



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



买跨境好药 就上金活健康之家

香港直邮-进口医药-品质好货 扫一扫 立即购买



微信公众号



京东旗舰店



天猫旗舰店

2024

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

Dr. Chu Xiaoping (effective from 1 September 2024)

AUDIT COMMITTEE

Mr. Wong Cheuk Lam (*Chairman*)

Mr. Duan Jidong

Mr. Zhang Jianbin

Dr. Chu Xiaoping (effective from 1 September 2024)

REMUNERATION COMMITTEE

Mr. Zhang Jianbin (*Chairman*)

Mr. Duan Jidong

Mr. Wong Cheuk Lam

Dr. Chu Xiaoping (effective from 1 September 2024)

NOMINATION COMMITTEE

Mr. Duan Jidong (*Chairman*)

Mr. Wong Cheuk Lam

Mr. Zhang Jianbin

Dr. Chu Xiaoping (effective from 1 September 2024)

COMPANY SECRETARY

Mr. Chan Hon Wan

AUTHORISED REPRESENTATIVES

Mr. Zhao Li Sheng

Mr. Chan Hon Wan

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Corporate Information

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Financial Highlights

	Six months ended 30 June		
	2024	2023	% Changes
	(unaudited) RMB'000	(unaudited) RMB'000	Increase/ (Decrease)
Financial Highlights			
Revenue	526,088	553,017	(4.9)%
Cost of sales	(388,828)	(398,328)	(2.4)%
Gross profit	137,260	154,689	(11.3)%
Gross profit margin	26.1%	28.0%	(1.9)% points
Profit for the period	45,620	47,701	(4.4)%
Profit attributable to owners of the Company	30,716	37,727	(18.6)%
Basic earnings per share (RMB cents)	5.20	6.38	(18.5)%
Liquidity and Gearing			
	As at	As at	% Changes
	30 June	31 December	Increase/ (Decrease)
	2024	2023	
	(unaudited)	(audited)	
Current ratio ⁽¹⁾	1.15	1.27	(9.4)%
Quick ratio ⁽²⁾	0.95	1.02	(6.9)%
Gearing ratio ⁽³⁾	11.8%	24.1%	(12.3)% 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) Gearing ratio is calculated as total interest-bearing bank borrowings, less cash and cash equivalents, divided by total equity multiplied by 100%.

Management Discussion and Analysis

MARKET AND INDUSTRY REVIEW

During the six months ended 30 June 2024 (the “**Reporting Period**”), China’s economy has operated generally steadily, with stable growth in market sales, but weak domestic demand, and a slowdown in investment and consumption growth. During the review period, the national consumer price index rose by 0.1% year-on-year, with medical and healthcare prices rising by 1.4%. However, the international political and economic environment is complex, China’s economic foundation is still in the consolidation stage, and domestic effective demand still needs to be strengthened. According to statistics from the China Pharmaceutical & Healthcare Products Importers & Exporters Association, China’s exports of pharmaceutical products in the global market in the first half of 2024 amounted to \$52.579 billion, a year-on-year increase of 1.91%. Among them, the export value of traditional Chinese medicine (TCM) products was \$2.657 billion, with varying degrees of growth in the European Union, the United States, Latin America, India, Africa, and Russia.

In recent years, the central government has continued to promote the reform of the “three medical linkages” centered on medical care, medicine, and medical insurance. Among them, the anti-corruption efforts in the pharmaceutical industry have been further deepened and expanded to the off-hospital market, such as physical pharmacies, focusing on cracking down on problems such as drug substitution, excessive prescriptions, and the irregular sale of prescription drugs in retail pharmacies. The medical insurance department’s supervision of retail pharmacies has become regularized. At the same time, domestic drug price governance policies have been successively implemented, such as the National Healthcare Security Administration’s special action to “go online, check drug prices, compare data, and grasp governance”, and local medical insurance departments have successively launched “drug price comparison” systems, which will affect the traditional operating model of “relying on scale to drive performance” for asset-heavy pharmacies.

The Government Work Report delivered by Li Qiang, the Premier of the State Council in 2024 indicated that greater efforts will be made to attract foreign investment into China, with an open attitude to promote mutually beneficial development, and continue to reduce the negative list for foreign investment access, with the liberalization of the service industry, including the medical sector, as an important measure. Therefore, under the dual driving force of policies and capital, more investment entering the industry is an important driving force for the direct development of the health industry. According to data from the Arterial Orange Industry Research Institute, China’s health industry market size reached 5.5 trillion yuan in 2023, and is expected to exceed 11.0 trillion yuan by 2030. This is mainly due to the enhanced health awareness of residents and the increase in health consumption expenditure. According to data released by the National Bureau of Statistics, China’s per capita medical and healthcare consumption expenditure was 2,460 yuan in 2023, an increase of 16% year-on-year.

In terms of domestic health food, according to data from JD Health, in the first half of 2024, consumers’ attention to health food has been continuously increasing, and nutrient-balanced coarse grains and zero-added, healthy and nutritious products are more favored by consumers. The continuous increase in China’s online retail share is also an important driver for the growth of medical and health products. In the first half of 2024, China’s online retail sales reached 7.0991 trillion yuan, a year-on-year increase of 9.8%. Among them, the online retail sales of physical goods reached 5.9596 trillion yuan, representing an increase of 8.8%, accounting for 25.3% of the total retail sales of consumer goods.

Management Discussion and Analysis

Continued Growth in the Traditional Chinese Medicine Market and Rising Raw Material Prices

According to the “2023-2028 China TCM Industry Project Research Analysis and Market Prospect Forecast Evaluation Report”, the TCM market experienced stable growth in the first half of 2024, with a market size reaching nearly RMB500 billion. It is expected to maintain stable growth in the second half of the year, with the annual market size likely to exceed RMB500 billion. The innovative traditional medicine sector also showed vigorous development in the first half of the year, with six new traditional medicine drugs approved for market by the end of June 2024.

In the first half of 2024, the export value of TCM products was USD2.657 billion, a slight decrease of 6.99% year-on-year. However, looking at the whole year, with the recovery in market demand and the strengthening of policy support, the total export value of traditional medicine products is expected to grow. In particular, the exports of proprietary TCM and healthcare products, which have strong market competitiveness, are anticipated to increase by more than 30% year-on-year. The government has introduced a series of supportive policies, which highly emphasize the development of the TCM industry. These policies have facilitated the further expansion of the TCM market and the innovative development of enterprises.

However, during the Reporting period, the TCM market faced supply shortages due to the depletion of wild resources as well as the impact of floods and rainy weather in many parts of southern China, resulting in a “non-off-season” price surge in TCM materials this year, with prices of many TCM materials rising sharply, leading to multiple price adjustments of domestic TCM products to maintain profitability. To alleviate the supply-demand imbalance for traditional medicine raw materials, the National Medical Products Administration and the General Administration of Customs plan to implement a pilot policy for specific TCM raw materials, in order to stabilize the market price of natural medicinal materials and alleviate the cost pressure on enterprises.

E-commerce as a Major Channel for Pharmaceutical Retail Growth

According to data from Menet, the sales scale of China’s pharmaceutical retail terminal reached RMB923.3 billion in 2023, with a growth rate of 5.8%, the lowest in years. In the first quarter of 2024, the overall market scale of prescription drugs declined slightly, with the offline market showing negative growth, while the online market maintained double-digit growth. Affected by policies such as individual account, outpatient reimbursement, “four identities” + “immediate price”, and other price governance measures, the nationwide pharmacy retail market has entered a “small ice age”. China Monitor Health’s statistics show that, the retail market scale of Chinese pharmacies was approximately RMB217.8 billion of 2024, representing a year-on-year decrease of 3.7% from January to May 2024.

From the perspective of the physical pharmacy market, according to Menet data, in the first five months of 2024, drugs accounted for 81.6% of pharmacy sales, up 5.7% from the same period in 2023. In addition to drugs, the share of decoction pieces, instruments, health products and other categories has shrunk to varying degrees compared to the same period last year.

Management Discussion and Analysis

Consumers buying medicines online has become a common trend, and the medical and pharmaceutical O2O business is developing rapidly. With the introduction of the “Measures for the Supervision and Administration of Online Drug Sales” and the continuous expansion of the coverage of online medical insurance payment services, various major e-commerce giants have entered the medical and pharmaceutical e-commerce business. According to statistics, more than 1,300 pharmacies in 7 cities in Guangdong have opened the “takeaway medicine” service on Alipay; pharmacies in Beijing, Guangdong, Shanghai and other places have explored online medical insurance drug purchases through cooperation with third-party platforms such as Meituan, JD.com, and Ele.me, or through self-built platforms. As of May 2024, the market size of O2O direct delivery pharmacy drugs was close to 4.1 billion yuan, with a year-on-year sales growth of 21%.

In addition, according to the data disclosed by JD Health, the number of products participating in JD Health’s 618 promotion increased by more than two digits year-over-year, and the number of new products increased by more than 4 times. Among them, the sales of sleep improvement, health drinks, and eye care nutrition products grew at an exponential rate.

Although the market growth rate has slowed down, and the saturation of physical pharmacies has gradually increased, the “Internet + pharmaceutical circulation” trend is reshaping the ecological layout of the pharmaceutical distribution industry. Consumers’ health awareness has been enhanced, and health consumption has become more diversified and refined, with further increased demand for health preservation and self-care.

The company is also actively seizing the opportunity in the aging market and the chronic disease treatment demand market, it is accelerating the development of a full-category TCM business. In terms of business layout, it is focusing on the TCM and health industry, accelerating the development of multi-category TCM business, and forming core advantages in the TCM field.

Management Discussion and Analysis

BUSINESS REVIEW

I. *Pharmaceutical Distribution Division Business Review*

In early 2024, amidst the prevalence of various respiratory diseases, the number of coughing patients surged, with an estimated 853 million adults expected to be affected by coughs in 2024. The demand for cough treatment has been increasing significantly. In the first quarter of 2024, the overall customer traffic in retail pharmacies slightly exceeded the same period last year, with notable demand for lung-moistening and cough-suppressing medications.

The flagship drug that our Group distributed, Nin Jiom Pei Pa Koa, leveraging its high-quality herbal ingredients and efficacy, coupled with continuous brand promotion and comprehensive channel coverage strategy, has deeply resonated with consumers, and recorded significant growth in sales.

We also concern about those affected by the job nature of their occupation such as, individuals in the education and training sector frequently use their voices, leading to vocal cord fatigue and throat irritation, resulting in a relatively higher rate of cough issues. Another product from our Group, Nin Jiom Herbal Candy, retains the excellent herbal formula of Nin Jiom Pei Pa Koa and has been improved for convenience. Therefore, our Group has continuously built the brand image of “One Voice, One Teacher for Life” in collaboration with brand ambassadors and retail stores.

Another flagship agency product, Taiko Seirogan, a household essential for digestive health, has consistently enjoyed strong market demand due to its high quality and quick effectiveness. However, due to supply-demand imbalances in raw materials in Japan, the product has been in short supply domestically, leading to a decline in sales. In the long term, changes in lifestyle habits, dietary structures, and disease patterns are driving the development of the gastrointestinal medication market, which is continually expanding. Taiko Seirogan will benefit from the increasing market capacity. In the first quarter of 2024, the market size of gastrointestinal medications in China was approximately RMB7.5 billion. With the fundamental problems of imbalance between the supply and demand of raw materials in Japan resolved, it is expected that the supply of Taiko Seirogan will become more stable, and the sales will resume its stable growth.

Under the influence of the new lifestyle of “health”, “New Chinese-style,” and “sports,” the public increasingly favors traditional proprietary Chinese medicines. Another flagship product of our Group, Kingworld Imada Red Flower Oil, containing precious Chinese medicinal ingredients such as safflower and dragon’s blood, is effective in promoting blood circulation and pain relief. During the Reporting Period, the Group continued to collaborate with well-known sports events and expanded the scope of cooperation to markets with a large target consumer base. We continually enhance and consolidate our brand influence and recognition among sports enthusiasts, guide them in the proper use of products, increase product usage frequency, and reduce the extent and frequency of injuries.

Management Discussion and Analysis

The Group's two prescription drug products, namely Enalapril Maleate and Folic Acid Tablets ("Enalapril") and Fengbao Jianfu Capsule, which cater to cardiovascular diseases and female infertility, respectively. During the Reporting Period, the Group continued to organize offline activities and collaborated with professional pharmacists and doctors in chain pharmacies to help the elderly and hypertensive patients better understand and to enhance their stroke-related knowledge, raising awareness about disease prevention and enhancing health management. However, due to the impact of healthcare policies, the guiding retail price fell by 38%, severely disrupting the existing pricing system and affecting sales performance.

During the Reporting Period, the Group adopted the following marketing strategies for the pharmaceutical division:

1. Targeting Wide Coverage and Optimizing Channel Layout

In response to the slowing economic growth and increased industry regulation, the Group remains committed to its mission of "serving the community and benefiting all lives", and to provide safe, effective, and high-quality products and services to our partners while ensuring reasonable profits for all levels of partners. Guided by this philosophy, the Group actively selects outstanding partners in the management process, uses data-driven methods to manage partners' inventory and sales data, and, based on this data, jointly formulates coverage targets and terminal sales strategies with our partners. During the Reporting Period, we increased the number of covered outlets by 9,128 stores compared to last year, totaling approximately 162,719 chain pharmacies, 23,165 primary medical institutions, over 12,570 hospitals and clinics, as well as 39 convenience stores and supermarkets.

To extend high-quality product services to more consumers, the Group established the third-terminal organizational structure, hiring marketing talent experienced in the third terminal to further expand our marketing network coverage. Currently, our products, including Kingworld American Ginseng Capsules, Kingworld Zhuang Yao Jian Shen Pian (Strengthening Kidney Tablets), and Kingworld Gan Mao Qing Jiao Nang (Cold Relief Capsules), have entered the third-terminal network for sales.



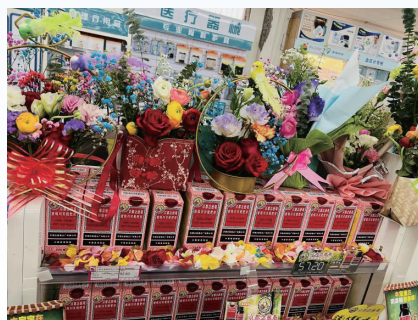
* Live-streaming on JD.com

Management Discussion and Analysis

As the market share of B2C e-commerce in the OTC retail market has been expanding, its growth potential and market vitality are robust, with a compound annual growth rate (CAGR) of 47.1% over three years till 2023. The Group continues to strengthen collaboration with mainstream e-commerce platforms such as JD Health and Alibaba Health, leveraging the platforms' high traffic volumes, the company will collaborate with professional physicians and health & wellness experts to hold seminars focused on the products and health-related knowledge.

2. *Strengthening Deep Cooperation with Top 100 Chains and Regional Chains to Boost Sales*

The proportion of chain pharmacies in the OTC retail market and their sales figures have been increasing. The Group continues to enhance cooperation with top 100 chains and leading regional chains by signing annual cooperation agreements, integrating resources, improving product displays, hosting membership events, and providing value-added services. We also focus on empowering store employees with enhanced professional knowledge and skills, jointly developing marketing plans to drive sales growth.



* Product display in our terminals

Management Discussion and Analysis

With the rise of the “lazy economy” and rapid development of home delivery services, especially following the pandemic, the growth of medical e-commerce O2O (Online-to-Offline) has been swift. As of March 2024, data from China Monitor Health shows that the O2O pharmaceutical market size is nearly RMB3.2 billion, up 25% year-on-year. Among them, direct delivery store scale grew by 41%, and its importance in offline retail pharmacy channels increased to 4.3%. The Group has responded to this marketing model shift by enhancing market promotion and standard management of O2O channels through search keyword ads, website banner advertisements, and other methods to empower partners and boost sales.

3. Capitalizing on the Consumption Trends of “She Economy,” “New Chinese-Style,” and “Self-Care” to Diversify Promotional Approaches and Enhance Brand Penetration

Over the past decade, the “She Economy” in China has experienced higher growth trend compared to other categories, with emerging new women-centric consumer terms such as “New Chinese-Style,” “Flower Picking,” and “Self-Care” showing even higher growth.

The Group has closely observed consumer trend changes and actively embraced them in brand promotion strategies. We have set up a brand account on Xiaohongshu with a professional operation company, enhancing online interaction with consumers. Additionally, we have hosted online and offline experiential theme activities to strengthen brand recognition and encourage consumers to share their experiences, further extending our brand influence to participants and their social circles.

Management Discussion and Analysis

During the Reporting Period, the Group collaborated with top 100 chains across the country to conduct themed activities such as "International Women's Day Flower Arrangement", "Mother's Day Buy-and-Gift", "Dragon Boat Festival Dumpling Competition", "Country Fair", and "Flower Picking", which were well-received by consumers, attracting large crowds and increased store sales.



* International Women's Day Flower Arrangement



* Nin Jiom's Activity



* Dragon Boat Festival Dumpling Competition

Management Discussion and Analysis

4. Forming Strong Partnerships to Expand Brand Influence

The Group actively monitors social hotspots and influential TV shows to further expand brand influence through major IPs. Nin Jiom has engaged in brand promotion across several popular TV programs. Apart from sponsoring iQIYI's "Rising Star" with over one billion views and Hunan TV's "I Want to Sing with You," we also invested in Tencent's platform to launch a major ad campaign for the period drama "Blossoms Shanghai" directed by world-renowned Wong Kar Wai, achieving a peak daily online viewership of 145 million.

In the first half of 2024, we also sponsored highly popular programs both domestically and internationally, significantly enhancing Nin Jiom's brand preference across various consumer groups. During the Reporting Period, Nin Jiom ranked 18th in the 16th Xipu Health Industry Brand Value List, with a brand value of RMB4.815 billion, leaping four places from 2022. In terms of offline promotion, the Group has conducted various promotional activities such as the Nin Jiom Filial Piety Project, Healthy Lung Carnival, Celebrity Meet-and-Greet, and "Nin Jiom•New Voices" National Youth Singing Contest, engaging more consumers and showcasing corporate social responsibility and product quality.



Management Discussion and Analysis



* OEM advertisement poster

The core value of our products lies in promoting healthier lifestyles and physical well-being. During the Reporting Period, Kingworld Imada Red Flower Oil actively participated in various types of sports events, through product experience, to enhance brand awareness and expand usage scenarios. In the first half of the year, the Group participated in the Shenzhen Five Parks Connected Hiking Event (深圳五園連通歡樂徒步活動), the Zhuzhou Marathon (株洲馬拉松), the Second Street Football Match of Shenzhen (深圳第二屆街道足球賽) and other events, providing pre-event massage warm-ups and post-event muscle fatigue relief to the participators to promoting healthy exercise among the public.

Management Discussion and Analysis



* Kingworld Imada Red Flower Oil sponsored the Zhuzhou Marathon



* Kingworld sponsored the Nantou Subdistrict • Kingworld Medicines team for the Second Street Football Invitational Match of Shenzhen

In addition to our involvement in various sports events, we actively engage in public welfare activities, including caring veterans, supporting sanitation workers, and participating in community clean-up efforts. Through these initiatives, we aim to convey a message of care and support to those in need.



* Market activity for "Caring for Veterans Shenzhen in Action"

Management Discussion and Analysis



* Kingworld Medicines and Guangxi Haoyaoshi jointly carried out charity activities

5. *Optimizing Product Structure and Focusing Resources on New Product Categories*

During the Reporting Period, after extensive development efforts in Shanghai, Henan, Anhui, Shaanxi, and Gansu provinces, the market penetration and sales rate of Fortune Coltalin, saw significant improvements. However, due to strategic adjustments, the Group amicably agreed with the domestic operation team of Fortune Coltalin to end the collaboration earlier.

As aging population problems deepen, cardiovascular and cerebrovascular diseases have increased, with stroke becoming the leading threat to health. In China, stroke is one of the leading causes of disability and death. An Gong Niu Huang Wan, a renowned TCM for stroke treatment, is widely recognized and accepted by consumers. Data from Sinohealth Data shows that the cardiovascular and cerebrovascular category ranks third in the offline market, with sales increasing annually, reaching RMB8.401 billion in the first quarter of 2024. The An Gong Niu Huang Wan category alone achieved sales of over RMB5 billion in 2023, with expectations to exceed RMB8 billion in 2024, maintaining a steady growth trend and expanding market capacity. During the Reporting Period, Foci Kingworld An Gong Niu Huang Wan has completed packaging design, product registration, and procurement of raw materials and will be launched in the second half of the year. With Foci's long history, excellent manufacturing process, modern technology-enhanced Niu Huang, and unique Kingworld marketing model, Foci Kingworld An Gong Niu Huang Wan is poised for significant future development.

Management Discussion and Analysis

Concurrently, the Group has reintroduced several products, including Kingworld American Ginseng Capsules, Kingworld Zhuang Yao Jian Shen Pian (Strengthening Kidney Tablets), and Kingworld Gan Mao Qing Jiao Nang (Cold Relief Capsules), and Kingworld Safflower Plasters, which are now available to consumers.



* Packaging of out self-developed product

II. Health and Personal Care Distribution Division Business Review

As the Group's second-largest business segment, the Health and Personal Care Distribution division has prominently introduced two brand-new Innopharm Heart Health Fish Oil products. These feature 95% Omega-3, top-quality rTG fish oil, with an EPA golden ratio of 3:2, making them an excellent choice for safeguarding family health. Additionally, the hot selling products lineup of this business segment includes Life's DHA, the pioneering algae oil; and the Carmex lip balm, developed by Alfred Woelbing in the early 1930s to treat dry and cracked lips, becoming the No. 1 recommended lip balm by pharmacists and influencers, with a record of "selling 170 units globally per minute and being sold in more than 50 countries and regions". During the Reporting Period, the Group's collaboration with Culturelle came to an end and will now focus its resources on operating the high-end French natural nutrition brand Innopharm Heart Health Fish Oil series.

Management Discussion and Analysis

During the Reporting Period, the Group's Health and Personal Care products primarily adopted the following significant development strategies:

1 Targeted Investment to Improve Conversion Rates

The Group actively optimized promotional strategies on e-commerce platforms such as Tmall International, JD.com, Kaola, Vipshop, and Alibaba Health. We focused on utilizing platform promotional tools like keyword advertising, Gravity Cube, Wanxiangtai, and Jingzhun, partnering with influencers who have previously collaborated with Life's DHA and have a strong fan base. This approach aimed to enhance ROI conversion and achieved certain results.

2 Embracing Personalization and Omnichannel Integration Operation Trends, Recorded Desirable Results in Revenue and Gross Profit

In the era of AI-driven AIGC technologies enhancing consumer shopping experiences and the evolution of Web 3.0, successful e-commerce operations now necessitate big data analysis to provide customers with personalized shopping experiences as a leading prerequisite. Over the past years, the Group has utilized data to understand customer behaviors and preferences, implementing precision marketing strategies for product recommendations, promotions, and content. Through public and private domain traffic promotion, and educational content on medical platforms, Kingworld E-commerce has empowered its brand platform to drive GMV on e-commerce platforms, creating a comprehensive marketing ecosystem that is in its early stages. Future efforts will focus on developing an information-sharing, mutually beneficial supply chain and sales ecosystem.

3 Developing Innopharm Heart Health Fish Oil Operations to Create Best-Selling Products

Innopharm Heart Health Fish Oil, a product under the Group's French subsidiary Innopharm S.A. ("Innopharm"), includes two products: deep-sea fish oil for adult and fish oil for brain. Both products have five times the premium DHA fish oil for replenishing brain power and intelligence. They also possess 95% purity Omega-3, providing 500mg of DHA per capsule, added premium content rTG fish oil as well as offering a refreshing orange flavor. As people age, the demand for DHA increases, as DHA is a critical element for the growth and maintenance of nerve cells, comprising 60% of the brain and 40% of the retina, and essential for cognitive and visual development. To drive the sales of Innopharm Heart Health fish oil, the Group has strategically planned and established brand flagship stores on Tmall, JD.com, Douyin, and Xiaohongshu. We are also leveraging the 2024 Paris Olympics to boost marketing efforts, focusing on social media channels popular with young and high-end consumers to highlight the product's features, selling points, and benefits. Innopharm Heart Health Fish Oil will be listed on major offline channels in Hong Kong, such as Mannings and Watsons, and online channel, HKTVmall, creating a comprehensive domestic and international, online and offline channel network to concentrate resources on driving the sales of the product.

Inno Pharm
法国天然高端营养品牌
天花板鱼油品质
性价比智选
Innopharm 95%高纯度鱼油
· 始于1983, 守护健康40年 ·
手机淘宝扫一扫

HEART HEALTH FISH OIL
RICH SOURCE OF OMEGA-3
60 Softgels

BRAIN HEALTH FISH OIL
RICH SOURCE OF OMEGA-3
60 Softgels

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KINGWORLD MEDICINES GROUP
金活医药集团
股份代号: 01110.HK

Management Discussion and Analysis

4. Focusing on Key Products to Enhance Store Conversion Rates and Create Distinctive Stores

During the Reporting Period, under the intense competition in the e-commerce industry, some merchants engage in loss-making strategies to attract traffic, resulting in price wars for certain products. The Kingworld's Health Home overseas flagship store carefully selected high-quality overseas pharmaceutical brands and products to meet consumers' demand for quality OTC household medicine from abroad. Under the strategy of continuously enriching product categories, it also selected products with controllable sources and price maintenance, especially the Group's exclusively distributed products like the Foci Minshan series. The Group noticed that after the pandemic, the public's attention to health has increased, and the demand for Chinese patent medicines and cardiovascular drugs has grown. Therefore, the Group's cross-border OTC flagship store and Hong Kong offline channels joined forces to vigorously promote the Tianwang Buxin Dan, achieving sales growth and driving the flagship store to become a distinctive one. Additionally, with increasing logs for Xiaoyao Wan on Xiaohongshu and after thorough research, the Group recognizes its development potential and has intensified marketing efforts. The product, noted for its quality and effectiveness, has also received the Hong Kong Pharmacy's Most Popular Brand Award. Moving forward, the Group will continue to refine its marketing strategies, integrating domestic and international, online and offline channels to enhance the distinctive nature of Kingworld's Health Home overseas flagship store.



* Kingworld's Health Home flagship store



* Display on Kingworld's Health Home flagship store

Management Discussion and Analysis



* Manshan Xiao Yao Wan was awarded the title of “most favourite chemist product”

III. Medical Devices and Equipment Division Business Review

As a global R&D and manufacturing enterprise for electrotherapy and rehabilitation equipment and a national high-tech enterprise, the Group’s non-wholly-owned subsidiary, Shenzhen Dong Di Xin Technology Company Limited (“**Dong Di Xin**”), has been dedicated to electrotherapy and rehabilitation equipment since its establishment in 2000. Dong Di Xin’s product portfolio spans two main areas: physical rehabilitation therapy devices and general diagnostic instruments. The product categories include infrared thermometers, handheld electrotherapy devices, professional medical electrotherapy equipment, biofeedback and therapeutic products, and accessory components. These products are primarily sold in the European and American markets.

Despite varying economic conditions globally, the demand for medical supplies remains strong due to the aging population and the rising prevalence of chronic diseases. According to The Business Research Company, the medical device market is projected to grow at a CAGR of 8.6%, reaching USD107.76 billion by 2028, presenting significant growth opportunities. During the Reporting Period, Dong Di Xin’s domestic and international sales continued to rise, with overall sales performance meeting expectations.

By product segment, during the Reporting Period, infrared thermometer sales performance showed steady growth. The sales of high-margin products, such as the professional tabletop therapy devices, recorded an increase compared to last year. Core customers, particularly in Europe, continued to show steady growth, providing solid support for achieving the annual sales targets. Through active marketing efforts, the market share of key products significantly improved compared to last year, thereby increasing the division’s gross profit margin. The new product developed and launched at the end of last year – the Itch Relief Device – has achieved a sales breakthrough in the European market and shows potential to become another flagship product for Dong Di Xin based on early sales performance.

Management Discussion and Analysis

Dong Di Xin has not only maintained stable growth in the European and American markets but has also actively engaged with clients in various regions under the “Going Out” policy. The Company has expanded its presence into potential markets such as the Middle East, Southeast Asia, and Hong Kong, participating in local medical device exhibitions, enhancing direct communication with customers, and securing multiple future orders, thus broadening the international footprint of its products. Additionally, Dong Di Xin has hosted numerous international clients at its facilities, employing multiple marketing channels and intensifying promotional efforts. In the first half of 2024, the Company hosted no fewer than ten international client visits. These effective marketing strategies have ensured that the customer agreement targets for 2024 are met as scheduled.

During the Reporting Period, the Group’s Medical Devices and Equipment division adopted the following key development strategies:

1 · **Advancing Smart Production and Quality Services to Support Global Expansion**

In the first half of 2024, Dong Di Xin continued to enhance its digital intelligent manufacturing systems, collaborating with domestic AI research institutes. Key personnel were sent to leading companies for hands-on learning to advance the intelligent iteration of products. Dong Di Xin remains committed to the “6S of Lean Production” management model, significantly increasing investments in the upgrade of precision machining centers, expanding employee training, and optimizing organizational processes, which has substantially improved production management standards.

In the field of SMT intelligent manufacturing systems, the Company’s management team provided direct oversight to strengthen procurement and supervision across various product stages. This approach effectively reduced labor costs and increased production efficiency in minimizing human errors and supporting the core production management principle of “getting it right the first time” while actively meeting gross profit margin targets.

Additionally, the Company remains resolute in enhancing its product quality systems, after-sales service structure, and risk control frameworks, viewing these as critical components of its production management strategy. The establishment of emergency medical incident protocols and information confidentiality systems has ensured stable sales performance. Through relentless effort, Dong Di Xin has developed a robust global quality service operation model, providing a solid foundation for sustained sales success.



* Dong Di Xin’s new product

Management Discussion and Analysis

2 · *Fostering Proprietary Brands to Enhance Product Margins*

The cultivation of the proprietary brand NU-TEK has been a top priority for Dong Di Xin, with ongoing increases in market promotion investment. During the Reporting Period, sales from the proprietary brand as a percentage to total sales continued to increase. The brand achieved strong sales performance in both the Chinese, European and American markets, with sales in China surpassing tens of millions RMB, covering over 30 provinces and municipalities, and partnering with approximately 200 clients.

Furthermore, the Company has entered into a strategic partnership with ZIMMER of Germany. Dong Di Xin has been entrusted with the contract manufacturing of three ZIMMER products registered in China. During the Reporting Period, the Company successfully completed various batches of product deliveries. With ongoing collaboration with internationally renowned physical rehabilitation treatment enterprises, this “domestic registration, supplying global” sales model, supported by favorable national import substitution policies, provides advantageous conditions for Dong Di Xin’s products to penetrate and grow in more medical institutions.

3 · *Continuing to Enhance R&D Capabilities to Lead Product Development*

As of the first half of 2024, the Company has acquired one new effective invention patent, bringing the total number of valid invention patents to four. The Company holds a total of 24 valid utility model patents, one valid design patent, and 13 software copyrights, demonstrating our notable R&D achievements. During the Reporting Period, the Company successfully launched a new product, the Portable Shockwave Device, at the 89th CMEF exhibition in Shanghai, which received unanimous praise from attendees and generated strong interest from potential clients planning to collaborate with us in the second half of 2024. Furthermore, Dong Di Xin continues to engage in technical promotion collaboration with renowned domestic rehabilitation hospitals and the Shenzhen Advanced Institute of Chinese Academy of Sciences to jointly develop more market-accepted new products.

In terms of R&D collaboration, Dong Di Xin is working with Sun Yat-sen University and its affiliated hospitals on the development of a swallowing disorder treatment device. Additionally, Dong Di Xin is partnering with Guangzhou University of Chinese Medicine and its affiliated hospitals to advance the technology and clinical application of third-generation physical rehabilitation treatment devices.

Management Discussion and Analysis

IV. Other Business Developments Review

1. **Obtained the building ownership certificates of Longde Life and Health Industrial Park; Deepening Traditional Chinese Medicine Development in the Greater Bay Area**

To promote the integration and innovation of TCM in the Greater Bay Area and enhance the platform for academic and research collaboration between Hong Kong and Mainland China, the Group has been focused on developing the Kingworld+Longde Life and Health Industry Park (“**Longde Health Industry Park**”). This initiative is a strategic component of the Group’s “Five-Five Strategy” aimed at advancing research and innovation. The industry park aims to provide specialized biomedical hardware and shared equipment platforms, while its software offerings include “Hong Kong Medicine Landing Hub”, “Shenzhen-Hong Kong TCM In-Hospital Formulation Center”, and “Biomedicine Innovation Training Camp”, creating integrated platforms for industry, academia, and research. These platforms will offer services in “product R&D planning, production, and distribution”, “brand planning and patent layout”, and “macro trends and financing”.

During the Reporting Period, Longde Health Industry Park, listed as a significant project in Longgang District, successfully obtained the relevant building ownership certificates. Located in Bao’an Technology City, Longgang District, Shenzhen, the park is strategically positioned in the center of the Longgang East Hub, formed by the Shenzhen East High-Speed Rail New Town and the International Low Carbon City. The Group is confident that it will become a key hub for TCM research, development, and industry in the Greater Bay Area.

2. **Actively Seeking Investment and Financing Opportunities in the Health Industry to Drive Sustainable Growth**

During the Reporting Period, the Group continued to actively seek investment opportunities in the health industry that support sustainable development. Leveraging the advantages of its public listing, the Group expanded its collaborative efforts and brand influence through various strategies, including capitalizing on financing platforms and establishing partnerships or alliances across the industry chain. This approach allows the Group to share resource advantages with partners while bringing its brand and management strengths into collaborations, achieving mutual benefits and accelerating growth for both the Group and its partners.

Following the Group’s investment in approximately 6.35% of shareholding in the supplier of the Taikou Seirogan, Taikou Pharmaceutical Co., Ltd. (stock code: 4574.JP), which strengthened its industrial layout, the Group’s capital team analyzed more than 69 projects and engaged with more than 10 institutions and platforms during the Reporting Period. These projects primarily focus on innovative drugs, cell therapy, and health medical devices, with innovative drugs projects representing the majority.

In addition, as the Group’s shareholding in Fat Chi Medicine Company Limited (“**Hong Kong Foci**”) is more than 40%, the market share of Hong Kong Foci’s products grew rapidly, laying a solid foundation for promoting authentic “Long Medicine”. The Board and Foci Group’s Board have outlined plans to expand new product and industrial collaborations. To further ensure the quality and supply of TCM raw materials, the Group signed a strategic cooperation framework agreement with Shaanxi Medicine Holdings Group Traditional Chinese Medicine Industry Investment Co., Ltd. (“**Shaanxi TCM Investment**”) last year. This agreement prioritizes joint marketing, R&D, and production activities, such as market development and sales collaboration, with Hong Kong as a base for import and export business and product development using Shaanxi’s authentic TCM materials. This cooperation is progressing smoothly during the Reporting Period.

Management Discussion and Analysis

3. Continuing to Use Equity Incentive Plans to Drive Team Development

During the Reporting Period, the Group implemented further actions under its share award scheme to reward key personnel for their contributions. On 30 April, 2024, the Group completed the third round of its share award scheme, granting a total of 6,648,000 shares to 86 selected participants at no cost. Of these, 2,692,000 shares were awarded to 20 connected participants, and 3,956,000 shares were awarded to 66 non-connected participants. The awarded shares represent approximately 1.07% of a total of 622,500,000 issued shares of the Group as of the grant date. The closing price of the shares on the date of grant was HK\$0.55 per share. The Group aims to continue using equity incentives to foster positive collaborative relationships, enhance team cohesion, and support the long-term stable development of the Group. This initiative also attracts more top talent to drive further growth, boosting morale of employees significantly.

4. Establishing a Scientific New Product Introduction Evaluation Process and System to Ensure Sustainable Business Development

The continuous introduction of new products is essential for business growth and sustainability. However, each new product requires extensive nurturing and refinement before it can succeed in the market, necessitating significant human, material, and financial investment. Potential products need not only vision and initiative but also close coordination and support across various team systems. To address this, the Group has engaged a third-party professional team with experience in multinational marketing to collaborate on summarizing successful product selection experiences in the past, deducing key factors from the analysis, engaging key management for discussion, and developing a new product introduction process. This will establish a new product introduction database to provide data-driven tools for future best-selling product introductions, thereby improving success rates.

V. Corporate Culture and Sustainability

1. Commitment to Sustainable Development and Corporate Social Responsibility

The Group continues to uphold its mission of “Serving Community and Enriching Lives,” actively fulfilling corporate social responsibility and striving to build a harmonious and flourishing community. In the first half of 2024, the Group focused on key areas such as rural revitalization, educational support, public health, disaster relief, care for retired military personnel, and the well-being of monks. During the Reporting Period, the Group donated approximately RMB8.42 million in cash and materials and received honors including the “Warmth Partner Title & Excellence Contribution Award” for veteran care and the “Fourth Council Director Unit” of the Luohu District Charity Association.



* Plaque and medal for “Warmth Partner Title & Excellence Contribution Award” for veteran care

Management Discussion and Analysis

Under its Kingworld Health Foundation, the Group collaborated with the Shantou Public Welfare Foundation to respond to the “Rescue at Your Side” initiative by donating five AED (Automated External Defibrillator) units to Shantou City. These devices provide emergency rescue equipment for local residents, supporting public health and safeguarding lives. One AED was donated to Shantou No. 12 Middle School, along with additional funding to build a “Reading Corner” at the school, supporting educational development and nurturing future students through educational aid.



* Kingworld Health Foundation donated five AED (Automated External Defibrillator) units

* Kingworld Health Foundation donated and help building the “Reading Corner” in Shantou No. 12 Middle School

In response to severe flooding in Meizhou City, Guangdong Province, the Group promptly coordinated with the Shenzhen Charity Association to donate disaster relief funds via the Jinhua Health Foundation. These funds were designated for the reconstruction of the Seryao Town Songlin Village Hope Primary School in Meixian District, aiding in the school’s recovery and resumption of classes.



* Kingworld Health Foundation donated RMB 200,000 for flood disaster relief actions

Management Discussion and Analysis

The Group also continued its “Summer Retreat” charitable activities, donating medical supplies such as Kingworld Imada Red Flower Oil, Nin Jiom and Nin Jiom Herbal Candy, Pu Jie Anti-Cold Granules, and Kingworld Red Flower Dragon’s Blood Health Patches to numerous major temples and monasteries across various provinces and cities. These donations support the health of monks and promote public welfare.



* Propagate Buddhist teachings to general public and “Summer Retreat” activity

Additionally, the Group actively participated in traditional culture and sports events, supporting the successful hosting of dragon boat races in Yujiao Town, Jieyang City, and Nanshan District, Shenzhen City. The Group also sponsored events such as the Zhuzhou Marathon, Shenzhen Wuyuan Linked Happy Walk, and Shenzhen Street Football Invitational, contributing to the preservation of Chinese cultural heritage and promoting a healthy lifestyle.



* Dragon boat races in Yujiao Town

Management Discussion and Analysis



* Dragon boat races in Nanshan District



* Zhuzhou Marathon



* Shenzhen Street Football Invitational

Management Discussion and Analysis



* Shenzhen Wuyuan Linked Happy Walk

2. **Recruiting Professional Talent to Enhance Employee Skills and Problem-Solving Capabilities**

With changing consumer needs, especially from the Z Generation, who demand personalized and instant solutions, and the rapid advancement of generative artificial intelligence (GenAI) and digital marketing tools, the Group recognizes the importance of adapting to market changes. To enhance understanding of market dynamics, the Group emphasizes continuous learning and training for employees and adapts strategies to improve operational quality. In addition to internal training, the Group focuses on recruiting professionals with expertise to strengthen the management team and address challenges, aiding company performance. During the Reporting Period, the Group's Hong Kong and Shenzhen offices recruited experienced executives and conducted dozens of training sessions, with nearly a thousand attendees. These sessions covered product knowledge, intellectual property protection, marketing strategies, and onboarding for new employees, aimed at improving professional skills and market sensitivity, and expanding thinking and vision.

Through these efforts, the Group has enhanced employee skills, team cohesion, and overall competitiveness. The Group believes that continuous learning and growth are crucial for mutual success and form a key part of its long-term development strategy. The Group's "Kingworld Class", established in collaboration with Guangdong Food and Drug Vocational College, has been training excellent junior staff for over ten years.

The Group also continually optimizes its organizational structure and staffing plan to efficiently allocate talent and support strategic goals. It emphasizes talent acquisition through various channels, including recruitment, school-enterprise cooperation, headhunting, and internal promotions, to ensure a well-structured talent pool for core positions related to strategy, new products, and new channels. As of 30 June 2024, the Group employed a total of 747 staff, including 132 at the Shenzhen headquarters, 270 in 34 other regions handling sales and marketing, and 345 at Dong Di Xin.

Management Discussion and Analysis

3. *Strict Risk Management and Adaptability to Market Risks*

In the face of slowing economic growth, increased industry regulation, and weak demand, the Group has further strengthened operational risk management. Major investments are subject to scientific assessment, process improvement, and cautious optimism, with risk exit evaluations and contingency plans in place. For accounts receivable from core business operations, the Group implements strict management requirements, daily monitoring of payment collections, and actions such as halting deliveries and pursuing legal action for seriously overdue accounts.

To encourage the sales team to manage receivables proactively, the Group has improved its management systems, establishing multidimensional assessment and incentive mechanisms. Despite market uncertainties during the Reporting Period, the Group successfully maintained accounts receivable within reasonable periods, avoiding bad debts and ensuring stable operations. These measures have enhanced the Group's risk management capabilities and established a solid foundation for stable and sustainable development.

4. *Establishing a Data Center to Provide Value-Added Services to Customers*

The SMART information system developed by the Group over the past years has become a valuable tool for operational management and marketing strategies, guiding marketing activities and enhancing market responsiveness. To further improve communication efficiency with upstream and downstream customers, the Group plans to open parts of its database to key clients. This will share information on product distribution and sales across the entire supply chain, helping clients and the Group to identify market opportunities, address shortcomings, and boost sales performance. During the Reporting Period, the Group completed the first phase of its "Customer Value-Added Service Platform" system, which is currently in the stage of internal testing. Once in operation, this platform is expected to foster closer collaboration with clients.

Management Discussion and Analysis

FINANCIAL REVIEW

1. Revenue

Revenue of the Group for the six months ended 30 June 2024 amounted to approximately RMB526,088,000, representing a decrease of approximately RMB26,929,000 or 4.9% compared to approximately RMB553,017,000 for the six months ended 30 June 2023. The decrease was mainly due to the decrease in the revenue from distribution of imported branded pharmaceutical and healthcare products in China for the Reporting Period as compared to the six months ended 30 June 2023 as a result of the reduction of the positive effect from the market recovery from the lifting of the pandemic control measures. Such decrease was partially offset by the increase in sales of medical devices, including electrotherapy and rehabilitation equipment, manufactured by Dong Di Xin.

2. Cost of sales and gross profit margin

For the six months ended 30 June 2024, cost of sales of the Group amounted to approximately RMB388,828,000, representing a decrease of approximately RMB9,500,000 or 2.4% compared to approximately RMB398,328,000 for the six months ended 30 June 2023. The decrease in cost of sales was mainly due to the decrease in sales volume and the change of product mix. Gross profit margin decreased from 28.0% for the six months ended 30 June 2023 to 26.1% for the six months ended 30 June 2024 as a result of the increase in average unit cost of sales.

3. Other revenue, income and other losses, net

Other revenue, income and other losses, net mainly included rental income, interest income, promotion service income, government grants, change in fair value of financial assets at fair value through profit or loss, investment gain and exchange gain. For the six months ended 30 June 2024, other revenue, income and other losses, net amounted to approximately RMB4,222,000, representing a decrease of approximately RMB108,000 or 2.5% compared to approximately RMB4,330,000 for the six months ended 30 June 2023. Such decrease was mainly due to the increase in losses from the change in fair value of financial assets at fair value through profit or loss. Details of other revenue, income and other losses, net are set forth in Note (7) to the condensed consolidated financial statements.

4. Selling and distribution costs

For the six months ended 30 June 2024, selling and distribution costs amounted to approximately RMB48,565,000, representing a decrease of approximately RMB6,097,000 or 11.2% compared to approximately RMB54,662,000 for the six months ended 30 June 2023. This decrease was mainly due to the decreases in advertising expenses, delivery expenses and storage fee as a result of the decrease in sales volume for the Reporting Period.

5. Administrative expenses

For the six months ended 30 June 2024, administrative expenses amounted to approximately RMB42,708,000, representing a decrease of approximately RMB4,639,000 or 9.8% compared to approximately RMB47,347,000 for the six months ended 30 June 2023. This decrease was mainly due to the decrease in staff costs during the Reporting Period.

6. Profit from operations

For the six months ended 30 June 2024, profit from operations for the Group amounted to approximately RMB57,929,000, representing a decrease of approximately RMB2,276,000 or 3.8% compared to approximately RMB60,205,000 for the six months ended 30 June 2023. The decrease in profit from operations was mainly due to the decrease in gross profit, which was partially off-set by the decrease in selling and distribution costs and administrative expenses during the Reporting Period.

Management Discussion and Analysis

7. Finance costs

For the six months ended 30 June 2024, finance costs amounted to approximately RMB9,316,000, representing a decrease of approximately RMB144,000 or 1.5% compared to approximately RMB9,460,000 for the six months ended 30 June 2023. The decrease in finance costs was mainly due to the decrease in interest charged on bank loans as a result of a decrease in the average bank borrowings interest rate.

8. Profit before taxation

For the six months ended 30 June 2024, profit before taxation for the Group amounted to approximately RMB55,466,000, representing a decrease of approximately RMB2,189,000 or 3.8% compared to approximately RMB57,655,000 for the six months ended 30 June 2023. The decrease in profit before taxation was mainly due to the decrease in profit from operations.

9. Income tax

For the six months ended 30 June 2024, income tax for the Group amounted to approximately RMB9,846,000, representing a decrease of approximately RMB108,000 or 1.1% compared to approximately RMB9,954,000 for the six months ended 30 June 2023. The effective tax rate during the Reporting Period was 17.8%, compared to 17.3% for the six months ended 30 June 2023. Details of income tax are set forth in Note (9) to the condensed consolidated financial statements.

10. Profit for the period

As a result of the foregoing, for the six months ended 30 June 2024, profit for the period of the Group amounted to approximately RMB45,620,000, representing a decrease of approximately RMB2,081,000 or 4.4% compared to approximately RMB47,701,000 for the six months ended 30 June 2023.

11. Profit for the period attributable to owners of the Company

For the six months ended 30 June 2024, profit for the period attributable to owners of the Company amounted to approximately RMB30,716,000, representing a decrease of approximately RMB7,011,000 or 18.6% compared to approximately RMB37,727,000 for the six months ended 30 June 2023. The decrease was mainly due to the decrease in profit for the period from operation belongs to owners of the Company.

12. Liquidity and capital resources

The Group has met its working capital needs mainly through cash generated from operations and various short-to-long term bank borrowings. During the Reporting Period, the effective interest rate for fixed rate loans ranged from 3.00% to 8.35%. 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 interim report.

As at 30 June 2024, the Group had cash and cash equivalents of RMB287,235,000 (as at 31 December 2023: approximately RMB173,678,000) mainly generated from operations of the Group.

13. Cash flows

The Group's cash is primarily used to meet the demand of financing its working capital requirement, repaying interest and principal due on its indebtedness and providing funds for capital expenditures as well as growth and expansion of the Group's operations. During the Reporting Period, the Group's cash and cash equivalents increased by approximately RMB113,557,000.

Management Discussion and Analysis

14. Capital structure

Indebtedness

The total amount of the borrowings of the Group as at 30 June 2024 was approximately RMB375,461,000 (as at 31 December 2023: approximately RMB342,130,000). During the Reporting Period, the Group did not experience any difficulties in renewing its banking facilities with its lenders.

Gearing ratio

As at 30 June 2024, the Group's gearing ratio, calculated as the total interest-bearing bank borrowings, less cash and cash equivalents, divided by total equity multiplied by 100%, was 11.8% (as at 31 December 2023: 24.1%). The decrease in gearing ratio was mainly due to the increase in cash and cash equivalents, and total equity.

Pledge of assets

As at 30 June 2024, the Group had pledged investment properties, right-of-use assets, property, plant and equipment to certain banks in the amount of approximately RMB107,710,000, RMB98,421,000, and RMB18,835,000, respectively (as at 31 December 2023: the Group had pledged investment properties, right-of-use assets, property, plant and equipment to certain banks in the amount of approximately RMB99,990,000, RMB95,810,000, and RMB16,618,000, respectively).

Capital expenditure

The capital expenditures of the Group primarily included purchase of property, plant and equipment. The Group's capital expenditures amounted to approximately RMB54,919,000 and RMB87,368,000 for the Reporting Period and the six months ended 30 June 2023, respectively.

Foreign exchange risk

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

15. Contingent liabilities, legal and potential proceedings

As at 30 June 2024, the Group did not have any material legal proceedings or potential proceedings.

References are made to the paragraph headed "Litigation" in the 2015 Annual Report, the 2016 Annual Report, the 2017 Annual Report, the 2018 Annual Report, the 2019 Annual Report, the 2020 Annual Report, the 2021 Annual Report, the 2022 Annual Report and the 2023 Annual Report of the Company, the paragraph headed "Contingent liabilities, legal and potential proceedings" in the 2016 Interim Report, the 2017 Interim Report, the 2018 Interim Report, the 2019 Interim Report, the 2020 Interim Report, the 2021 Interim Report, the 2022 Interim Report and 2023 Interim Report of the Company, the announcement of the Company dated 24 October 2016 (the "**Announcement**"), the announcement of the Company dated 31 October 2016 (the "**Second Announcement**"), the announcement of the Company dated 10 August 2018 (the "**Third Announcement**"), the announcement of the Company dated 2 August 2019 (the "**Fourth Announcement**") and the announcement of the Company dated 17 January 2022 (the "**Fifth Announcement**") in relation to update on litigation. Unless otherwise defined, capitalised terms used in this paragraph shall have the same meanings as those defined in the Announcement, the Second Announcement, the Third Announcement, the Fourth Announcement and the Fifth Announcement. Based on the judgment (the "**2021 Judgment**") handed down by the Intermediate Court on 31 December 2021, the Intermediate Court ruled to dismiss all claims of the plaintiff of the first instance that the Substantial Shareholder shall not be required to transfer his 15% equity interest in Dong Di Xin to the plaintiff of the first instance, and Dong Di Xin shall not be required to undertake relevant assistance obligations.

The Company confirms that the 2021 Judgment did not and will not have any material adverse impact on the ordinary operations and financial positions of the Company and its subsidiaries. Please refer to the Fifth Announcement for further details. In June 2022, the Company received notification that the plaintiff applied to High People's Court of Guangdong Province for re-trial. As at the date of this report, the Guangdong Province Shenzhen Municipal People's Procuratorate (廣東省深圳市人民檢察院) had rejected the request for re-trial.

Management Discussion and Analysis

16. Major acquisitions and disposals

For the six months ended 30 June 2024, the Group did not make any material acquisition or disposal.

17. Going concern

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

FUTURE OUTLOOK

According to the “2023-2028 China Healthcare Industry Operation and Investment Planning Deep Research Report”, the global healthcare market has reached USD830 billion. Factors such as aging population, increasing health awareness, and rising government investments in healthcare are driving overall industry growth. The Chinese health supplement market, in particular, shows significant potential. Analysts from the China Business Industry Research Institute predict that sales of healthcare food products will further increase to RMB77.8 billion in 2024. The penetration rate of health supplements is notably high among individuals aged 45 and above, with over 20%, while it stands at 19% for those aged 24 and below. Future demand for health products is expected to rise among Millennials and Generation Z, who seek personalized and immediate solutions. GenAI is expected to align with consumer needs, providing more personalized health information, while there is a demand among consumers for healthcare products with support of scientific research and recommendations from doctors. iMedia Consulting forecasts that by 2027, the Chinese health supplement market size will increase to RMB423.7 billion.

Looking ahead, we will focus on the following key areas to achieve even greater success with our employees and partners:

1. Strategic Review and Dynamic Management Driven by Company Mission

Guided by our 50-50 strategic management framework, we will continually assess the impact of internal and external environmental changes on our core business. We will conduct semi-annual strategic reviews to evaluate the execution of key strategies, milestone goals, and sub-strategies. By objectively analyzing deviations and formulating improvement measures, we aim to steadfastly follow the direction set by our 50-50 strategy. Our commitment to technological innovation will enable us to provide high-quality products and services to consumers.

2. Empowering the Healthcare Industry with Global AI Development

The undeniable role of AI in advancing the healthcare market is clear. AI and big data systems are set to enhance diagnostic and treatment capabilities, improve intelligent service levels, and refine healthcare service systems, driving comprehensive industry transformation and upgrading. According to Frost & Sullivan, the market size of China’s healthcare AI industry is expected to reach RMB311 billion by 2032, with a CAGR of 46.6% from 2022 to 2032. Additionally, under the rapid development of GenAI, AIGC will facilitate online and offline marketing integration, upgrading e-commerce marketing, and delivering more precise product experiences and consumer insights. McKinsey predicts that GenAI could contribute USD60 to 110 billion in annual economic value to the pharmaceutical and healthcare sectors. The global healthcare products industry is also leveraging AIGC for creative production, reducing costs, and developing products tailored to human needs. The Group will actively utilize generative AI technology and big data systems for precise market targeting and closer consumer engagement, driving sales growth.

Management Discussion and Analysis

3. *Seizing Opportunities to Develop Key Products and Expand Sales*

Over the years, the Group has maintained a mutually trusted relationship with commercial partners, enabling us to consistently offer popular products. In 2024, the Group will introduce two major products: the Foci Kingworld An Gong Niu Huang Wan and Innopharm Heart Health Fish Oil. These high-potential products with substantial market capacity and high price points will leverage a robust marketing network to quickly reach consumers. We will also address the growing demand for health products driven by an aging population and develop effective medical and elderly care products.

4. *Developing the Longde Health Industrial Park into a National-level Pharmaceutical Incubation and Investment Base for the Bay Area*

As a critical base for science, industry, academia, and research in the Greater Bay Area's healthcare market, the Longde Health Industrial Park has successfully obtained relevant real estate certificates. We aim to establish the park as a national-level pharmaceutical incubation and investment base within the Greater Bay Area, focusing on health product R&D, technological innovation, modern logistics, and industry financing services. With increased cross-border mobility between Hong Kong and Mainland China, there will be a substantial demand for cross-border healthcare services, including primary and rehabilitative care. The "Elderly Medical Voucher Bay Area Pilot Program", proposed in the Chief Executive's 2023 Policy Address announced by John Lee, the Chief Executive of Hong Kong Special Administrative Region, plans to extend voucher applicability to suitable medical institutions in the Greater Bay Area starting in 2024, providing significant business opportunities. We will leverage the unified market in the Greater Bay Area to enhance the flow of medical resources and data across borders and accelerate the development of the Longde Health Industrial Park.



* Longde Health Industrial Park

Management Discussion and Analysis

5. Enhancing Corporate Culture to Strengthen Team Cohesion

Employees are the greatest asset of the company. With staff spread across the country, managing such a broad and diverse team is crucial. To address this, we use social media platforms like WeChat groups to organize employee activities, share major company events, and market updates, strengthening mutual understanding and relationship between employees and the company. Management is also required to maintain regular face-to-face interactions with staff to build trust. Additionally, the Group hosts various themed events at the headquarters each month, enriching employees' lives and fostering better interpersonal relationships. The Company promptly addresses significant events affecting employees, providing support and warmth, which has been highly appreciated by staff.



* Kingworld International Women's Day corporate culture activities



* Kingworld 2024 badminton competitions

Management Discussion and Analysis

HUMAN RESOURCES AND TRAINING

As at 30 June 2024, the Group had a total of 927 employees, of which 138 worked at the Group's headquarters in Shenzhen, and 420 were stationed in 34 other regions mainly responsible for sales and marketing, and 369 worked at Dong Di Xin. For the six months ended 30 June 2024, the Group's total remuneration paid to employees was approximately RMB66,559,000 (2023: approximately RMB73,441,000). The Group releases an annual sales guideline on a yearly basis, setting out the annual sales targets 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 targets.

During the Reporting Period, the Group adopted a people-oriented management approach 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 work efficiency 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 2024, 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	22,720,000	3.65%
	Interest of spouse	90,448,000	14.53%
	Interest of a controlled corporation	297,812,250	47.84%
Chan Lok San ^(Note 2)	Beneficial owner	448,000	0.07%
	Interest of spouse	320,532,250	51.49%
	Interest of a controlled corporation	90,000,000	14.46%
Zhou Xuhua ^(Note 3)	Beneficial owner	296,000	0.05%
	Interest of spouse	2,380,000	0.38%
Zhang Jianbin	Beneficial owner	248,000	0.04%
Duan Jidong	Beneficial owner	212,000	0.03%
Wong Cheuk Lam	Beneficial owner	212,000	0.03%

Notes:

1. In addition to 22,720,000 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 388,260,250 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) 448,000 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 448,000 shares held by Ms. Chan and 90,000,000 shares held by Golden Morning.

Other Information

2. Ms. Chan is deemed (by virtue of the SFO) to be interested in 410,980,250 shares in the Company. These shares are held in the following capacities:
 - (a) 448,000 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) 22,720,000 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 22,720,000 shares held by Mr. Zhao and the 297,812,250 shares held by Golden Land.
3. 296,000 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 2,380,000 shares in the Company held by his spouse, Ms. Huang Xiaoli.

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

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

As at 30 June 2024, 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 2024, none of the Directors is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Other Information

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

As at 30 June 2024, 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	22,720,000	3.65%
	Interest of spouse	90,448,000	14.53%
	Interest of a controlled corporation	297,812,250	47.84%
Chan Lok San ^(Note 2)	Beneficial owner	448,000	0.07%
	Interest of spouse	320,532,250	51.49%
	Interest of a controlled corporation	90,000,000	14.46%
Sinopharm Healthcare Fund L.P.	Beneficial owner	49,635,750	7.97%
Sinopharm Capital Limited ^(Note 3)	Interest of a controlled corporation	49,635,750	7.97%
Sun Hill Capital Investments Limited ^(Note 4)	Interest of a controlled corporation	49,635,750	7.97%
Wu Aimin ^(Note 5)	Interest of a controlled corporation	49,635,750	7.97%

Notes:

1. In addition to 22,720,000 shares which are beneficially owned by Mr. Zhao, Mr. Zhao is deemed (by virtue of the SFO) to be interested in 388,260,250 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) 448,000 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 448,000 shares held by Ms. Chan and 90,000,000 shares held by Golden Morning.

Other Information

2. Ms. Chan is deemed (by virtue of the SFO) to be interested in 410,980,250 shares in the Company. These shares are held in the following capacities:
 - (a) 448,000 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) 22,720,000 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 22,720,000 shares held by Mr. Zhao and the 297,812,250 shares held by Golden Land.
3. The corporate substantial shareholder notice filed by Sinopharm Capital Limited indicated that it controlled 1.79% interest in Sinopharm Healthcare Fund L.P.
4. The corporate substantial shareholder notice filed by Sun Hill Capital Investments Limited indicated that it controlled 100% interest in Sinopharm Capital Limited and indirectly controlled 1.79% interest in Sinopharm Healthcare Fund L.P.
5. The individual substantial shareholder notice filed by Wu Aimin indicated that he indirectly controlled 85% interest in Sun Hill Capital Investments Limited, 100% interest in Sinopharm Capital Limited and 1.79% interest in Sinopharm Healthcare Fund L.P.

Save as disclosed above, to the best knowledge of the Directors of the Company, as at 30 June 2024, 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 a share option scheme (the “**Share Option Scheme**”) for the purpose of providing incentives and rewards to eligible participants, including directors, eligible employees, consultants, suppliers, customers, and shareholders of any member of the Group or associated company or any of their respective associates, who contributed to the success of the Group. The Share Option Scheme was conditionally approved by a written resolution of the shareholders of the Company dated 5 November 2010. Details of the Share Option Scheme are set out in the Prospectus. Upon the expiration of the Share Option Scheme on 4 November 2020, on 20 August 2021, the Company has adopted the new share option scheme (the “**New Share Option Scheme**”) to provide incentives or rewards to eligible participants for their contribution to the Group and/or to enable the Group to recruit and retain high calibre employees and attract human resources that are available to the Group. For details of the New Share Option Scheme, please refer to the circular of the Company dated 27 July 2021.

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

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

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

- (b) The total number of shares issued and to be issued upon the exercise of options granted to each participant (including both exercised and outstanding options) under the New Share Option Scheme and any other share option schemes of the Company in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue.
- (c) The subscription price of a share in respect of any particular option granted under the New Share Option Scheme shall be a price solely determined by the Board and notified to the relevant participant and shall be at least the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average of the closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of the Company's shares on the date of grant of the option.
- (d) An option may be exercised in accordance with the terms of the New Share Option Scheme at any time during a period as the Board may determine, which shall not exceed 10 years from the date of grant subject to the provisions of early termination thereof.
- (e) Any grant of an option to a director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by the Independent Non-executive Directors (excluding any Independent Non-executive Director who is the grantee of the option).
- (f) The New Share Option Scheme shall be valid and effective for a period of ten years commencing on the Adoption Date (that is, 20 August 2021).

All share options granted under the Share Option Scheme were lapsed as at 31 December 2021. No share option was granted under the New Share Option Scheme during the Reporting Period.

Other Information

SHARE AWARD SCHEME

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

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

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

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

At the beginning and the end of the six months period ended 30 June 2024, the number of Shares available for grant under the scheme mandate of the Share Award Scheme were 46,000,000 and 46,000,000, respectively.

Up to 31 December 2023 and during the Reporting Period, the Trustee has purchased in aggregate of 35,108,000 and 6,000,000 shares of the Company, respectively, from the market for the purpose of the Share Award Scheme. The Board resolved to grant the Award with an aggregate of 6,648,000 Awarded Shares on 30 April 2024 to 86 Selected Participants under the Share Award Scheme at nil consideration, among which 2,692,000 Awarded Shares were granted to 20 Selected Participants who are Connected Grantees and 3,956,000 Awarded Shares were granted to 66 Selected Participants who are Non-connected Grantees. The Awarded Shares represent approximately 1.07% of the total issued share capital of the Company as at the Date of Grant (being 622,500,000 Shares). The closing price of the Shares on the Date of Grant was HK\$0.55 per Share and the average closing price of the Share for the five business days immediately preceding the Date of Grant was HK\$0.53 per Share. Subject to the acceptance by the Grantees, the Awarded Shares shall be vested in the Grantees on 30 April 2024. As such, at the beginning and the end of the six months period ended 30 June 2024, the Trustee holds 30,048,000 and 29,400,000 shares on trust for the Share Award Scheme, respectively. Please refer to the announcement of the Company dated 30 April 2024 and table below for further details.

Other Information

Name of Grantee/a description of the category of the Grantee	Date of Grant	Number of awards granted in the Reporting Period	Vesting Period	The closing price of the shares immediately before the date on which the awards were granted (HK\$ per share)	Number of awards vested in the Reporting Period	The number of awards cancelled in the Reporting Period together with the purchase price of the cancelled awards	The number of awards which lapsed in accordance with the terms of the scheme in the Reporting Period
Directors							
Mr. Zhao Li Sheng (趙利生)	30 April 2024	304,000	30 April 2024	0.55	304,000	nil	nil
Ms. Chan Lok San (陳樂樂)	30 April 2024	256,000	30 April 2024	0.55	256,000	nil	nil
Mr. Zhou Xuhua (周旭華)	30 April 2024	172,000	30 April 2024	0.55	172,000	nil	nil
Mr. Zhang Jianbin (張建斌)	30 April 2024	140,000	30 April 2024	0.55	140,000	nil	nil
Mr. Duan Jidong (段繼東)	30 April 2024	140,000	30 April 2024	0.55	140,000	nil	nil
Mr. Wong Cheuk Lam (黃焯琳)	30 April 2024	140,000	30 April 2024	0.55	140,000	nil	nil
Employees/Other Grantees (Excluding the Directors)							
Employees/Other Grantees	30 April 2024	5,496,000	30 April 2024	0.55	5,496,000	nil	nil

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

CAPITAL COMMITMENT

As at 30 June 2024, the Group had capital commitment of approximately RMB87,706,000 (as at 31 December 2023: approximately RMB141,678,000).

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 interim report, at least 25% of the 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 29 May 2024, the Company declared a final dividend for the year ended 31 December 2023 of HK\$3.38 cents per share, amounting to approximately HK\$21,041,000 (equivalent to approximately RMB19,049,000) to the shareholders of the Company. The dividend was fully paid on 30 June 2024 by the internal cash resources of the Company.

The Board resolved not to recommend the payment of any interim dividend for the six months ended 30 June 2024 (2023: 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 C1 to the Listing Rules, and adopted various measures to enhance the internal control system, the Directors' continuing professional training and other areas of practice of the Company. While the Board strives to maintain a high level of corporate governance, it also works hard to create value and achieve maximum return for its shareholders. The Board will continue to conduct review and improve the quality of corporate governance practices with reference to local and international standards.

During the Reporting Period, the Company complied with the code provisions as set out in the CG Code, in force during the Reporting Period other than code provisions C.2.1 and B.2.4(b) of the CG Code.

According to code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Currently, Mr. Zhao 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.

According to code provision B.2.4(b) of the CG Code, where all independent non-executive directors of an issuer have service more than nine years on the board, the issuer should appoint a new independent non-executive director on the board at the forthcoming annual general meeting starting from the financial year commencing on or after 1 January 2023.

With a view to fulfilling the requirements under Code provision B.2.4(b), Dr. Chu Xiaoping has been appointed as an independent non-executive Director with effect from 1 September 2024. For details, please refer to the announcement of the Company dated 30 August 2024.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules (the "**Model Code**") as its own code governing securities transactions of the Directors. After having made specific enquiries with all Directors, all Directors have confirmed that they have complied with the required standards set out in the Model Code 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 is 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 financial information in this interim report has not been audited by the auditor of the Company. The Audit Committee has reviewed the unaudited condensed consolidated interim financial statements, the unaudited results announcement and this interim report of the Company for the six months ended 30 June 2024 with the management of the Group and agreed with the accounting treatments adopted by the Company, and was of the opinion that the preparation of the financial statements in this interim report complies with the applicable accounting standards and the requirements under the Listing Rules and adequate disclosures have been made.

EVENTS AFTER THE REPORTING PERIOD

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

DISCLOSURE OF INFORMATION

The interim report for the six months ended 30 June 2024 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, 28 August 2024

Consolidated Statement of Profit or Loss

FOR THE SIX MONTHS ENDED 30 JUNE 2024 - UNAUDITED

	Note	Six months ended 30 June	
		2024 (unaudited) RMB'000	2023 (unaudited) RMB'000
Revenue	4	526,088	553,017
Cost of sales		(388,828)	(398,328)
Gross profit		137,260	154,689
Other revenue	7(a)	6,483	6,317
Other income and other losses, net	7(b)	(2,261)	(1,987)
Selling and distribution costs		(48,565)	(54,662)
Administrative expenses		(42,708)	(47,347)
Amortisation of intangible assets		–	(135)
Valuation gain on investment properties		7,720	3,330
Profit from operations		57,929	60,205
Finance costs	8(a)	(9,316)	(9,460)
Share of profit of a joint venture		6,391	6,576
Share of profit of an associate		462	334
Profit before taxation	8	55,466	57,655
Income tax	9	(9,846)	(9,954)
Profit for the period		45,620	47,701
Attributable to:			
Owners of the Company		30,716	37,727
Non-controlling interests		14,904	9,974
Profit for the period		45,620	47,701
Earnings per share	11		
Basic (RMB cents)		5.20	6.38
Diluted (RMB cents)		5.20	6.38

The accompanying notes form part of these unaudited interim financial report.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE SIX MONTHS ENDED 30 JUNE 2024 - UNAUDITED

	Six months ended 30 June	
	2024 (unaudited) RMB'000	2023 (unaudited) RMB'000
Profit for the period	45,620	47,701
Other comprehensive income for the period		
<i>Items that will not be reclassified to profit or loss:</i>		
Fair value gain on financial assets	9,537	–
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of entities outside the PRC	2,186	13,767
	11,723	13,767
Total comprehensive income for the period	57,343	61,468
Attributable to:		
Owners of the Company	42,439	51,494
Non-controlling interests	14,904	9,974
Total comprehensive income for the period	57,343	61,468

The accompanying notes form part of these unaudited interim financial report.

Consolidated Statement of Financial Position

AS AT 30 JUNE 2024 - UNAUDITED

	Note	30 June 2024 (unaudited) RMB'000	31 December 2023 (audited) RMB'000
Non-current assets			
Right-of-use assets	12(a)	110,049	107,438
Property, plant and equipment	12(b)	350,458	278,279
Investment properties	13	128,339	120,619
Goodwill		90,693	90,693
Interest in a joint venture		72,973	66,582
Interests in associates		9,773	9,667
Financial assets at fair value through other comprehensive income		80,152	68,576
Financial assets at fair value through profit or loss		7,180	7,180
		849,617	749,034
Current assets			
Inventories		118,209	117,628
Trade and other receivables	14	241,691	276,959
Financial assets at fair value through profit or loss		14,864	20,351
Cash and cash equivalents		287,235	173,678
		661,999	588,616
Current liabilities			
Contract liabilities		56,126	57,172
Trade and other payables	15	276,507	192,954
Bank loans		220,531	191,663
Lease liabilities		6,420	6,366
Income tax payable		15,099	15,377
		574,683	463,532
Net current assets		87,316	125,084
Total assets less current liabilities		936,933	874,118
Non-current liabilities			
Bank loans		154,930	150,467
Lease liabilities		6,541	5,930
Deferred tax liabilities		18,767	18,369
		180,238	174,766
NET ASSETS		756,695	699,352
CAPITAL AND RESERVES			
Share capital	16	53,468	53,468
Reserves		608,005	565,566
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		661,473	619,034
NON-CONTROLLING INTERESTS		95,222	80,318
TOTAL EQUITY		756,695	699,352

The accompanying notes form part of these unaudited interim financial report.

Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 30 JUNE 2024 - UNAUDITED

Attributable to equity shareholders of the Company										
	Share capital	Share premium	Statutory and discretionary reserves	Fair value reserve	Exchange reserve	Capital reserve	Retained profits	Total	Non-Controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2024	53,468	139,408	48,641	(22,494)	(20,673)	(21,162)	441,846	619,034	80,318	699,352
Changes in equity for the six months ended 30 June 2024										
Profit for the period	—	—	—	—	—	—	30,716	30,716	14,904	45,620
Other comprehensive income for the period	—	—	—	—	9,537	2,186	—	11,723	—	11,723
Total comprehensive income for the period	—	—	—	—	9,537	2,186	30,716	42,439	14,904	57,343
At 30 June 2024 (unaudited)	53,468	139,408	48,641	(22,494)	(11,136)	(18,976)	472,562	661,473	95,222	756,695
At 1 January 2023	53,468	139,408	48,641	(4,609)	(24,597)	(14,405)	417,671	615,577	78,638	694,215
Changes in equity for the six months ended 30 June 2023										
Profit for the period	—	—	—	—	—	—	37,727	37,727	9,974	47,701
Other comprehensive income for the period	—	—	—	—	13,767	—	—	13,767	—	13,767
Total comprehensive income for the period	—	—	—	—	13,767	—	37,727	51,494	9,974	61,468
Shares purchased for the share award scheme	—	—	—	—	—	2,330	—	2,330	—	2,330
At 30 June 2023 (unaudited)	53,468	139,408	48,641	(4,609)	(10,830)	(12,075)	455,398	669,401	88,612	758,013

The accompanying notes form part of these unaudited interim financial report.

Condensed Consolidated Statement of Cash Flows

FOR THE SIX MONTHS ENDED 30 JUNE 2024 - UNAUDITED

	Six months ended 30 June	
	2024 (unaudited) RMB'000	2023 (unaudited) RMB'000
Net cash generated from operating activities	163,362	88,758
Net cash used in investing activities	(76,033)	(94,606)
Net cash generated from financing activities	24,194	18,493
Net increase in cash and cash equivalents	111,523	12,645
Cash and cash equivalents at 1 January	173,678	242,155
Effect of foreign exchange rate changes	2,034	1,766
Cash and cash equivalents at 30 June	287,235	256,566

The accompanying notes form part of these unaudited interim financial report.

Notes to the Unaudited Interim Financial Report

FOR THE SIX MONTHS ENDED 30 JUNE 2024 - UNAUDITED

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 unaudited interim financial report has been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Hong Kong Accounting Standard 34 Interim Financial Reporting (the “**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

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

This unaudited interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of the events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2023 annual financial statements. The condensed consolidated financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), which term collectively includes HKASs and Interpretations issued by the HKICPA.

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

3. MATERIAL ACCOUNTING POLICIES AND DISCLOSURES

Other than new accounting policies resulting from application of amendments to HKFRS, the accounting policies and methods of computation used in the condensed consolidated interim financial statements for the six months ended 30 June 2024 are the same as those presented in the Group’s consolidated financial statements for the year ended 31 December 2023.

In the current period, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2024, for the preparation of the Group’s condensed consolidated interim financial statements:

Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 and Non-current Liabilities with Covenants</i>
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>
Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i>

The Group has not applied any new standard or amendment that is not yet effective for the current accounting period. Except as described below, the application of the amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated interim financial statements.

Notes to the Unaudited Interim Financial Report

FOR THE SIX MONTHS ENDED 30 JUNE 2024 - UNAUDITED

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 Reporting Period.

	Six months ended 30 June	
	2024 (unaudited) RMB'000	2023 (unaudited) RMB'000
Sales of		
– pharmaceutical products	356,306	366,196
– healthcare products	55,876	77,850
– medical devices	113,906	108,971
	526,088	553,017
Timing of revenue recognition		
– A point in time	526,088	553,017

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.

- Distribution sales of pharmaceutical and healthcare products: this segment distributes and sells branded imported pharmaceutical and healthcare products primarily in Hong Kong and the PRC.
- Manufacturing and sales of electrotherapeutic and physiotherapeutic devices and general medical examination devices: this segment manufactures and sells electrotherapeutic and physiotherapeutic devices and general medical examination devices. Currently, the Group's activities in this regard are primarily carried out in the PRC.

Notes to the Unaudited Interim Financial Report

FOR THE SIX MONTHS ENDED 30 JUNE 2024 - UNAUDITED

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 Reporting 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			
	2024 (unaudited) RMB'000	2023 (unaudited) RMB'000	2024 (unaudited) RMB'000	2023 (unaudited) RMB'000	2024 (unaudited) RMB'000	2023 (unaudited) RMB'000	2024 (unaudited) RMB'000	2023 (unaudited) RMB'000
For the six months ended 30 June								
Revenue from external customers	15,621	25,627	396,561	418,419	113,906	108,971	526,088	553,017
Inter-segment revenue	1,794	2,943	4,968	5,242	—	—	6,762	8,185
Reportable segment revenue	17,415	28,570	401,529	423,661	113,906	108,971	532,850	561,202
Reportable segment profit/(loss) (adjusted EBITDA)	(1,872)	579	59,829	61,323	30,634	29,307	88,591	91,209
	30 June 2024 (unaudited) RMB'000	31 December 2023 (audited) RMB'000	30 June 2024 (unaudited) RMB'000	31 December 2023 (audited) RMB'000	30 June 2024 (unaudited) RMB'000	31 December 2023 (audited) RMB'000	30 June 2024 (unaudited) RMB'000	31 December 2023 (audited) RMB'000
Reportable segment assets	55,521	49,448	611,773	544,851	392,029	349,144	1,059,323	943,443
Reportable segment liabilities	34,175	28,896	376,045	317,951	75,126	63,521	485,346	410,368

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	
	2024 (unaudited) RMB'000	2023 (unaudited) RMB'000
Reportable segment profit derived from the Group's external customers and joint venture	88,591	91,209
Depreciation and amortisation	(19,026)	(18,791)
Finance costs	(9,316)	(9,460)
Unallocated head office and corporate expenses	(4,783)	(5,303)
Consolidated profit before taxation	55,466	57,655

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FOR THE SIX MONTHS ENDED 30 JUNE 2024 - UNAUDITED

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. OTHER REVENUE, INCOME AND OTHER LOSSES, NET

	Six months ended 30 June	
	2024 (unaudited) RMB'000	2023 (unaudited) RMB'000
(a) Other revenue		
Total interest income on financial assets not at fair value through profit or loss:		
Bank interest income	779	734
Gross rental income from investment properties	1,064	1,248
Dividend income from financial assets at fair value through other comprehensive income	141	145
Promotional service income	4,499	4,190
	6,483	6,317
(b) Other income and other losses, net		
Government grants (note)	3,196	816
Change in fair value of financial assets at fair value through profit or loss	(6,048)	(1,610)
Exchange loss, net	(546)	(303)
Others	1,137	(890)
	(2,261)	(1,987)
Total	4,222	4,330

Note: Government grants were awarded to the Group by the local government agencies as incentives primarily to encourage the development of the Group and the contribution to the local economic development. There was no unfulfilled conditions attached to these grants.

Notes to the Unaudited Interim Financial Report

FOR THE SIX MONTHS ENDED 30 JUNE 2024 - UNAUDITED

8. PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2024 (unaudited) RMB'000	2023 (unaudited) RMB'000
(a) Finance costs		
Total interest expense on financial liabilities not at fair value through profit or loss:		
Interest on bank loans	8,990	9,044
Interest on lease liabilities	326	416
	9,316	9,460
(b) Other items		
Amortisation of other intangible assets	—	135
Cost of inventories sold	388,828	398,328
Staff costs	66,559	73,441
Depreciation of property, plant and equipment	5,826	6,289
Amortisation of right-of-use assets	5,218	5,098
Rental income from investment properties less direct outgoings of RMB159,000 (six months ended 30 June 2023: RMB173,000)	(905)	(1,075)
Research and development cost	6,742	6,433
Payment for share award scheme expense	3,509	2,330

9. INCOME TAX

	Six months ended 30 June	
	2024 (unaudited) RMB'000	2023 (unaudited) RMB'000
Hong Kong Profits Tax		
Current period	(884)	(938)
PRC Enterprise Income Tax		
Current period	10,730	10,892
	9,846	9,954

Notes to the Unaudited Interim Financial Report

FOR THE SIX MONTHS ENDED 30 JUNE 2024 - UNAUDITED

9. INCOME TAX (Continued)

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) On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of assessable profits of qualifying corporations will be taxed at 8.25%, and assessable profits above HK\$2 million will be taxed at 16.5%. The assessable profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The two-tiered profits tax rates regime is applicable to the Group for the six months ended 30 June 2024 and 2023.
- iii) The PRC Enterprise Income Tax charge of the Group during the six months ended 30 June 2024 and 2023 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**”) are based on a statutory rate of 25% (six months ended 30 June 2023: 25%), except for Dong Di Xin, which is based on a preferential income tax rate of 15% (six months ended 30 June 2023: 15%).
- iv) Under the New EIT Law and its implementation rules, dividends receivable by non-PRC resident enterprises from PRC resident enterprises are subject to withholding tax at a rate of 10% unless reduced by tax treaties or agreements. Under the Agreement between the Mainland China and Hong Kong Special Administration Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion, or Mainland China/HKSAR DTA, Hong Kong corporate tax residents which hold 25% or more of a PRC enterprise are entitled to a reduced dividend withholding tax rate of 5%. Pursuant to CaiShui [2008] No. 1 Notice on Certain Preferential Enterprise Income Tax Policies, undistributed profits generated prior to 1 January 2008 are exempted from such withholding tax. Accordingly, dividends receivable by the Group’s investment holding company in Hong Kong from the PRC subsidiaries in respect of profits earned since 1 January 2008 will be subject to 5% withholding tax.

10. DIVIDENDS

The Company’s directors did not recommend the payment of an interim dividend for the six months ended 30 June 2024 and 2023.

Notes to the Unaudited Interim Financial Report

FOR THE SIX MONTHS ENDED 30 JUNE 2024 - UNAUDITED

11. 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	
	2024 (unaudited) RMB'000	2023 (unaudited) RMB'000
Profit for the period attributable to owners of the Company	30,716	37,727

(ii) Weighted average number of ordinary shares

	Six months ended 30 June	
	2024 (unaudited)	2023 (unaudited)
Weighted average number of ordinary shares in issue	622,500,000	622,500,000
Effect of shares repurchased and held under share award scheme	(31,688,791)	(31,143,425)
Weighted average number of ordinary shares for the purpose of basic earnings per share	590,811,209	591,356,575

(b) Diluted earnings per share

Diluted earnings per share for the six months ended 30 June 2024 and 2023 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 2024 and 2023. As the conversion or exercise of the share options would have an anti-dilutive effect on earnings per share, the calculation of diluted earnings per share does not assume conversion or exercise of potential ordinary shares of the share options.

Notes to the Unaudited Interim Financial Report

FOR THE SIX MONTHS ENDED 30 JUNE 2024 - UNAUDITED

12. RIGHT-OF-USE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

(a) Acquisitions and disposals of Right-of-use assets

During the six months ended 30 June 2024, 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 RMB240,000 (six months ended 30 June 2023: RMB99,000).

(b) Acquisitions of property, plant and equipment

During the six months ended 30 June 2024, the Group acquired items of property, plant and equipment with a cost of approximately RMB54,919,000 (six months ended 30 June 2023: RMB87,368,000).

13. INVESTMENT PROPERTIES

	RMB'000
Fair value	
At 1 January 2024	120,619
Fair value adjustment	7,720
At 30 June 2024 (unaudited)	128,339

- (a) The Group's investment properties were revalued as at 30 June 2024 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, Hong Kong Appraisal Advisory Limited, who amongst their staff have members of the Hong Kong Institute of Surveyors with recent experience in the location and category of 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 30 June 2024.
- (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 RMB99,990,000 (as at 31 December 2023: RMB99,990,000) have been pledged to secure general banking facilities granted to the Group (Note 17).

Notes to the Unaudited Interim Financial Report

FOR THE SIX MONTHS ENDED 30 JUNE 2024 - UNAUDITED

14. TRADE AND OTHER RECEIVABLES

The Group generally granted credit terms ranging from 30 days to 120 days to its customers. 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 2024 (unaudited) RMB'000	At 31 December 2023 (audited) RMB'000
0-90 days	75,212	87,093
91-120 days	8,183	—
121-180 days	68	105
181-365 days	35	60
Total trade receivables, net of allowance for doubtful debts	83,498	87,258
Bills receivables	62,822	65,276
Other receivables	39,475	46,216
Amount due from a related party	158	416
Amount due from an associate	3,037	4,744
Amount due from a joint venture	11,434	15,002
Financial assets at amortised cost	200,424	218,912
Prepayments	9,208	11,677
Trade and other deposits	7,239	7,914
Trade deposits to related parties	18,747	22,566
Value-added tax recoverable	6,073	15,890
	241,691	276,959

Notes to the Unaudited Interim Financial Report

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15. TRADE AND OTHER PAYABLES

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

	At 30 June 2024 (unaudited) RMB'000	At 31 December 2023 (audited) RMB'000
0-90 days	142,622	139,202
91-180 days	9,693	9,461
Total trade payables	152,315	148,663
Accruals	7,087	6,683
Amount due to an associate	—	158
Amounts due to related parties	3,712	3,624
Other payables and customer deposits	102,039	33,826
Dividend payable	11,354	—
	276,507	192,954

16. 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 2023, 31 December 2023 (audited), 1 January 2024 and 30 June 2024 (unaudited)	10,000,000	1,000,000	877,900
Issued and fully paid:			
Ordinary shares of HK\$0.1 each			
At 1 January 2023, 31 December 2023 (audited), 1 January 2024 and 30 June 2024 (unaudited)	622,500	62,250	53,468

Notes to the Unaudited Interim Financial Report

FOR THE SIX MONTHS ENDED 30 JUNE 2024 - UNAUDITED

17. PLEDGE OF ASSETS

The following assets of the Group have been pledged to secure the banking facilities granted:

	At 30 June 2024 (unaudited) RMB'000	At 31 December 2023 (audited) RMB'000
Investment property	107,710	99,990
Right-of-use assets	98,421	95,810
Property, plant and equipment	18,835	16,618

In addition to the above, as at 30 June 2024 and 31 December 2023, the Group has pledged 90% equity interest in a subsidiary to secure a banking facility granted to the Group.

18. 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 unaudited interim financial report 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.

Notes to the Unaudited Interim Financial Report

FOR THE SIX MONTHS ENDED 30 JUNE 2024 - UNAUDITED

18. FINANCIAL INSTRUMENTS (Continued)

Fair value (Continued)

Fair value hierarchy (Continued)

	Fair value measurements as at 30 June 2024 categorised into				Fair value measurements as at 31 December 2023 categorised into			
	Fair value at 30 June 2024 RMB'000 (unaudited)	Level 1 RMB'000 (unaudited)	Level 2 RMB'000 (unaudited)	Level 3 RMB'000 (unaudited)	Fair value at 31 December 2023 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	20,860	—	—	20,860	20,281	—	—	20,281
– Listed securities	59,292	59,292	—	—	48,295	48,295	—	—
Financial assets at fair value through profit or loss								
– Unlisted equity investments	7,180	—	—	7,180	7,180	—	—	7,180
– Listed securities	14,864	14,864	—	—	20,351	20,351	—	—

During the six months ended 30 June 2024 and the year ended 31 December 2023, 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.

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18. FINANCIAL INSTRUMENTS (Continued)

Fair value (Continued)

Fair value hierarchy (Continued)

The following table presents the changes in level 3 instruments for the six months ended 30 June 2024 and 2023.

	Unlisted equity investments at fair value through other comprehensive income RMB'000	Unlisted equity investments at fair value through profit or loss RMB'000	Total RMB'000
At 1 January 2023	14,364	6,792	21,156
Exchange adjustment	—	—	—
At 30 June 2023 (unaudited)	14,364	6,792	21,156
At 1 January 2024	20,281	7,180	27,461
Exchange adjustment	579	—	579
At 30 June 2024 (unaudited)	20,860	7,180	28,040

Notes to the Unaudited Interim Financial Report

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19. CAPITAL COMMITMENTS

Capital commitments of the Group at the end of the reporting period are as follows:

	At 30 June 2024 (unaudited) RMB'000	At 31 December 2023 (audited) RMB'000
Contracted but not provided for in respect of		
– Property, plant and equipment	18,889	26,983
Authorised but not contracted for	68,817	114,695
	87,706	141,678

Apart from the above, the Group did not have other significant capital commitments as at 30 June 2024 and 31 December 2023.