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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

RESULTS HIGHLIGHTS

- Turnover increased by 8.1% to approximately RMB713,548,000 (2014: RMB660,323,000).
- Gross profit increased by 45.1% to approximately RMB226,777,000 (2014: RMB156,310,000).
- Gross profit margin reached 31.8%, increased by 8.1% (2014: 23.7%).
- Profit before taxation increased by 5.5% to approximately RMB51,322,000 (2014: RMB48,667,000).
- Profit for the year ended 31 December 2015 increased by 4.0% to approximately RMB39,387,000 (2014: RMB37,865,000).
- Basic earnings per share decreased by 21.9% to approximately RMB4.74 cents (2014: RMB6.07 cents).
- The Board recommended the distribution of a final dividend of HK1.53 cents per share for the year ended 31 December 2015 (2014: HK1.92 cents), subject to the approval of the shareholders of the Company in the forthcoming annual general meeting to be held on Monday, 30 May 2016.

The board (the "**Board**") of directors (the "**Directors**") of Kingworld Medicines Group Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2015 (the "**Year Under Review**") and selected explanatory notes, together with the comparative figures of the corresponding year in 2014 as follows:

Consolidated Statement of Profit or Loss

For the year ended 31 December 2015

	Note	**2015**	2014
		RMB'000	RMB'000
Revenue	4	**713,548**	660,323
Cost of sales		**(486,771)**	(504,013)
Gross profit		**226,777**	156,310
Valuation gain on investment properties		**11,900**	3,610
Other revenue and other net loss	5	**(1,516)**	23,005
Selling and distribution costs		**(101,473)**	(87,734)
Administrative expenses		**(69,273)**	(45,890)
Amortisation of intangible assets		**(17,262)**	—
Profit from operations		**49,153**	49,301
Finance costs	6 (a)	**(15,738)**	(6,873)
Share of profit of a joint venture		**17,907**	6,239
Profit before taxation	6	**51,322**	48,667
Income tax	7	**(11,935)**	(10,802)
Profit for the year		**39,387**	37,865
Attributable to:			
Owners of the Company		**31,205**	37,865
Non-controlling interests		**8,182**	—
Profit for the year		**39,387**	37,865
Earnings per share	9		
Basic (RMB cents)		**4.74**	6.07
Diluted (RMB cents)		**4.74**	6.07

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	2015	2014
	RMB'000	RMB'000
Profit for the year	**39,387**	37,865
Other comprehensive income/(loss) for the year		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements	**(2,039)**	(357)
Available-for-sale investments: Change in fair value	**1,513**	—
	(526)	(357)
Total comprehensive income for the year (net of tax)	**38,861**	37,508
Attributable to:		
Owners of the Company	**29,601**	37,508
Non-controlling interests	**9,260**	—
Total comprehensive income for the year	**38,861**	37,508

Consolidated Statement of Financial Position

At 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
Non-current assets			
Property, plant and equipment		**15,811**	5,121
Investment properties		**107,880**	92,420
Interest in a joint venture		**62,940**	45,033
Deposit paid for property, plant and equipment		**75,000**	75,000
Goodwill		**90,693**	—
Intangible assets		**116,165**	—
Available-for-sale financial assets		**9,609**	—
		478,098	217,574
Current assets			
Inventories		**79,005**	70,016
Trade and other receivables	10	**287,110**	417,774
Available-for-sale financial assets		**86,296**	—
Other financial asset		**4,604**	—
Financial assets at fair value through profit or loss		**14,040**	—
Pledged bank deposits		**—**	84,097
Cash and bank balances		**132,478**	230,028
		603,533	801,915
Current liabilities			
Trade and other payables	11	**159,047**	186,062
Other financial liability		**16,362**	—
Bank loans		**167,560**	228,677
Liability component of mandatorily convertible bonds		**4,155**	7,277
Current taxation		**17,059**	12,868
		364,183	434,884
Net current assets		**239,350**	367,031
Total assets less current liabilities		**717,448**	584,605
Non-current liabilities			
Liability component of mandatorily convertible bonds		**—**	3,326
Deferred tax liabilities		**30,182**	10,304
		30,182	13,630
NET ASSETS		**687,266**	570,975

	Note	2015	2014
		RMB'000	RMB'000
CAPITAL AND RESERVES			
Share capital		**53,468**	53,468
Reserves		**537,918**	517,507
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**591,386**	570,975
NON-CONTROLLING INTERESTS		**95,880**	—
TOTAL EQUITY		**687,266**	570,975

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1. GENERAL INFORMATION

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

The Company is an investment holding company. The Company and its subsidiaries 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. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules").

The HKICPA has issued certain new and revised HKFRSs which are first effective or available for early adoption for the current accounting year of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting years reflected in these financial statements.

b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2015 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in a joint venture.

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

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair values:

- investment properties;
- other financial asset;
- other financial liability;
- financial instruments classified as available-for-sale or as trading securities; and
- financial assets at fair value through profit or loss

c) Segment reporting

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

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

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised HKFRSs issued by the HKICPA.

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the new or amended HKFRSs are discussed below:

Amendments to HKAS 19, Employee benefits: Defined benefit plans: Employee contributions

The amendments introduce a relief to reduce the complexity of accounting for certain contributions from employees or third parties under defined benefit plans. When the contributions are eligible for the practical expedient provided by the amendments, a company is allowed to recognise the contributions as a reduction of the service cost in the period in which the related service is rendered, instead of including them in calculating the defined benefit obligation. The amendments do not have an impact on these financial statements as the Group does not have any defined benefit plans.

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

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, HKAS 24, Related party disclosures has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group's related party disclosures as the Group does not obtain key management personnel services from management entities.

4. Revenue

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

	2015	2014
	RMB'000	RMB'000
Sales of		
– pharmaceutical products	**444,023**	611,200
– healthcare products	**128,389**	49,123
– medical devices	**141,136**	—
	713,548	660,323

5. OTHER REVENUE AND OTHER NET LOSS

	2015	2014
	RMB'000	RMB'000
Other revenue		
Total interest income on financial assets not at fair value through profit or loss:		
Bank interest income	**4,313**	2,100
Interest from available-for-sale financial investments	**4,033**	—
Gross rental income from investment properties	**2,740**	2,302
Promotional service income	**10,630**	19,730
Government grant (note)	**466**	4,800
Others	**578**	14
	22,760	28,946
Other net loss		
Net foreign exchange loss	**(17,255)**	(5,941)
Change in fair value of financial assets at fair value through profit or loss	**(2,634)**	—
Change in fair value of other financial asset	**(2,573)**	—
Change in fair value of other financial liability	**(1,814)**	—
	(24,276)	(5,941)
Total other revenue and other net loss	**1,516**	23,005

Note: Government grant was 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.

6. PROFIT BEFORE TAXATION

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

		2015	2014
		RMB'000	RMB'000
a)	**Finance costs**		
	Total interest expense on financial liabilities not at fair value through profit or loss:		
	Interest on bank loans	**14,468**	6,813
	Interest imputed on the liability component of mandatorily convertible bonds	**1,270**	60
		15,738	6,873
b)	**Staff costs (including directors' and chief executive's remuneration)**		
	Salaries and other benefits	**58,974**	37,837
	Contributions to defined contribution retirement plan	**7,573**	5,663
		66,547	43,500
c)	**Other items**		
	Amorisation for intangible assets	**16,666**	—
	Auditor's remuneration		
	– audit service	**976**	691
	– non-audit services	**1,274**	894
	Cost of inventories	**486,771**	504,013
	Depreciation	**3,814**	1,724
	Impairment losses on trade receivables	**145**	—
	Reversal of impairment loss on trade receivables	**—**	(45)
	Write-off of other receivables	**(10)**	—
	Loss on disposal of property, plant and equipment	**40**	21
	Operating lease charges in respect of land and buildings	**5,355**	5,575
	Rental income from investment properties less direct outgoings of RMB139,000 (2014: RMB129,000)	**(2,740)**	(2,173)
	Research and development cost	**7,415**	—

Notes:

(i) Cost of inventories includes approximately RMB19,915,000 (2014: Nil) relating to staff costs, depreciation and operating lease rentals, which are included in the respective total amounts disclosed separately above.

7. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Income tax in the consolidated statement of profit or loss represents:

	2015	2014
	RMB'000	RMB'000
Hong Kong Profits tax		
– Current year	**5,601**	642
PRC Income tax		
– Current year	**6,201**	9,228
– Under-provision in respect of prior years	**—**	30
	6,201	9,258
Deferred tax		
– Origination and reversal of temporary differences	**133**	902
	11,935	10,802

i) Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

ii) The provision for Hong Kong Profits Tax for the years ended 31 December 2015 and 31 December 2014 is calculated at 16.5% of the estimated assessable profits for the year.

iii) The PRC income tax charge of the Group during the year ended 31 December 2015 represented mainly the PRC income tax charge of the Group's subsidiary, Shenzhen Kingworld Medicine Company Limited ("SZ Kingworld") and is based on a statutory rate of 25% (2014: 25%), except for a newly acquired PRC subsidiary, Shenzhen Don Di Xin Technology Company Limited, which is based on a preferential income tax rate of 15%.

8. DIVIDENDS

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

	2015 **RMB'000**	2014 RMB'000
Final dividend proposed after the end of the reporting period of HK1.53 cents (equivalent to RMB1.28 cents) (2014: HK1.92 cents (equivalent to RMB1.51 cents)) per ordinary share	**7,968**	9,400
	7,968	9,400

The final dividend for the year ended 31 December 2015 proposed after the end of the reporting period is subject to approval by the Company's shareholders in the forthcoming annual general meeting. It has not been recognised as a liability at the end of the reporting period.

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

	2015 **RMB'000**	2014 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK1.92 cents (equivalent to approximately RMB1.51 cents) (2014: HK3.86 cents (equivalent to approximately RMB3.03 cents))	**9,400**	18,862

9. 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:

	2015	2014
	RMB'000	RMB'000
Earnings		
Profit for the year attributable to owners of the Company	**31,205**	37,865
Interest imputed on the liability component of mandatorily convertible bonds	**1,270**	60
Earnings for the purpose of basic earnings per share	**32,475**	37,925

	2015	2014
	'000	'000
Number of shares		
Weighted average number of ordinary shares in issue	**622,500**	622,500
Effect of weighted average number of ordinary shares to be issued upon the conversion of mandatorily convertible bonds*	**62,250**	2,558
Weighted average number of ordinary shares for the purpose of basic earnings per share	**684,750**	625,058

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

b) Diluted earnings per share

Diluted earnings per share for the year ended 31 December 2015 was the same as the basic earnings per share because the exercise price of the share options granted was higher than the weighted average market price of the Company's shares during the period from the date of grant of share options to 31 December 2015.

Diluted earnings per share for the year ended 31 December 2014 was the same as the basic earnings per share because there were no dilutive potential ordinary shares outstanding during the year.

10. TRADE AND OTHER RECEIVABLES

	2015 RMB'000	2014 RMB'000
Trade and bills receivables (note (b))	**176,184**	361,510
Less: Impairment losses of trade and bills receivable	**(4,726)**	(4,591)
	171,458	356,919
Other receivables	**27,271**	12,733
Other loan	**45,446**	—
Amount due from a director	**2,914**	2,853
Loans and receivables	**247,089**	372,505
Prepayments	**23,275**	22,548
Trade and other deposits	**964**	15,812
Trade deposits to related parties	**15,782**	6,909
	287,110	417,774

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

b) Ageing analysis

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

	2015 RMB'000	2014 RMB'000
0-90 days	**132,703**	326,940
91-180 days	**23,094**	20,167
181-365 days	**15,412**	9,321
More than 1 year	**249**	491
	171,458	356,919

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

11. TRADE AND OTHER PAYABLES

	2015	2014
	RMB'000	RMB'000
Trade payables (note (b))	**116,386**	157,172
Accruals	**10,314**	4,818
Other payables	**22,087**	21,848
Financial liabilities measured at amortised cost	**148,787**	183,838
Trade deposits received	**10,260**	2,224
	159,047	186,062

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

b) Ageing analysis

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

	2015	2014
	RMB'000	RMB'000
0-90 days	**116,386**	148,676
91-180 days	**—**	8,496
	116,386	157,172

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET AND INDUSTRY REVIEW

1. Transformation of pharmaceutical industry created challenges and opportunities

In the past decade, the development of pharmaceutical industry in China went through several cycles. From 2004 to 2011, the general industry experienced rapid growth driven by the favourable government policies. From 2011 to 2013, the industry further divided as a result of policy changes. Since 2014, the further deepening of health care reform has caused in unprecedented changes in industrial policy. As a result, business scope of listed companies in the industry becomes more specific with numerous new business models and frequent mergers and acquisitions. The pharmaceutical industry entered a new era full of challenges and opportunities.

2015 was a year of transformation for the pharmaceutical industry. Various industry policies were promulgated with regard to the market reform of the medical market, reforms on tiered medical services, approval system for drugs and medical devices and drug prices, protection of Chinese medicines a well as Internet + pharmaceuticals. The industry experienced a wave of reforms. Numerous opportunities and challenges were exposed to the overall policy environment of the pharmaceutical industry and the development of enterprises, driving the upgrade of industrial innovation.

Since the National Health and Family Planning Commission laid out the key missions for the year on 12 January 2015, the medical and health care reform was implemented on a full scale. At the same time, the Third Plenary of the 18th Central Committee of the Party confirmed the importance of market reform of the medical market, which focused on the allocation of resources based on market demand and enhancing the operational efficiency of the pharmaceutical industry. Therefore, with rapid expansion of market scale and more intensified competition, China's pharmaceutical industry has entered a new era of rapid and significant division, adjustment and restructuring. Various outstanding pharmaceutical enterprises in the industry seek to build up distinctive operations and grasp development opportunities in the new round of medical and healthcare reforms.

The implementation of these policies is conducive to the business development of the Group. In particular, the Group is able to price its products based on market condition after the implementation of drug price reform.

2. Operation of the industry was further standardized with strengthened drug quality control

In 2015, pursuant to the requirements of the Party Central Committee and the State Council to apply "the most stringent standards, the most rigorous regulation, the most severe punishment, and the most serious accountability to ensure food and drug safety for the people", the China Food and Drug Administration performed verification of clinical trial data and established a long-term effective mechanism to ensure authentic and reliable clinical trial data, which aimed to enhance the supervision and examination of drug production and ensure the safety and efficiency of drugs at the source in order to protect public health.

Since the implementation of self-examination and inspection of clinical trial data, plenty of applications for drug registration involving several hundred pharmaceutical enterprises have been withdrawn, indicating that the entry barrier of China's pharmaceutical market has become higher and the quality standards of drugs as well as the standardized operation of the industry further improve.

Products currently sold by the Group are premium products of high quality produced in various countries which have passed the examination by relevant state authorities when being imported. Therefore, the policy is favourable to the sale of the Group.

3. Industry of Internet + pharmaceuticals rapidly expanded, forming the new trend of comprehensive online services

Since the promulgation of the "Consultation Draft on the Administration over Internet Food and Drug Operation" (《互聯網食品藥品經營監督管理辦法 (徵求意見稿) 》) by China Food and Drug Administration in May 2014, various national policies have been introduced to fully support the Internet-ization of pharmaceutical industry in China. As a result, pharmaceutical enterprises, internet enterprises and social capital actively participated in the development and expansion of pharmaceutical e-commerce, thus promoting the transformation of pharmaceutical distribution system in China.

Following the debut of Internet + pharmaceuticals in 2014, online medical services, such as purchasing medicines and seeking medical advice online, developed rapidly. Various online medical services and products were further integrated and distributed in 2015, forming the new trend of comprehensive internet medical services for the medical treatment and medication of the general public.

According to the statistics of iResearch, the market capitalization of B2C pharmaceutical e-commerce in China grew explosively from 2009 to RMB16.06 billion in 2015, representing an annual growth rate of 58.9%. Besides, the transaction amount of pharmaceutical e-commerce in China rose by about 60% in 2015, much higher than the overall growth rate of around 40% of the general e-commerce market. In future, the pharmaceutical e-commerce market in China will continue to experience exponential growth driven by various factors including the upgrade of Internet technologies, the transformation of business models of traditional pharmaceutical enterprises, the support of social capital and the change of consumption habits of the people. The Group has fully recognized the exponential growth of the Internet + pharmaceuticals and is mapping out the business on the Internet.

4. Maternity and childcare market benefited from the universal two-child policy

On 27 December, 2015, the Standing Committee of the National People's Congress approved the Amendments to the Law on Population and Family Planning (人口與計劃生育法修正案), which was formally implemented on 1 January 2016. According to the industry report of Huatai Securities, driven by this policy, new births in China may increase by around 1 to 2 million every year. The total number of newborn babies is expected to exceed 20 million in 2018, which may lead to consumption of approximately RMB120 billion to RMB160 billion.

The implementation of the "two-child policy" in 2013 boosted the rapid growth of China's maternity and childcare market. According to the E-commerce Report of China's Baby Trade Industry for 2014 (中國母嬰行業二零一四年線上數據洞察報告) of iResearch, the market capitalization of the children-babies-maternity industry in China was RMB1,430 billion in 2013 and exceeded RMB2,000 billion in 2015. Besides, the e-commerce for maternity and childcare also embraced robust growth. According to the monitoring data publicized by China e-Business Research Center, the market capitalization of maternity and childcare e-commerce business was about RMB65 billion in 2013, and then sharply increased to approximately RMB200 billion in 2014. Since significant capital flowed to the market and the industry expanded dramatically in 2014, China has become the second largest consumer of child, baby and maternity products in the world only to the United States.

In future, supported by the full implementation of two-child policy, we believe that the e e-commerce, medical and healthcare markets for mothers and babies and other relevant markets will experience explosive growth. The policy is favourable to the sales of various maternity and childcare products of the Group, such as Culturelle probiotic series of the USA.

5. Increasing public awareness on healthcare provides promising prospect for medical device market

In recent years, the growth potential of medical device market is increasingly apparent as the purchasing power of consumers around the world has been increasing and the demand for healthcare becomes higher due to aging population. According to the statistics of European Commission on Medical Devices (歐盟醫療器械委員會), the total sales of global medical device market increased rapidly from US$290 billion in 2006 to US$559.1 billion in 2014, representing a CAGR of 8.82%, which exceeded the GDP growth rate of the same period. With regard to the domestic industry, the statistics released by Askci on 5 August, 2015 showed that in the first half of 2015, the accumulated operating income of the medical device industry in China amounted to RMB108.092 billion and the accumulated total profit amounted to RMB9.244 billion, representing an increase of 12.05% and 4.71%, respectively, both of which were higher than the average growth rate of the overall pharmaceutical manufacturing industry.

With more intensified competition in the medical device industry, mergers and acquisitions and capital operation among large medical device enterprises have become more frequent. Excellent domestic medical device manufacturers have placed greater emphasis on the profound research of the general market and demand of customers, thus further advancing the research and development of medical device products, promoting the overall industrial development and presenting a promising prospect.

BUSINESS REVIEW

1. Further enhancing coverage and management of terminals to improve profitability of the Group

For the year ended 31 December 2015, with respect to the sales strategies, the Group further increased the market share of all core products of the Group by fully integrating terminals and product resources through optimizing the diversified sales structure of its products, expanding the coverage of the distribution network, introducing new products of high quality, improving pricing of and display of products in major terminals, and strengthening the cooperation with major chains. In the meantime, the Group successfully explored and developed market for its new products through effective marketing and promotion plans and deployment of distribution channels. Significant growth in market share of the new products was achieved and the overall profitability of the Group and its comparative advantage was further strengthened.

During the Year Under Review, the Group had a total of 300 primary distributors and 321 sub-distributors throughout China (including Hong Kong and Macau), covering over 200,000 retail stores and including more than 4,419 product display booths.

With respect to the core products of the Group, namely Nin Jiom (京都念慈菴) series of products, the Group further consolidated the channel control on that series of products during the year. Focus was placed on the prices at terminals, cooperation with the top 100 chains and regional chains, maintenance of product display and the integrated marketing of the products. However, the expiration of the import registration licence for Nin Jiom Chuan Bei Pei Pa Koa (京都念慈菴川貝枇杷膏) on 14 March 2015 affected the supply of goods in the PRC market. As the Group had anticipated such effect, the sales structure of products was adjusted timely to increase the sales of Nin Jiom Chuan Bei Pei Pa Candies (念慈菴枇杷糖). Nin Jiom Chuan Bei Pei Pa Koa was bundled with Nin Jiom Chuan Bei Pei Pa Candies for sales, which ensured the reasonable growth of the market share for Nin Jiom Chuan Bei Pei Pa Candies during the Year Under Review. For the year ended 31 December 2015, sales of Nin Jiom Chuan Bei Pei Pa Koa was approximately RMB299,143,000, representing a decrease by 41.1% when comparing to the same period in 2014. Sales of Nin Jiom Chuan Bei Pei Pa Candies was approximately RMB26,857,000, representing an increase by 30.3% when comparing to the same period in 2014.

With respect to Taiko Seirogan (喇叭牌正露丸), another popular product of the Group, the Group continued to stabilize the channel price of the product in Grade A markets (Fujian and Guangdong) and consolidate its channel control so as to enhance its market coverage in the second and third tier cities during the Year Under Review. The overall sales of the product for the year increased. Moreover, the Group also focused on the development of that product by launching them in chain stores and increasing the volume of products available for sales in non-Grade A markets. Staff training and promotion through e-commerce channels to consumers were strengthened so that the recognition and influence of the brand were further elevated. For the year ended 31 December 2015, the sales of Taiko Seirogan (喇叭牌正露丸) was approximately RMB49,644,000, a decrease of 21.9% as compared with the same period of 2014.

With respect to the third major category of the Group's products –"External Use Medication category", which includes Imada Red Flower Oil, Flying Eagle Wood Lok Medicated Oil and Mentholatum Menthol Cream, the Group strengthened the building of sales terminals for this category of products during the year. Market pricing and distribution strategies were enhanced. The coverage of terminal network in the second and third tier cities were further expanded upon the in-depth penetration at developed markets, so as to realize maximum market coverage of the products. In addition, the Group carried out various marketing campaigns for the targeted consumer groups to improve the brand reputation and image of Imada Red Flower Oil and Flying Eagle Wood Lok Medicated Oil. However, the normal supply of Imada Red Flower Oil was affected as its manufacturers conducted GMP modification during the Year Under Review. For the year ended 31 December 2015, the sales of Imada Red Flower Oil reached RMB13,333,000, an increase of 99.9% as compared with the same period of 2014; the sales of Flying Eagle Wood Lok Medicated Oil reached RMB41,905,000, an increase of 590.5% as compared with the same period of 2014; the sales of Mentholatum Menthol Cream reached RMB31,048,000, an increase of 24.4% as compared with the same period of 2014.

The fourth major category of the Group's products –"Maternal and child product series", which includes Culturelle probiotic series product from USA (美國康萃樂益生菌), BRAINSTRONG Prenatal DHA (BRAINSTRONG孕婦DHA), FATBLASTER slimming coconut water from Australia (澳洲減肥瘦身品牌菲拉思德椰子水), BLACKMORES fish oil (澳佳寶魚油), FUYUNHON body care products and milk formula of WIOM (渥恩嬰兒奶粉), were benefited from the increasing interest in healthcare of the public and the implementation of the two-child policy of China. The Group noticed the tremendous potential of those types of products in the consumption market of China, and expanded its efforts in the introduction of those products, marketing and promotion, nurturing of targeted markets and terminal sales so as to effectively achieve higher market share during the year. With respect to the market terminal network of those types of products, the Group utilized the combination of online and offline channels, with coordination and interactions between Hong Kong, Macau and Mainland China and selective joint key terminal market strategies to create a multi-dimensional coverage of the terminal network of new products. As such, the annual sales income grew significantly and the overall sales income structure of the Group was optimized. For the year ended 31 December 2015, the sales of Culturelle probiotic series product from USA reached RMB92,775,000, an increase of 227.0% comparing to the same period of 2014; the sales of BLACKMORES fish oil (澳佳寶魚油) reached RMB1,190,000; the sales of BRAINSTRONG Prenatal DHA (BRAINSTRONG孕婦DHA), FATBLASTER coconut water (菲拉思德椰子水) and other new health products also recorded a remarkable growth.

2. **Introducing new quality brands to enrich the product profile of the Group**

In 2015, the Group continued to target quality health products from the global market suitable for its positioning in health segment and operating features. The successful introduction of various targeted products enriched the profile of products distributed by the Group. The Group was committed to import more overseas quality health products to China's market in order to satisfy the diversified needs of the public regarding health products.

During the Year Under Review, the Group successfully introduced products of excellent quality such as BRAINSTRONG Prenatal DHA (BRAINSTRONG孕婦DHA), FATBLASTER slimming coconut water from Australia (澳洲減肥瘦身品牌菲拉思德椰子水), BLACKMORES fish oil (澳佳寶魚油) and Fuyunhon body care products after the introduction of Culturelle probiotic (康萃樂益生菌) and milk formula of WIOM (渥恩嬰兒奶粉), and strategically established Hong Kong-Macau-Mainland China cross-border online platforms and offline retail terminals according to the market needs to promote the rapid development of new products in line with the healthcare concept of the Group.

As at 31 December 2015, the examination and introduction of new products and negotiation with manufacturers were in progress.

3. **Fully implemented Key Account ("KA") chain cooperation to enhance regional market management**

During the Year Under Review, the Group fully implemented the KA chain cooperation with key terminals, which mainly focused on the distribution through the first-class commercial platform as well as direct supply, in order to optimize resources allocation, strengthen the management of marketing process, effectively expand the penetration of products in end markets and increase the market coverage of products distributed by the Group.

In addition, the Group continued to enhance the management of 38 regional markets in the PRC and implement the strategies of refining market allocation during the year. Pursuant to the strategies, it continued to manage key regional markets, promoted the sound and steady growth of regional markets and accelerated the growth of emerging regional markets so as to increase the efficiency of regional sales of the Group and achieve good growth of sales.

4. Proactively seized the opportunities of Internet + pharmaceuticals development and established e-commerce Internet platform

For the year ended 31 December 2015, due to the ever-changing consumption habit of the public and the rapid development of Internet + pharmaceutical industry of the PRC, the Group actively grasped the business growth opportunities brought by e-commerce platforms. Leveraging on its diversified product profile, the Group exerted efforts to develop its the e-commerce platform, especially for the cross-border e-commerce business. During the year, the Group opened flagship stores on various comprehensive mainstream cross-border e-commerce platforms, including Tmall, JD.com, Suning.com, Vip.com and Yihaodian; and professional e-commerce platforms of beibei.com, muyingzhijia, jumei.com, and shenba.com. Meanwhile, the products of the Group gained access to new e-commerce platforms such as Shenzhen Qianhai Cross-boarder E-commerce Platform (深圳前海跨境電商平台) and GMCA which effectively facilitated the growth of online sales of the Group. In addition, the Cuturelle probiotic product portfolio for children successfully gained access to the Baby Kingdom, a large one-stop online shopping platform of maternity and childcare in Hong Kong, marking a breakthrough for the Hong Kong online platform with positive market feedbacks.

Leveraging on the expansion of the highly-effective e-commerce platform, targeted marketing and promotion strategies and effective e-commerce service system, for the year ended 31 December 2015, the sales of cross-border e-commerce of the Group recorded a remarkable growth.

In addition, during the year, efforts were made to establish the mega health cross-border e-commerce platform of Kingworld Health Family. On 25 November 2015, the Group entered into a strategic cooperation agreement with Shenzhen SJET Technology Company Limited, according to which, B2B2C Platform of Kingworld Health Family shall be established on the SJET Technology Sunshine procurement website (創捷科技陽光採購網) to leverage on the competitive edges of Internet technology and pharmaceutical resources of both parties as well as the strategic advantages of Qianhai, and jointly build a comprehensive e-commerce platform integrating cross-border e-commerce of health products, mobile Internet, financial integrated application of supply chain and innovative marketing value-added service. As at the end of the year, the establishment of the platform and online preparation work was under sound progress.

During the Year Under Review, the Group joined the "Daily Health Alliance" founded by the cooperating party. Through Tianwei TV, multi-screen interaction will be formed occupying the TV channels and hence, the customers. This will create medical and healthcare ecology on the Internet jointly with "Internet + Healthcare + Venture Partners", providing the public with safe, healthy and quality products and services.

5. **Smooth progress of mergers and acquisitions and investment projects which diversified the sources of revenue**

In respect of mergers and acquisitions, the Group completed the change of its shareholding in Dong Di Xin on 13 February 2015. Pursuant to the agreement, the Group acquired 55% equity interest in such company at a consideration of RMB189,366,892. Through this acquisition, the Group officially entered into the global market of pharmaceutical health electronic products and further expanded the health segment in order to achieve diversified development of product profile and sources of revenue.

During the Year Under Review, the Group appointed management staff to station in Dong Di Xin to coordinate both parties for the work arrangements in respect of business operation and strategic planning; assist the management of such company in the development of China's market; and supervise and provide reasonable suggestions and opinions in respect of corporate governance, business operation, use of capital and financial conditions so as to maximize the strategic benefits of the partnership and ensure the fulfilment of profit targets for 2015 by the company for the Group as stated in the agreement.

In respect of investment projects, the Group entered into a partnership agreement with Sinopharm Capital Limited (as the general partner of Sinopharm Fund) during the Year Under Review. Pursuant to the agreement, the Group committed to invest US$5,000,000 (approximately HK$38,900,000) in subscribing approximately 3.33% total interests in Sinopharm Fund. Sinopharm Fund has been established in the Cayman Islands as an exempted limited partnership with the primary objective of investing in public and private companies in the healthcare industry, including but not limited to pharmaceutical manufacturing, medical equipment, medical research, healthcare service, medical service and healthcare, that are organized and/or operating in the Greater China, or with a significant nexus to Greater China. The Group broadened the investment portfolio and expanded the income base, enriched the resources of investment projects, and consolidated the close association between the Group and Sinopharm Fund through such investment.

In addition, the Group acquired 15% equity interest of Dong Hua Tong and provided a shareholder's loan with total amount of HK$54,929,000 to indirectly participate in the Miquel Alimentació Project of Spain (西班牙米蓋爾項目) and Manassen Foods Australia Project (澳大利亞瑪納森項目) during the Year Under Review. Miquel Alimentació was a leading corporate in Spain engaging in food distribution and wholesale, brand operation and management of supply chain. Manassen Foods Australia was a diversified food company which owned or distributed more than 70 brands of local and world-renowned food retailers and gourmet suppliers. Its business channels covered retail business, catering services, industry and export. Such investment would provide the Group with business opportunities in the sale and distribution of food and healthcare products in the PRC or elsewhere and in turn, further extend the product offerings of the Group, with a view to broaden the Group's revenue base and to enhance its profitability.

In respect of subscribing new shares, the Group subscribed 2,302,000 allocated shares of Chuangmei Pharmaceutical (stock code: 2289 HK) at the offer price of HK$8.6 per share at a consideration of approximately HK$20 million during the year ended 31 December 2015. Chuangmei Pharmaceutical was one of the main distributors of the Group. The partnership between both parties was lasting and stable. The company has engaged in the distribution of pharmaceutical products since 2000 and it is the third largest private pharmaceutical distributor in Southern China, distributing 5,756 types of products including Western medicine, prepared Chinese medicines, healthcare products, Chinese traditional medicinal materials, Chinese medicine crude slices, pharmaceutical equipments and cosmetics. The Group aimed to increase income and further consolidated its partnership with such company to achieve sharing of resources, synergies and mutual benefits through the subscription of the new shares.

6. Full implementation of strategic cooperation to facilitate business development in diversified fields

During the Year Under Review, the Group entered into a strategic cooperation agreement with Sinopharm Capital. In-depth integration was conducted with respect to products, channels and terminals according to the agreement. In addition, Sinopharm Capital provided support to the Group in terms of capital operation and marketing activities through recommending opportunities for merger and acquisition projects in the industry, and sharing resources of pharmaceutical conferences and exhibitions. By leveraging on the distribution capacity and advantages of Sinopharm Group, the Group strengthened and expanded the distribution channels in the pharmaceutical and health care industry of China during the year. Business development as a whole was facilitated and the strategic cooperation and synergy effect was fully capitalized.

7. Focused on brand and public welfare promotion to increase its market influence

To support its enriching product profile and fast expanding sales network in new markets, the Group carried out diversified marketing and promotion strategies during the Year Under Review. The promotion through public media platform such as television and radio broadcast, outdoor and print media was strengthened. The media platforms owned by the Group which included its official website and Weibo as well as the official WeChat accounts of the Group, Kingworld Health Family and Kingworld Business School were also used for promotion. The Group actively organized and participated in various exhibitions, pharmaceutical trade fairs and other large-scale industry-related exhibitions, and conducted cooperation with several influential and professional maternal and infant care online platforms such as Babytree, Ma Ma Bang and i123.com in order to realize synergetic promotion model between online and offline as well as domestic and overseas platforms of the Group, thus effectively increasing the reputation of its products and brand influence.

In addition, by adhering to the corporate mission of "serving the community and healing the souls", the Group established the "Kingworld Care and Health Foundation" and actively participated in various public welfare and charitable activities during the year in order to better contribute and serve the society, duly perform its social responsibilities and build up a positive healthcare brand image of Kingworld.

MANAGEMENT REVIEW

1. Completed the building of data platform to enhance efficiency of operation and management

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

In addition, in order to adhere to the trend in the development and application of mega data in the future and improve efficiency in business operation and management, the Group replaced the existing ERP system with SAP ERP system during the year. SAP is the most advanced business management software and solutions in the world and provides comprehensive solutions for data processing and optimization of procedures for a variety of industries and companies of all sizes. The system includes an integrated and unified platform for financial accounting, business management, master data management and human resources management. During implementation of the project, the Group established a project team comprising senior management as leaders, mid-level key staff and key business personnel as group leaders and key users and the execution team as consultant. The team formulated project management regulations and organized regular meetings and conferences to promptly solve problems occurred during implementation of the project and continuously optimize corporate procedures. After the SAP system is fully brought online, the Group will establish a data processing management centre supported by SAP ERP so as to keep track of market changes, formulate more effective, centralised and professional sales management strategies, and upgrade management and supervision effectiveness.

2. Improved the performance appraisal and granted share options to eligible participants

For the year ended 31 December 2015, the Group conducted a performance appraisal for its sales staff based on the achievement of business targets including the expansion of distribution network, acceleration of proactive sales of the products, comprehensive management of major terminal stores and seamless link of flow from sales. The Group executed an award and incentive scheme for all sales staff in China based on the above criteria. An open and transparent allocation mechanism was formed to stimulate working enthusiasm and efficiency of the Group's staff, which significantly increased the market coverage and sales of all products of the Group. In addition, the Group officially granted share options to certain eligible participants pursuant to the share option scheme during the year. By providing rewards to qualified staff, the Group motivated all staff to contribute to the development of the Group and provided opportunities to staff to share the fruitful achievements so as to enhance the solidarity of the Group and further enhance its holistic development.

3. Kingworld Business School achieved fruitful results by continuous recruitment and cultivation of talents

During the Year Under Review, the Group continued to focus on recruiting talents, enhancing internal training and strengthening its human resources. In line with its strategic development framework comprising development through learning, school-enterprise cooperation and business services, Kingworld Business School enhanced the school-enterprise cooperation by establishing a school-enterprise cooperation system and provided diversified trainings on business services based on its corporate culture, brand and marketing system. It also established an integrated training system targeting all levels of staff.

During the Year Under Review, the Group furthered its cooperation with the Guangdong Food and Drug Vocational College to organise Kingwood order classes (2013/2014/2015) so as to recruit, cultivate and provide talents at the base level for the online and offline businesses of the Group. In addition, during the year, the Company achieved satisfactory result in its cooperation with Guangzhou Medical University. The two parties entered into an official school-enterprise cooperation agreement in October 2015 and opened Kingworld special training classes (2012/2013) at Guangzhou Medical University so as to recruit, cultivate and provide talents for the business and marketing development of the Group.

Furthermore, the Group also established the Kingworld "WeChat College" during the Year Under Review to provide training activities through learning, examination, social interaction and sharing via WeChat, allowing staff to have an in-depth study of the marketing advantage and development trend of the "WeChat Seller" in relation to e-commerce, so as to timely grasp the opportunities to develop business in such segment for sales growth of the Group.

In the future, the Group will continue to strengthen its cooperation with key customers by organizing the second phase of Twenty Million Dollars Zen Club to enhance their recognition for the Company.

HONOR

During the Year Under Review, the Group and its products had received the following honors:

- In January 2015, the Group was awarded as "2014 Credited Member" by Guangzhou Zhongshan University Lingnan Industry & Commerce Entrepreneur Society;
- In March 2015, according to the custom figures, the Group was elected as Top Hundred Import Enterprises of 2014 Chinese Medicines by China Chamber of Commerce for Import & Export of Medicines & Health Products;
- In May 2015, Kingworld Care and Health Foundation sponsored EMBA Lingnan School of Zhongshan University to participate in the Tenth Xuan Zang Road Gobi Challenge of School of Business;
- In May 2015, the Group was listed in the "Credit Shenzhen Accredited Enterprises List" by Shenzhen Credit Association;
- In June 2015, the Group received honorary title as "2014 Guangdong Trustworthy Enterprise" by Guangdong Province Administration for Industry & Commerce;
- In November 2015, was awarded"Most Investment Value Award"by 2015 Leading Entrepreneurs Annual Meeting;
- In December 2015, the Group acted as the authorised sponsor of medicated oil for external use and service provider of medical stations for 2015 Shenzhen International Marathon and 2015 Shantou Marathon.

FINANCIAL REVIEW

1. Turnover

Turnover of the Group for the Year Under Review was approximately RMB713,548,000, representing an increase of approximately RMB53,225,000, or 8.1% compared to approximately RMB660,323,000 for the year ended 31 December 2014. The increase was mainly as a result of the turnover consolidated from Dong Di Xin which was acquired on 13 February 2015 and the increase in sales of Culturelle which was partyly off-set by the decrease in sales of Nin Jiom Chuan Bei Pei Pa Koa.

2. Cost of sales

For the Year Under Review, cost of sales for the Group amounted to approximately RMB486,771,000, representing a decrease of approximately RMB17,242,000 or 3.4% when compared to that of approximately RMB504,013,000 for the year ended 31 December 2014. The decrease in cost of sales was due to the increase in gross profit margin. Gross profit margin increased substantially from 23.7% for the year ended 31 December 2014 to 31.8% for the year ended 31 December 2015 as a result of the increase in turnover of the higher margin products such as Culturelle and the higher gross profit margin from Dong Di Xin during the Year Under Review.

3. Other revenue

Other revenue mainly included promotional service income, rental income, commission income, government grant and interest income. For the Year Under Review, other revenue amounted to approximately RMB22,760,000, representing a decrease of approximately RMB6,186,000 or 21.4% when compared to that of approximately RMB28,946,000 for the year ended 31 December 2014. This decrease was mainly due to the decrease in promotional service income of approximately RMB9,100,000 which was partially off-set by the increase of bank interest income of approximately RMB6,246,000 respectively.

4. Other net loss

Other net loss was mainly comprised of net foreign exchange loss. For the Year Under Review, other net loss amounted to approximately RMB21,642,000, representing an increase of RMB15,701,000 or 264.3% when compared to that of approximately RMB5,941,000 for the year ended 31 December 2014. This increase in other net loss was mainly due to the increase in foreign exchange loss as a result of the depreciation of Renminbi during the Year Under Review.

5. Selling and distribution costs

For the Year Under Review, selling and distribution costs amounted to approximately RMB101,473,000, which had increased by approximately RMB13,739,000 or 15.7% when compared to that of approximately RMB87,734,000 for the year ended 31 December 2014. This increase was primarily attributable to an increase in bonus expenses of approximately RMB4,879,000, transportation cost of approximately RMB1,088,000, loading charges of approximately RMB2,436,000 and staff costs of approximately RMB3,272,000. The increase was mainly as a result of the fact that many post vacancies in 2014 were filled up during the Year Under Review and the selling and distribution costs consolidated from Dong Di Xin.

6. Administrative expenses

For the Year Under Review, administrative expenses amounted to approximately RMB69,273,000, which had increased by approximately RMB23,383,000 or 51.0% when compared to that of approximately RMB45,890,000 for the year ended 31 December 2014. For the Year Under Review, rental expenses was approximately RMB3,117,000, administrative staff costs was approximately RMB11,412,000 and legal and professional fees was approximately RMB4,018,000, which comprised mainly of financial reporting costs of the Company and legal advisory and consultancy fees (2014: rental expenses was approximately RMB2,584,000, administrative staff costs was approximately RMB17,531,000 and legal and professional fees was approximately RMB5,378,000). This increase was mainly due to the administrative expenses consolidated from Dong Di Xin.

7. Profit from operations

For the Year Under Review, profit from operations for the Group amounted to approximately RMB49,153,000, which had decreased by approximately RMB148,000 or 0.3% when compared to that of approximately RMB49,301,000 for the year ended 31 December 2014. Decrease in profit from operations was mainly due to the amortisation of intangible assets arising from acquisition of Dong Di Xin and the increase in the overall operating expenses which was partly off-set by the increase in gross profit for the Year Under Review.

8. Finance costs

For the Year Under Review, finance costs amounted to approximately RMB15,738,000, representing an increase in approximately RMB8,865,000 or 129.0% when compared to that of approximately RMB6,873,000 for the year ended 31 December 2014. The increase was mainly due to the increase in interest charged on bank loans and convertible bonds.

9. Profit before taxation

For the Year Under Review, profit before taxation for the Group amounted to approximately RMB51,322,000, which had increased by approximately RMB2,655,000 or 5.5% when compared to that of approximately RMB48,667,000 for the year ended 31 December 2014. Increase in share of profit of a joint venture of approximately RMB17,907,000 which was partly off-set by the increase in finance costs for the Year Under Review.

10. Income tax

For the Year Under Review, profit tax expenses for the Group amounted to approximately RMB11,935,000, which had increased by approximately RMB1,133,000 or 10.5% when compared to that of approximately RMB10,802,000 for the year ended 31 December 2014. This increase was mainly due to the increase in profit before tax. The effective tax rate for the Year Under Review was 23.3% when compared to 22.2% for the year ended 31 December 2014.

11. Profit for the year

For the Year Under Review, profit for the year of the Group amounted to approximately RMB39,387,000, which increased by approximately RMB1,522,000 or 4.0% when compared to that of approximately RMB37,865,000 for the year ended 31 December 2014. Increase in profit for the year was mainly due to the increase in profit before tax of approximately RMB2,655,000 which was partly off-set by the increase in income tax expenses of approximately RMB1,133,000 for the Year Under Review.

ANALYSIS OF MAJOR BALANCE SHEET ITEMS

1. Trade and other receivables

Trade and bills receivables of the Group include credit sales that the Group's distributors should pay for the Group's products. Other receivables of the Group include prepayments, deposits and other receivables. Trade and other receivables of the Group as at 31 December 2015 amounted to RMB287,110,000, which had decreased by RMB130,664,000 when compared to trade and other receivables as at 31 December 2014 which amounted to approximately RMB417,774,000. As at 31 December 2015, trade receivables and bills receivables of the Group amounted to approximately RMB69,074,000 and RMB102,384,000 respectively, representing a decrease of RMB62,791,000 and decrease of RMB122,670,000 respectively when compared to trade receivables and bills receivables of approximately RMB131,865,000 and RMB225,054,000 as at 31 December 2014 respectively.

2. Inventories

As at 31 December 2015, inventories owned by the Group amounted to approximately RMB79,005,000, representing a increase of RMB8,989,000 when compared to that of RMB70,016,000 as at 31 December 2014. The main reason of increase in inventories was the increase in inventories consolidated from Dong Di Xin.

3. **Properties, plants and equipment**

Properties, plants and equipment owned by the Group include properties, leasehold improvements, furniture and equipments, motor vehicles and construction in progress. As at 31 December 2015, the book value of properties, plants and equipment owned by the Group amounted to approximately RMB15,811,000, showing an increase of RMB10,690,000 when compared to that of approximately RMB5,121,000 as at 31 December 2014. Increase in properties, plants and equipment was mainly due to the addition of fixed assets of approximately RMB6,259,000, which was partially off-set by the depreciation of approximately RMB3,814,000 during the Year Under Review.

4. **Trade and other payables**

Trade and other payables of the Group mainly include trade and bill payables, prepayments from customers, other payables and accrued expenses. As at 31 December 2015, trade and other payables owned by the Group amounted to approximately RMB159,047,000, showing an decrease of RMB27,015,000 when compared to that of approximately RMB186,062,000 as at 31 December 2014 as a result of an decrease in trade payable of approximately RMB40,786,000.

CASH FLOW

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

1. **Net cash used in operating activities**

The Group's cash inflow from operations primarily derives from receipts for the sale of the Group's products. For the Year Under Review, the Group's net cash outflow used in operating activities amounted to approximately RMB148,534,000, while the net cash outflow generated from operating activities for the year ended 31 December 2014 was approximately RMB5,230,000. The decrease in net cash outflow was primarily due to an decrease in trade and other receivables.

2. **Net cash used in/generated from investing activities**

The Group's net cash outflow used in investing activities amounted to approximately RMB243,876,000 for the Year Under Review, while the net cash outflow used in investing activities was approximately RMB29,721,000 for the year ended 31 December 2014. The decrease in net cash inflow was mainly due to an net outflow of cash and cash equivalents in respect of the acquisition of the subsidiaries during the Year Under Review which amounted to approximately RMB147,821,000.

3. Net cash used in financing activities

The Group's net cash inflow used in financing activities amounted to approximately RMB1,031,000 for the Year Under Review, while the net cash generated from financing activities was approximately RMB144,078,000 for the year ended 31 December 2014. The decrease in net cash inflow was mainly due to the decrease in repayment of bank loans during the Year Under Review.

CAPITAL STRUCTURE

1. Indebtedness

The total indebtedness of the Group as at 31 December 2015 was approximately RMB167,560,000 (as at 31 December 2014: approximately RMB228,677,000), which will be due within one year. During the Year Under Review, the Group did not experience any difficulties in renewing its banking facilities with the lenders.

2. Gearing ratio

As at 31 December 2015, the Group's gearing ratio was approximately 15.5% (as at 31 December 2014: 22.0%), calculated as the total bank borrowings divided by total assets multiplied by 100%. The increase was mainly due to an increase in bank borrowings.

3. Pledge of assets

As at 31 December 2015, the Group had pledged investment properties, bank deposits and bills receivables to the bank in the total amount of approximately RMB nil. As at 31 December 2014, the Group had pledged investment properties, bank deposits and bills receivable in total amount of approximately RMB218,133,000.

4. Capital expenditures

The capital expenditures of the Group primarily included purchases of plant and equipment and leasehold improvements. The Group's capital expenditures amounted to approximately RMB6,259,000 and RMB1,973,000 for the year ended 31 December 2015 and 2014 respectively.

LIQUIDITY AND CAPITAL RESOURCES

The Group has met its working capital needs mainly through cash generated from operations and various long-term and short-term bank borrowings. For the Year Under Review, the effective interest rate for fixed rate loans was from 2.2% to 4.2%. Taking into account the cash flow generated from operations and the long-term and short-term bank borrowing facilities available to the Group, the Directors are of the view that the Group has sufficient working capital to meet its current liquidity demand and the liquidity demand within at least 12 months from the date of this report.

As at 31 December 2015, the Group had cash and cash equivalents of approximately RMB132,478,000 (as at 31 December 2014: RMB230,028,000) which was mainly generated from operations of the Group, funds raised from the issue of convertible bond in September 2014 and the listing of the shares of the Company in November 2010.

CAPITAL COMMITMENT

As at 31 December 2015, the Group had capital commitment of approximately RMB23,800,000 (as at 31 December 2014: RMB1,730,000).

MATERIAL ACQUISITION AND DISPOSAL BY THE GROUP

On 8 May 2014, Kingworld (Hong Kong) Holdings Limited (金活(香港)控股有限公司), an indirect wholly-owned subsidiary of the Company ("Kingworld (HK)"), Zhao Zhigang and Zhao Wen entered into a cooperative agreement (as supplemented by supplemental agreements dated 31 July 2014, 30 September 2014 and 25 November 2014) (collectively, the "Cooperative Agreement"), pursuant to which, (among other things) Kingworld (HK) has agreed to acquire, and Zhao Zhigang has agreed to sell 55% equity interest in Dong Di Xing for a consideration of RMB189,366,892. The Cooperative Agreement and the transactions contemplated therein (including the said equity transfer) were approved by the shareholders of the Company at the EGM held on 23 January 2015. Completion of the equity transfer of Dong Di Xin took place on 13 February 2015. Upon completion of the equity transfer, Dong Di Xin has been owned as to 55% by Kingworld (HK), 15% by Zhao Zhigang and 30% by Zhao Wen, and Dong Di Xin has become a 55% indirectly owned subsidiary of the Company and its financial results have been consolidated into the financial statements of the Group as from the date of Completion of the acquisition.

LITIGATION

During the audit reviewing process for the year ended 31 December 2015, it was revealed that a claim was filed against (the former substantial shareholder of Dong Di Xing and Dong Di Xing by the former Chief Executive Officer (CEO) of Dong Di Xin, to the relevant PRC court in relation to his CEO service contract that claimed and demanded: , among other things, (1) to request the former substantial shareholder to transfer his 15% equity interest in Dong Di Xing to the former CEO; and (2) to request Dong Di Xing to assist in the said equity transfer.

The Company became aware of this claim and received some of the relevant documents in March 2016 and is currently gathering more information and seeking legal opinion on this claim to assess possible adverse effect (if any) against the Company. The judgment of claim is yet issued, and the Company will make further announcement(s) as and when appropriate according to the Listing Rules.

FUTURE OUTLOOK

1. Implementing an integrated operation strategy to achieve intensive growth in product sales

In the future, the Group will adopt integrated operation strategy to stimulate intensive growth in product sales through expanding market penetration, exploring new markets and developing new products.

Regarding the expansion of market penetration, the Group will strengthen its product penetration in the existing markets by fully capitalizing on its distribution resources and channels. According to the product distribution strategies of the mature core products such as Nin Jiom product series, Taiko Seirogan, Kingworld's Imada Red Flower Oil and Flying Eagle Wood Lok Medicated Oil, the Group will strive to expand to second-tier and third-tier cities while maintaining the strong coverage in the first-tier cities in order to increase the general coverage of such products in China. Moreover, the Group will centralize the management of customer resources and sales with its effective data processing platforms, namely SAP ERP and PMS, and strengthen the management of coverage and penetration rates of customers and markets through a multi-dimensional analysis of market distribution so as to establish footholds in all markets. Regarding the new product series represented by Culturelle probiotic, the Group will put more efforts in marketing in new markets in order to expand to Hong Kong and Macau markets as well as different e-commerce platforms in addition to its existing markets.

Regarding the development of new markets, the Group will further identify and utilize new channels so to increase the coverage of its products in different markets and channels. The Group will be dedicated to promoting traditional products in new markets and through new e-commerce channels and new product series through offline retail channel and hospital channel. All products will be promoted both online and offline to achieve synergy through reallocation of resources in multiple channels and support rapid growth in product sales.

Regarding development of new products, the Group will further develop and introduce diversified quality health brand products to enrich and refine its product profile, and enhance the market share and influence of the Kingworld products in the health segment. Moreover, the Group will require all local sales teams to develop their own core products according to the needs of local markets in order to maintain effective resource allocation and balanced development.

2. Reinforcing the classified management of regional markets to improve efficiency of sales

In the future, the Group will require all regional marketing management teams to formulate their respective marketing plans and share the major tasks of regional marketing according to the overall marketing strategic needs of the Group so as to ensure clear administrative procedures and duty allocation, appropriate policy implementation and effective cost management and control.

Moreover, apart from enhancing meticulous management and stability of the existing mature markets, the Group will implement new marketing strategies in markets with small sales volume but great potential. While ensuring to achieve the target of sales growth, the Group will conduct more effective incentive plans and stimulate greater growth in sales in such regions by taking advantage of its outstanding management teams led by the regional managers.

Looking forward, the Group will enhance cooperation with the major pharmaceutical chains and consolidate promotion resources through KA departments. The Company aims to establish cooperation with the top 100 enterprises in the industry and the head offices of chains ranking top 30 in regional markets, in order to increase the annual growth rate in KA sales to 30% or above.

3. Expanding e-commerce business by promoting establishment of Kingworld e-commerce platform in Qianhai

In view of the rapid development of e-commerce industry and remarkable results of the Group's cross-border e-commerce business, e-commerce business will continue to be the focus of the Group's development. The Group will optimise the meticulous management of mature e-commerce channels such as Tmall International, Suning.com and JD.com, and put greater efforts in classified channel management, product coverage, price management, promotion activities and other aspects to increase overall sales volume. In addition, the Group plans to cooperate with not less than 80 e-commerce customers in 2016.

Furthermore, benefited from the advantages and supporting policies set out in the Implementation Plan of Constructing Shekou District in Qianhai, as a trial point of Free Trade Zone in Guangdong China (《中國 (廣東) 自由貿易試驗區前海蛇口片區建設實施方案》), the Group will speed up the preparation for the launch and operation of the Kingworld e-commerce platform in Qianhai of Kingworld Health Family. Such platform will serve as a B2B2C platform to provide convenient access for overseas suppliers into China, and as an open and transparent online transaction platform for domestic enterprises. As such, customers will be provided with a wider range of overseas health products in a more convenient way.

4. **Continuing to proceed with strategic investment and merger and acquisition projects to enhance capital operation of the Group**

   Adhering to its primary mission to develop in the health market and based on the current condition and development trend of the industry, the Group's actual operating condition and future development strategies, the Group will continue to identify and examine projects with values based on market conditions and push forward the progress of its merger and acquisition projects. Upon the completion of various investments, mergers and acquisitions during the year, the Group will focus on investment in cross-border investment projects and enterprises with internet resources or terminal resources in the industry, aiming to maximize the revenue, realize capital appreciation, achieve synergy effect with the existing businesses, enhance sales and profitability, expand the pool of industry resources and further improve the market influence of the Group.

HUMAN RESOURCES AND TRAINING

As of 31 December 2015, the Group had a total of 954 employees, of which 122 worked at the Group's headquarter in Shenzhen, and 379 stationed in 34 regions with main responsibility of sales and marketing; 453 worked at Dong Di Xin. Total staff cost for the Year Under Review amounted to approximately RMB66,547,000 (2014: RMB43,500,000). The Group releases an annual sales guideline on a yearly basis, setting out the annual sales target and formulating quarterly sales strategies, so as to provide sales and marketing guidelines for all representative offices and their staff to observe. The Group has a management team with extensive industry experience (including the Sales Director and Product Manager). The management team is responsible for coordinating front-line sales and marketing teams to meet the annual sales target.

During the Year Under Review, the Group adopted a "people-oriented" management concept to have its staffs closely involved in the management and development of the Group. The Group has implemented a strict selection process for hiring its employees and adopted a number of incentive mechanisms to enhance the productivity of its employees. The Group conducts periodic performance review on its employees, and revises their salaries and bonuses accordingly. In addition, the Group has established a business college and has cooperated with higher education institutions for introducing teachers from EMBA and EDP courses from higher education institutions.

The Company also operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who have contributed to the success of the Group, including eligible employees of the Group. Details of such share option scheme are set out under the paragraph headed "Share Option Scheme" in this announcement.

DIVIDENDS

To extend the Company's gratitude for the support of our shareholders, the Board has recommended the distribution of a final dividend for the Year Under Review of HK$1.53 cents per share to shareholders whose names appear on the register of members of the Company on Wednesday, 8 June 2016, amounting to approximately HK$9,524,000, subject to the approval in the Company's forthcoming annual general meeting to be held on Monday, 30 May 2016. Total dividend payout ratio is 25.5% of the profit for the year attributable to owners of the Company. The above-mentioned final dividend is expected to be paid on or before Thursday, 30 June 2016.

CLOSURE OF THE REGISTER OF MEMBERS

To be eligible to attend and vote in the forthcoming annual general meeting

The register of members of the Company will be closed from Thursday, 26 May 2016 to Monday, 30 May 2016 (both days inclusive) during which period no transfer of shares will be registered. To be qualified for attending and voting at the forthcoming annual general meeting, all share transfer documents must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration on or before 4:30 p.m. on Wednesday, 25 May 2016.

To qualify for the proposed final dividends

The register of members of the Company will be closed from Monday, 6 June 2016 to Wednesday, 8 June 2016 (both days inclusive) during which period no transfer of shares will be registered. To be qualified for receiving the proposed final dividends, all share transfer documents must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration on or before 4:30 p.m. on Friday, 3 June 2016.

USE OF PROCEEDS FROM THE LISTING OF THE COMPANY

The net proceeds from the listing of the shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 25 November 2010, after deduction of related expenses, was approximately HK$241,862,000 (equivalent to approximately RMB206,167,000). As at 31 December 2015, the Group had used net proceeds of approximatelyRMB134,920,000, of which RMB4,000,000 had been applied for upgrading the transportation and delivery services to customers, RMB15,760,000 had been applied for expanding the product display booth scheme and RMB20,600,000 as working capital and approximately RMB94,560,000 has been applied for acquisition of Dong Di Xin. The remaining net proceeds are intended to be applied in accordance with the proposed application set forth in the prospectus dated 12 November 2010.

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.

The principal terms of the 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 Share Option Scheme and any other schemes of the Company must not exceed 10% of the nominal amount of all issued shares of the Company as at the Listing Date (i.e. 25 November 2010, the "Listing Date") (which were 600,000,000 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 Share Option Scheme is 60,000,000 shares, which represents 10% of the issued shares as at the Listing Date and approximately 9.64% of the issued shares of the Company as at the date of this announcement.

(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 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 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 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) An offer for the grant of options must be accepted within 7 days inclusive of the day on which such offer was made and must be accepted in its entirety and any number of shares which is less than what has been offered under any circumstances shall not be accepted. The amount payable by the grantee of an option to the Company on acceptance for the grant of an option is HK$1.

(f) 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).

(g) The Share Option Scheme shall be valid and effective commencing on the date of adoption of the Share Option Scheme, (i.e. 5 November 2010), and expiring at the close of business on the business day immediately preceding the tenth anniversary thereof.

A summary of share options granted under the Share Option Scheme of the Company during the year ended 31 December 2015 is as follows:

Grantees	Position held with the Group and/or relationship with the Group	Date of grant	Option Period (Note 4)	Exercise Price per Share (HK$) (Note 5)	Number of Share Options: Outstanding as at 1 January 2015	Granted during the Period	Cancelled during the Period	Lapsed during the Period	Outstanding as at 31 December 2015	Approximate percentage of the Company's total issued share capital
Zhao Li Sheng (Note 1)	Chairman/Executive Director	1 June 2015	1 June 2015 to 31 May 2019	2.54	–	520,000	–	–	520,000	0.08%
Ms. Chan Lok San (Note 2)	Executive Director	1 June 2015	1 June 2015 to 31 May 2019	2.54	–	468,000	–	–	468,000	0.08%
Lin Yusheng (Note 3)	Executive Director	1 June 2015	1 June 2015 to 31 May 2019	2.54	–	468,000	–	–	468,000	0.08%
Zhou Xuhua	Executive Director	1 June 2015	1 June 2015 to 31 May 2019	2.54	–	468,000	–	–	468,000	0.08%
DuanJidong	Independent non-executive Director	1 June 2015	1 June 2015 to 31 May 2019	2.54	–	412,000	–	–	412,000	0.07%
Zhang Jianbin	Independent non-executive Director	1 June 2015	1 June 2015 to 31 May 2019	2.54	–	412,000	–	–	412,000	0.07%
Wong Cheuk Lam	Independent non-executive Director	1 June 2015	1 June 2015 to 31 May 2019	2.54	–	412,000	–	–	412,000	0.07%
Zhang Yi	Non-executive Director	1 June 2015	1 June 2015 to 31 May 2019	2.54	–	412,000	–	–	412,000	0.07%
Sub-total of Share Options granted to Directors						3,572,000			3,572,000	0.57%
57 Employees	Employees of the Group	1 June 2015	1 June 2015 to 31 May 2019	2.54	–	13,236,000	–	–	13,236,000	2.13%
Sub-total of Share Options granted to Directors and Employees						16,808,000			16,808,000	2.70%
5 Consultants	Consultants of the Group	1 June 2015	1 June 2015 to 31 May 2017	2.54	–	300,000	–	–	300,000	0.05%
Hong Kong Zhixin Financial News Agency Ltd. (香港智信財經通訊社有限公司) ("Hong Kong Zhixin") (Note 6)	Consultant of the Group	9 October 2015	9 October 2015 to 8 October 2018	2.54	–	6,200,000	–	–	6,200,000	0.99%
Total						**23,308,000**			**23,308,000**	**3.74%**

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

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

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

Note 4: The vesting and exercise of certain Share Options are subject to the terms of the Share Option Scheme and the performance target(s) and terms set out in the respective letters of grant.The value of the Share Options granted during the period ended 31 December 2015 was zero as such performance target(s) and terms set for the Share Options had not been achieved by the end of the Year Under Review.

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

Note 6: On 9 October 2015, the Company entered into the Service Contract with Hong Kong Zhixin pursuant to which the Company has agreed to appoint Hong Kong Zhixin as a public relations consultant of the Company in Hong Kong and Mainland China for the provision of the services for a term of three years. In consideration of the provision of the services by Hong Kong Zhixin, the Company has agreed to (i) pay HK$30,000 per month to Hong Kong Zhixin during the term of the service, and (ii) grant Share Options to Hong Kong Zhixin or its nominees to subscribe for an aggregate of 6,200,000 new Shares under the Share Option Scheme at the exercise price of HK$2.54 per share.

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.

PUBLIC FLOAT

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

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

For the year ended 31 December 2015, save for the issue of convertible bond as described below, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE PRACTICES

The Board strives to uphold the principles of corporate governance set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), and adopted various measures to enhance the internal control system, the Directors' continuing professional training and other areas of practice of the Company. While the Board strives to maintain a high level of corporate governance, it also works hard to create value and achieve maximum return for its shareholders. The Board will continue to conduct review and improve the quality of corporate governance practices with reference to local and international standards.

During the Year Under Review, the Company complied with the code provisions as set out in the CG Code, other than code provision A.2.1 of the CG Code.

According to code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Currently, Mr. Zhao Li Sheng is the Chairman of the Board and the chief executive officer. The Board is in the opinion that having Mr. Zhao to carry out both roles can bring about strong and consistent leadership for the Group, and can be more effective in planning and implementing long-term business strategies. The Board also considers that since members of the Board include competent and independent non-executive Directors, this structure will not impair the balance of power and authority between the Board and its management in the business of the Group. The Board is in the opinion that the structure described above will be beneficial to the Company and its business.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code governing securities transactions of the Directors. Each of the Directors has confirmed his/her compliance with the Model Code during the Year Under Review. The Company has also adopted written guidelines on no less exacting terms than the Model Code for the relevant employees. The senior management, who, because of their office in the Company, is likely to be in possession of unpublished inside information, has been requested to comply with the provisions of the Model Code and the Company's code of conduct regarding securities transactions by Directors. No incidence of non-compliance of the employees' written guidelines by the relevant employees was noted by the Company during the Year Under Review.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") on 5 November 2010 and has formulated its written terms of reference, which have from time to time been modified, in accordance with the prevailing provisions of the CG Code. The primary duties of the Audit Committee are (among other things) to provide an independent review and supervision of financial reporting, and examine the effectiveness of the internal controls of the Group and to ensure the external auditor are independent and the audit process is effective. The Audit Committee examines all matters relating to the accounting principles and policies adopted by the Group, auditing functions, internal controls, risk management and financial reporting. The Audit Committee also serves as a channel of communication between the Board and the external auditor. The Audit Committee currently comprises of three members, namely Mr. Duan Jidong, Mr. Zhang Jianbin and Mr. Wong Cheuk Lam. Mr. Wong Cheuk Lam has been appointed as the chairman of the Audit Committee.

The Audit Committee has, together with the management of the Company and external independent auditors, reviewed the consolidated financial statements, accounting principles and practices adopted for the Group for the year of 2015, and agreed with the accounting treatment adopted by the Group.

DISCLOSURE OF INFORMATION

This results announcement is published on the website of the Stock Exchange (http://www.hkexnews.hk) under "Listed Company Information" and the website of the Company (http://www.kingworld.com.cn) under "Investor Relations". The annual report for the year ended 31 December 2015 containing all necessary information as required by the Listing Rules will be sent to shareholders of the Company in due course, and will be published on the website of the Stock Exchange (http://www.hkexnews.hk) under "Listed Company Information" and the website of the Company (http://www.kingworld.com.cn) under "Investor Relations".

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

Hong Kong, 30 March 2016

As at the date of this announcement, the executive Directors are Mr. Zhao Li Sheng, Ms. Chan Lok San and Mr. Zhou Xuhua, the non-executive Director is Mr. Zhang Yi, and the independent non-executive Directors are Mr. Duan Jidong, Mr. Zhang Jianbin and Mr. Wong Cheuk Lam.