for the period	38,150	4,163	(3,446)	38,867	32,193
Reportable segment profit (adjusted EBITDA) for the six months ended 30 June 2019 (note 5) impacted by the adoption of HKFRS 16:					
– Distribution sale of pharmaceutical and healthcare products					
– Hong Kong	(3,085)	–	(91)	(3,176)	15,566
– PRC	42,680	–	(801)	41,879	23,810
– Manufacturing and sales of electrotherapeutic and physiotherapeutic devices and general medical examination devices	22,964	–	(2,275)	20,689	20,260
Total	62,559	–	(3,167)	59,392	59,636

3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

(a) *New HKFRSs and amendments to HKFRSs adopted by the Group* (Continued)

(i) HKFRS 16, Leases (Continued)

(e) Impact on the financial result, segment results and cash flows of the Group (Continued)

	2019			2018
	Amounts reported under HKFRS 16 (A) RMB'000	Estimated amounts related to operating leases as if under HKAS 17 (notes 1 & 2) (B) RMB'000	Hypothetical amounts for 2019 as if under HKAS 17 (C=A+B) RMB'000	Compared to amounts reported under HKAS 17 RMB'000
Line items in the condensed consolidated cash flow statement for the six months ended 30 June 2019 impacted by the adoption of HKFRS 16:				
Cash generated from operations	97,802	(3,446)	94,356	118,448
Net cash generated from operating activities	90,369	(3,446)	86,923	108,938
Capital element of lease rentals paid	(2,426)	2,426	–	–
Interest element of lease rentals paid	(1,020)	1,020	–	–
Net cash used in financing activities	(93,026)	3,446	(89,580)	(92,615)

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2019. Any potential net tax effect is ignored .

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if HKAS 17 still applied.

(ii) The following amendments to standards and interpretations are effective for accounting periods beginning on or after 1 January 2019. The adoption of which does not have a material impact on the Group.

HKFRS (IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

(b) New standards, amendments to standards and interpretations issued but not yet effective for the accounting period beginning on 1 January 2019 and not early adopted by the Group

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]

1 Effective for annual periods beginning on or after date to be determined

2 Effective for annual periods beginning on or after 1 January 2021

4. REVENUE

Revenue represents sales of branded imported pharmaceutical and healthcare products, electrotherapeutic and physiotherapeutic devices, and general medical examination devices at net invoiced value of goods sold, less value-added and sales taxes, returns and discounts, during the period.

	Six months ended 30 June	
	2019 (unaudited) RMB'000	2018 (unaudited) RMB'000
Sales of		
– pharmaceutical products	**360,357**	361,679
– healthcare products	**73,906**	105,440
– medical devices	**84,779**	89,429
	519,042	556,548
Timing of revenue recognition		
A point in time	**519,042**	556,548

5. SEGMENT INFORMATION

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

1. 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.

2. 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.

5. SEGMENT INFORMATION *(Continued)*

(a) *Segment results, 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		PRC			
For the six months ended 30 June	**2019 (unaudited) RMB'000**	2018 (unaudited) RMB'000	**2019 (unaudited) RMB'000**	2018 (unaudited) RMB'000	**2019 (unaudited) RMB'000**	2018 (unaudited) RMB'000	**2019 (unaudited) RMB'000**	2018 (unaudited) RMB'000
Revenue from external customers	**53,232**	84,235	**438,995**	492,001	**84,779**	89,429	**577,006**	665,665
Inter-segment revenue	**1,910**	26,980	**417**	—	**—**	—	**2,327**	26,980
Reportable segment revenue	**55,142**	111,215	**439,412**	492,001	**84,779**	89,429	**579,333**	692,645
Reportable segment profit/(loss) (adjusted EBITDA)	**(3,085)**	15,566	**42,680**	23,810	**22,964**	20,260	**62,559**	59,636
	30 June 2019 (unaudited) RMB'000	31 December 2018 (audited) RMB'000	**30 June 2019 (unaudited) RMB'000**	31 December 2018 (audited) RMB'000	**30 June 2019 (unaudited) RMB'000**	31 December 2018 (audited) RMB'000	**30 June 2019 (unaudited) RMB'000**	31 December 2018 (audited) RMB'000
Reportable segment assets	**243,632**	271,072	**732,013**	832,986	**195,671**	167,837	**1,171,316**	1,271,895
Reportable segment liabilities	**79,892**	33,711	**290,739**	367,116	**60,489**	51,876	**431,120**	452,703

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

(b) *Reconciliations of reportable segment profit or loss*

	Six months ended 30 June	
	2019 (unaudited) RMB'000	2018 (unaudited) RMB'000
Reportable segment profit derived from Group's external customers and joint venture	**62,559**	59,636
Other income	**18,330**	9,136
Depreciation and amortisation	**(17,735)**	(14,063)
Change in fair value of financial assets at fair value through profit or loss	**(372)**	(1,178)
Finance costs	**(8,800)**	(8,021)
Unallocated head office and corporate expenses	**(3,472)**	(3,322)
Consolidated profit before taxation	**50,510**	42,188

6. SEASONALITY OF OPERATIONS

The Group's business in distribution sale of pharmaceutical and healthcare products and manufacturing and sales of electrotherapeutic and physiotherapeutic devices and general medical examination devices had no special seasonality factor.

7. PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2019 (unaudited) RMB'000	2018 (unaudited) RMB'000
a) Finance costs		
Total interest expense on financial liabilities not at fair value through profit or loss:		
Interest on bank loans	**7,780**	8,021
Interest on lease liabilities	**1,020**	–
Total finance costs	**8,800**	8,021
b) Other items		
Amortisation of intangible assets	**9,415**	9,415
Cost of inventories (note i)	**373,577**	382,263
Depreciation charge		
– property, plant and equipment	**4,494**	3,959
– right-of-use assets	**3,143**	–
Amortisation of leasehold land held for own use under operating leases	**683**	683
Write-down of inventory	**2,100**	1,315
Reversal of impairment loss on other receivables	**(200)**	(55)
Impairment loss on trade receivables/(reversal of impairment loss on trade receivables)	**64**	(162)
Loss on disposal of property, plant and equipment	**176**	50
Operating lease charges in respect of land and buildings	**3,592**	3,808
Rental income from investment properties less direct outgoings of RMB nil (six months ended 30 June 2018: RMB72,000)	**(1,312)**	(1,353)
Research and development cost (note ii)	**6,365**	5,636
Equity-settled share-based payments	**–**	206

Notes:

i) Cost of inventories includes approximately RMB13,793,000 (2018: RMB11,640,000) relating to staff costs, depreciation and operating lease rentals which are included in the respective total amounts disclosed separately above.

ii) Research and development cost includes approximately RMB785,000 (2018: RMB766,000) relating to depreciation and operating lease rentals which are included in the respective total amounts disclosed separately above.

8. INCOME TAX

	Six months ended 30 June	
	2019	2018
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Hong Kong Profits Tax		
Current period	**839**	2,397
PRC Enterprise Income Tax		
Current period	**12,564**	8,324
Under-provision in prior years	**369**	686
	13,772	11,407
Deferred tax		
Current period	**(1,412)**	(1,412)
	12,360	9,995

Notes:

i) Pursuant to the rules and regulations of the Cayman Islands and 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 at 16.5% of the estimated assessable profits for the six months ended 30 June 2019 and 2018.

iii) The PRC Enterprise Income Tax charge of the Group during the six months ended 30 June 2019 and 2018 represented mainly the PRC Enterprise Income Tax charge on the Group's PRC subsidiaries, Shenzhen Kingworld Medicine Company Limited and Shenzhen Dong Di Xin Technology Company Limited ("Dong Di Xin") and are based on a statutory rate of 25% (six months ended 30 June 2018: 25%), except for Dong Di Xin, which is based on a preferential income tax rate of 15% (six months ended 30 June 2018: 15%).

9. DIVIDENDS

a) The Company's directors do not recommend the payment of an interim dividend for the six months ended 30 June 2019 and 2018.

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	
	2019	2018
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Final dividend in respect of the previous financial year ended, approved and paid during the Reporting Period, of HK2.25 cents (equivalent to approximately RMB1.98 cents) (2018: HK3.43 cents (equivalent to approximately RMB2.89 cents))	**12,310**	18,014

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	
	2019	2018
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Profit for the year attributable to owners of the Company	**32,885**	27,548
Earnings for the purpose of basic earnings per share	**32,885**	27,548

ii) *Weighted average number of ordinary shares*

	Six months ended 30 June	
	2019	2018
	(unaudited)	(unaudited)
Weighted average number of ordinary shares in issue	**622,500,000**	622,500,000
Weighted average number of ordinary shares for the purpose of basic earnings per share	**622,500,000**	622,500,000

(b) *Diluted earnings per share*

Diluted earnings per share for the six months ended 30 June 2019 and 2018 was the same as the basic earnings per share because that the exercise price of the share options granted was higher than the weighted average market price of the Company's shares during the six months ended 30 June 2019 and 2018.

11. PROPERTY, PLANT AND EQUIPMENT

(a) *Right-of-use assets*

As discussed in note 3(a)(i), the Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. Further details on the net book value of the group's right-of-use assets by class of underlying asset are set out in note 3(a)(i).

During the six months ended 30 June 2019, the Group entered into a number of lease agreements for use of warehouses, plant and offices, and therefore recognised the additions to right-of-use assets of RMB2,633,000.

11. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(b) Acquisitions and disposals of owned assets

During the six months ended 30 June 2019, the Group acquired items of plant and machinery with a cost of RMB4,090,000 (six months ended 30 June 2018: RMB6,227,000). Items of plant and machinery with a net book value of RMB176,000 were disposed of during the six months ended 30 June 2019 (six months ended 30 June 2018: RMB56,000), resulting in a loss on disposal of RMB176,000 (six months ended 30 June 2018: RMB50,000).

As at 30 June 2019, certain leasehold land held for own use under operating lease and buildings held for own use with a total carrying amount of RMB80,500,000 (as at 31 December 2018: RMB81,728,000) were pledged to a bank for bank loans of the Group.

12. INVESTMENT PROPERTIES

	RMB'000
Fair value	
At 1 January 2018	112,600
Fair value adjustment	10,000
At 31 December 2018 (audited), 1 January 2019 and 30 June 2019 (unaudited)	122,600

a) The Group's investment properties were revalued as at 31 December 2018 on an open market value basis calculated by reference to (i) comparable market transactions in the relevant markets or (ii) net rental income allowing for reversionary income potential. The valuations were carried out by independent firms of qualified valuers, Cushman & Wakefield 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 property manager and the chief financial officer have discussions with the valuer on the valuation assumptions and valuation results when the valuations are performed at annual reporting date.

The Group's investment properties were not revalued as at 30 June 2019 by independent valuers. The directors were aware of the changes in the conditions of the property market. However, they considered that the carrying amount of the Group's investment properties did not differ significantly from the fair values as at 31 December 2018 carried out by independent qualified professional valuers. Consequently, no change in fair value of investment properties has been recognised in the current period.

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

c) The Group's investment property with a carrying amount of RMB108,900,000 (as at 31 December 2018: RMB108,900,000) have been pledged to secure general banking facilities granted to the Group (note 16).

13. TRADE AND OTHER RECEIVABLES

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

	At 30 June 2019 (unaudited) RMB'000	At 31 December 2018 (audited) RMB'000
0-90 days	**303,935**	250,884
91-120 days	**16,070**	9,857
121-180 days	**4,631**	11,671
181-365 days	**10,497**	21,586
More than 1 year	**206**	32
Total trade and bills receivables, net of allowance for doubtful debts	**335,339**	294,030
Other receivables	**40,317**	31,369
Other loans	**45,993**	45,958
Amounts due from related parties	**1,001**	1,020
Amounts due from an associate	**4,143**	4,140
Loans and receivables	**426,793**	376,517
Prepayments	**20,333**	18,956
Trade and other deposits	**1,358**	2,044
Trade deposits to related parties	**2,526**	19,265
	451,010	416,782

a) The Group generally granted credit terms ranging from 30 days to 120 days to its customers.

14. 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 2019 (unaudited) RMB' 000	At 31 December 2018 (audited) RMB' 000
0-90 days	84,403	168,678
91-180 days	11,209	406
181-365 days	46	—
Over 365 days	14	—
Total trade payables	95,672	169,084
Accruals	6,231	8,879
Amount due to related parties	3,255	—
Other payables	21,551	28,436
Financial liabilities measured at amortised cost	126,709	206,399
Value-added tax payable	18,298	13,312
	145,007	219,711

15. SHARE CAPITAL

	Number of shares '000	Amount HK$'000	Amount equivalent to RMB'000
Authorised:			
Ordinary shares of HK$0.1 each			
At 1 January 2018, 31 December 2018 (audited), 1 January 2019 and 30 June 2019 (unaudited)	10,000,000	1,000,000	877,900
Issued and fully paid:			
Ordinary shares of HK$0.1 each			
At 1 January 2018, 31 December 2018 (audited), 1 January 2019 and 30 June 2019 (unaudited)	622,500	62,250	53,468

16. PLEDGE OF ASSETS

The Group's asset with the following carrying amount has been pledged to secure bank loan and banking facilities:

	Note	**At 30 June 2019 (unaudited) RMB'000**	At 31 December 2018 (audited) RMB'000
Investment property	12	**108,900**	108,900
Leasehold land held for own use under operating leases		**58,970**	59,652
Property, plant and equipment		**21,530**	22,076

The Group's bank loans amounted to RMB123,220,000 as at 30 June 2019 (as at 31 December 2018: RMB146,106,000) were secured by Group's investment property. The Group's bank loans amounted to RMB146,776,000 as at 30 June 2019 (as at 31 December 2018: RMB190,570,000) were secured by the Group's leasehold land held for own use under operating lease and property, plant and equipment and guaranteed by Mr. Zhao Li Sheng, the ultimate controlling party and a director of the Company, and Ms. Chan Lok San, a director of the Company.

17. 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 condensed consolidated financial statements approximate their fair values.

Fair value hierarchy

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

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

		Fair value measurements as at 30 June 2019 categorised into				Fair value measurements as at 31 December 2018 categorised into		
	Fair value at 30 June 2019 RMB'000 (unaudited)	Level 1 RMB'000 (unaudited)	Level 2 RMB'000 (unaudited)	Level 3 RMB'000 (unaudited)	Fair value at 31 December 2018 RMB'000 (audited)	Level 1 RMB'000 (audited)	Level 2 RMB'000 (audited)	Level 3 RMB'000 (audited)
Recurring fair value measurements								
Assets:								
Financial assets at fair value through other comprehensive income (non-recycling)								
– Unlisted equity investments	23,909	–	22,501	1,408	23,890	–	22,482	1,408
Financial assets at fair value through profit or loss								
– Unlisted equity investments	5,549	–	–	5,549	5,549	–	–	5,549
– Listed securities	14,770	14,770	–	–	15,135	15,135	–	–

17. FINANCIAL INSTRUMENTS *(Continued)*

Fair value *(Continued)*

Fair value hierarchy (Continued)

During the six months ended 30 June 2019 and the year ended 31 December 2018, 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 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.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The following table presents the changes in level 3 instruments for the six months ended 30 June 2019 and 2018.

	Financial assets at fair value through other comprehensive income		Financial assets at fair value through profit or loss	
	Unlisted equity investments RMB'000	Bank wealth management products RMB'000	Unlisted equity investments RMB'000	Total RMB'000
At 1 January 2018	1,681	25,783	4,775	32,239
Proceeds from sales	–	(25,700)	–	(25,700)
Addition	–	63,000	–	63,000
Release of fair value reserve upon disposal	–	(83)	–	(83)
Exchange adjustment	13	–	–	13
At 30 June 2018 (unaudited)	1,694	63,000	4,775	69,469
At 1 January 2019	**1,408**	**–**	**5,549**	**6,957**
Proceeds from sales	**–**	**(450,500)**	**–**	**(450,500)**
Additions	**–**	**450,500**	**–**	**450,500**
At 30 June 2019 (unaudited)	**1,408**	**–**	**5,549**	**6,957**

17. FINANCIAL INSTRUMENTS *(Continued)*

Fair value *(Continued)*

Fair value hierarchy (Continued)

The fair value of the unlisted equity investment was valued as at 31 December 2018 with reference to valuation performed by an independent valuer, Hong Kong Appraisal Advisory Limited based on the median of the market multiples of market comparable companies after adjusting for lack of marketability and control discount.

The directors considered that the carrying amount of the aforesaid financial instruments as at 30 June 2019 did not differ significantly from the fair value as at 31 December 2018 carried out by independent qualified professional valuers. Consequently, no change in fair value has been recognised in current period.

The fair value of the bank wealth management products was valued based on their costs plus expected return.

18. CAPITAL COMMITMENTS

Capital commitments of the Group at the six months ended 30 June 2019 are as follows:

	At 30 June 2019 (unaudited) RMB'000	At 31 December 2018 (audited) RMB'000
Contracted but not provided for in respect of property, plant and equipment	**–**	42
Contracted but not provided for in respect of investment in an associate	**5,000**	5,000
Authorised but not contracted for	**168,320**	168,320

Apart from the above, the Group did not have other significant capital commitments as at 30 June 2019 and 31 December 2018.

19. EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company set up a share option scheme on 5 November 2010 whereby the directors of the Company are authorised, at their discretion, to grant options to subscribe for the Company's shares to eligible participants ("Eligible Participants"), including directors, eligible employees, consultants, suppliers, customers, and shareholders of any member of the Group or associated company or any of their respective associates, who contributed to the success of the Group. The share option scheme shall be valid and effective for a period of ten years ending on 4 November 2021, after which no further options will be granted.

Options granted on 1 June 2015 to the directors, employees and consultants vest after one to three years from the date of grant and are then exercisable within a period of one year. Of the share option granted on 9 October 2015 to a consultant vest and exercisable from the date of grant after the market conditions are met.

Options granted on 23 April 2018 to the directors and employees vest after one to three years from the date of grant and are then exercisable before 22 April 2024.

Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

As at 30 June 2019, the outstanding share options granted and accepted was 35,998,000 (as at 31 December 2018: 37,394,000).

1,396,000 options were lapsed during the six months ended 30 June 2019 (2018: nil).