The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

pwc 羅兵咸永道

2 December 2013

The Directors
Jintian Pharmaceutical Group Limited
Morgan Stanley Asia Limited

Dear Sirs,

We report on the financial information of Jintian Pharmaceutical Group Limited (the "Company") and its subsidiaries (together, the "Group"), which comprises the consolidated balance sheets as at 31 December 2010, 2011 and 2012 and 30 June 2013, the balance sheet of the Company as at 31 December 2012 and 30 June 2013, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements for each of the years ended 31 December 2010, 2011 and 2012 and six months ended 30 June 2013 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of the Company and is set out in Sections I to III below for inclusion in Appendix I to the prospectus of the Company dated 2 December 2013 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company was incorporated in the Cayman Islands on 12 March 2012 as an exempted company with limited liability under the Companies Law (2013 Revision) of the Cayman Islands. Pursuant to a group reorganisation as described in Note 1(b) of Section II headed "Reorganisation" below, which was completed on 27 June 2013, the Company became the holding company of the subsidiaries now comprising the Group (the "Reorganisation").

As at the date of this report, the Company has direct and indirect interests in the subsidiaries and joint ventures as set out in Note 1(b) of Section II below. All of these companies are private companies or, if incorporated or established outside Hong Kong, have substantially the same characteristics as a Hong Kong incorporated private company.

No audited financial statements have been prepared by the Company as it is newly incorporated and has not involved in any significant business transactions since its date of incorporation other than the reorganization. The audited financial statements of the other companies now comprising the Group as at the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their place of incorporation. The details of the statutory auditors of these companies are set out in Note 1(b) of Section II.

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The directors of the Company have prepared the consolidated financial statements of the Company and its subsidiaries now comprising the Group for the Relevant Periods, in accordance with the International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") (the "Underlying Financial Statements"). The directors of the Company are responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with IFRSs. PricewaterhouseCoopers Zhong Tian LLP have audited the Underlying Financial Statements in accordance with International Standards on Auditing (the "ISA") issued by the International Auditing and Assurance Standards Board ("IAASB") pursuant to separate terms of engagement with the Company.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

Directors' Responsibility for the Financial Information

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with IFRSs, and for such internal control as the directors determine is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Reporting Accountant's Responsibility

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountants" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Opinion

In our opinion, the financial information gives, for the purpose of this report, a true and fair view of the state of affairs of the Company as at 31 December 2012 and 30 June 2013, and of the consolidated state of affairs of the Group as at 31 December 2010, 2011 and 2012 and 30 June 2013 and the Group's consolidated results and cash flows for the Relevant Periods then ended.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information set out in Sections I to II below included in Appendix I to the Prospectus which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statements for the six months ended 30 June 2012 and a summary of significant accounting policies and other explanatory information (the "Stub Period Comparative Financial Information").

The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the accounting policies set out in Note 2 of Section II below.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the IAASB. A review of the Stub Period Comparative Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report, has not been prepared, in all material respects, in accordance with the accounting policies set out in Note 2 of Section II below.

I. FINANCIAL INFORMATION OF THE GROUP

The following is the financial information of the Group prepared by the directors of the Company as at 31 December 2010, 2011 and 2012 and 30 June 2013, and for each of the years ended 31 December 2010, 2011 and 2012 and each of the six months ended 30 June 2012 and 2013 (the "Financial Information").

(a) Consolidated balance sheets

	Note	As at 31 December			As at 30 June
		2010	2011	2012	2013
		RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	*6*	2,349	18,805	46,901	83,471
Intangible assets	*7*	–	91,254	354,606	447,718
Investments in joint ventures	*9*	–	2,582	3,719	4,527
Prepayment for investments		–	14,000	–	–
Prepayment for intangible assets		–	–	2,103	2,103
Deferred income tax assets	*10*	3,582	5,363	9,297	10,477
		5,931	132,004	416,626	548,296
Current assets					
Trade and other receivables	*12, 30(b)*	75,281	209,579	273,730	237,111
Inventories	*13*	80,593	177,929	249,442	270,879
Financial assets at fair value through profit or loss	*14*	–	–	96,958	–
Restricted cash	*15*	–	–	22,474	8,267
Cash	*16*	107,025	713,257	455,916	592,868
		262,899	1,100,765	1,098,520	1,109,125
Total assets		268,830	1,232,769	1,515,146	1,657,421
Equity					
Equity attributable to owner of the Company					
Share capital	*17*	–	–	–	–
Reserves	*18*	40,543	39,870	20,636	9,388
Retained earnings		146,569	322,587	528,145	678,925
		187,112	362,457	548,781	688,313
Non-controlling interests		–	38,787	79,377	84,193
Total equity		187,112	401,244	628,158	772,506
LIABILITIES					
Non-current liabilities					
Deferred income tax liabilities	*10*	–	4,565	24,869	23,940
Current liabilities					
Trade and other payables	*19, 30(b)*	70,023	801,352	831,997	832,946
Current income tax liabilities		11,695	25,608	30,122	28,029
		81,718	826,960	862,119	860,975
Total liabilities		81,718	831,525	886,988	884,915
Total equity and liabilities		268,830	1,232,769	1,515,146	1,657,421
Net current assets		181,181	273,805	236,401	248,150
Total assets less current liabilities		187,112	405,809	653,027	796,446

(b) Consolidated statements of comprehensive income

	Note	Year ended 31 December			Six months ended 30 June	
		2010	2011	2012	2012	2013
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue	5	858,613	1,473,902	2,326,292	974,533	1,456,990
Cost of sales	21	(618,872)	(1,095,758)	(1,780,523)	(746,383)	(1,073,274)
Gross profit		239,741	378,144	545,769	228,150	383,716
Selling and marketing expenses	21	(67,323)	(103,010)	(188,887)	(77,635)	(137,763)
Administrative expenses	21	(11,625)	(30,743)	(41,974)	(17,862)	(30,248)
Other income		2,209	482	1,122	–	28
Other losses – net	20	(2,086)	(25)	(14,275)	(26,910)	(1,236)
Operating profit		160,916	244,848	301,755	105,743	214,497
Finance income	23	2,723	5,822	3,176	2,813	2,425
Finance costs	23	(34)	(79)	(188)	(60)	(157)
Finance income – net	23	2,689	5,743	2,988	2,753	2,268
Share of profit of joint ventures	9	–	632	1,137	557	808
Profit before income tax		163,605	251,223	305,880	109,053	217,573
Income tax expense	24	(41,095)	(62,377)	(78,517)	(33,791)	(53,527)
Profit and total comprehensive income for the year		122,510	188,846	227,363	75,262	164,046
Profit and total comprehensive income attributable to:						
– Owners of the Company		122,510	180,117	213,760	69,307	150,780
– Non-controlling interests		–	8,729	13,603	5,955	13,266
		122,510	188,846	227,363	75,262	164,046
Earnings per share attributable to owners of the Company – basic and diluted earnings per share	25	123	180	214	69	151
Dividends	26	106,435	–	–	–	–

Note: The earnings per share as presented above is calculated using the weighted average number of ordinary shares of 1,000 shares for each of the years ended 31 December 2010, 2011 and 2012 and for the six months ended 30 June 2012 and 2013. It has not taken into account the proposed capitalisation issue as described in Note 31(c) because the proposed capitalisation issue has not become effective as at the date of this report.

(c) Consolidated statements of changes in equity

	Note	Attributable to owners of the Company						Non-controlling interests	Total equity
		Share capital	Capital reserves	Statutory reserves	Share-based compensation Reserves	Retained earnings	Total		
		RMB'000 (Note 17)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2010		–	22,800	7,440	8,853	131,163	170,256	–	170,256
Profit for the year		–	–	–	–	122,510	122,510	–	122,510
Capital contribution from the Controlling Shareholder	*1(b)*	–	23,001	–	–	–	23,001	–	23,001
Deemed contribution from the Controlling Shareholder	*30(a)(ii)*	–	180	–	–	–	180	–	180
Deemed distribution to the Controlling Shareholder	*1(b)*	–	(22,400)	–	–	–	(22,400)	–	(22,400)
Profit appropriation to statutory reserves	*18(b)*	–	–	669	–	(669)	–	–	–
Dividends distribution	*26*	–	–	–	–	(106,435)	(106,435)	–	(106,435)
Balance at 31 December 2010		–	23,581	8,109	8,853	146,569	187,112	–	187,112
Balance at 1 January 2011		–	23,581	8,109	8,853	146,569	187,112	–	187,112
Profit for the year		–	–	–	–	180,117	180,117	8,729	188,846
Acquisition of subsidiaries	*29*	–	–	–	–	–	–	33,901	33,901
Acquisition of non-controlling interests	*18(a)*	–	(4,417)	–	–	–	(4,417)	(3,843)	(8,260)
Deemed contribution from the Controlling Shareholder	*30(a)(ii)*	–	575	–	–	–	575	–	575
Deemed distribution to the Controlling Shareholder	*1(b)*	–	(930)	–	–	–	(930)	–	(930)
Profit appropriation to statutory reserves	*18(b)*	–	–	4,099	–	(4,099)	–	–	–
Balance at 31 December 2011		–	18,809	12,208	8,853	322,587	362,457	38,787	401,244
Balance at 1 January 2012		–	18,809	12,208	8,853	322,587	362,457	38,787	401,244
Profit for the year		–	–	–	–	213,760	213,760	13,603	227,363
Acquisition of subsidiaries	*29*	–	–	–	–	–	–	53,373	53,373
Acquisition of non-controlling interests	*18(a)*	–	(23,381)	–	–	–	(23,381)	(26,386)	(49,767)
Capital contribution from the Controlling Shareholder	*1(b)*	–	1	–	–	–	1	–	1
Deemed contribution from the Controlling Shareholder	*30(a)(ii)*	–	945	–	–	–	945	–	945
Deemed distribution to the Controlling Shareholder	*1(b),18(a)*	–	(5,001)	–	–	–	(5,001)	–	(5,001)
Profit appropriation to statutory reserves	*18(b)*	–	–	8,202	–	(8,202)	–	–	–
Balance at 31 December 2012		–	(8,627)	20,410	8,853	528,145	548,781	79,377	628,158
(Unaudited)									
Balance at 1 January 2012		–	18,809	12,208	8,853	322,587	362,457	38,787	401,244
Profit for the year		–	–	–	–	69,307	69,307	5,955	75,262
Capital contribution from the Controlling Shareholder	*1(b)*	–	1	–	–	–	1	–	1
Deemed contribution from the Controlling Shareholder	*30(a)(ii)*	–	470	–	–	–	470	–	470
Deemed distribution to the Controlling Shareholder	*1(b),18(a)*	–	(5,001)	–	–	–	(5,001)	–	(5,001)
Balance at 30 June 2012		–	14,279	12,208	8,853	391,894	427,234	44,742	471,976
Balance at 1 January 2013		–	(8,627)	20,410	8,853	528,145	548,781	79,377	628,158
Profit for the year		–	–	–	–	150,780	150,780	13,266	164,046
Acquisition of non-controlling interests	*18(a)*	–	(11,248)	–	–	–	(11,248)	(8,450)	(19,698)
Balance at 30 June 2013		–	(19,875)	20,410	8,853	678,925	688,313	84,193	772,506

(d) Consolidated cash flow statements

	Note	Year ended 31 December			Six months ended 30 June	
		2010	2011	2012	2012	2013
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cash flows from operating activities:						
Cash generated from operations	27	146,555	173,139	243,194	79,855	228,111
Bank charges paid	23	(34)	(79)	(188)	(60)	(157)
Income tax paid		(39,143)	(51,265)	(81,378)	(41,320)	(57,729)
Net cash generated from operating activities		107,378	121,795	161,628	38,475	170,225
Cash flows from investing activities:						
Acquisition of subsidiaries and businesses net of cash acquired	29	–	(153,255)	(173,688)	(28,210)	(107,203)
Investment in joint ventures	9	–	(1,950)	–	–	–
Prepayment for equity investments		–	(14,000)	–	–	–
Purchase of property, plant and equipment		(1,030)	(11,742)	(14,537)	(9,120)	(38,023)
Purchase of intangible assets		–	–	(4,191)	(1,043)	–
Net cash (paid)/received for financial assets at fair value through profit or loss		–	–	(111,016)	(156,125)	95,798
Proceeds from disposal of property, plant and equipment		90	839	12	–	180
Loans receivable repaid by related parties		33,750	–	–	–	–
Change in restricted cash		–	–	(22,474)	–	14,207
Interest received	23	2,724	1,086	2,473	1,594	819
Net cash generated from/(used in) investing activities		35,534	(179,022)	(323,421)	(192,904)	(34,222)
Cash flows from financing activities:						
Capital contribution from the Controlling Shareholder	*1(b)*	23,001	–	1	1	–
Deemed distribution to the Controlling Shareholder	*1(b), 18(a)*	(22,400)	(930)	(5,001)	(5,001)	–
Loan from a shareholder		–	672,989	–	–	21,759
Repayment of loan from a shareholder		–	–	(40,764)	(5,754)	–
Purchase of non-controlling interests	*18(a)*	–	(8,260)	(49,767)	–	(19,698)
Dividends paid		(106,435)	–	–	–	–
Net cash (used in)/generated from financing activities		(105,834)	663,799	(95,531)	(10,754)	2,061
Net increase/(decrease) in cash		37,078	606,572	(257,324)	(165,183)	138,064
Cash at beginning of the year		69,948	107,025	713,257	713,257	455,916
Exchange (losses)/gains on cash		(1)	(340)	(17)	316	(1,112)
Cash at end of the year/period	16	107,025	713,257	455,916	548,390	592,868

(e) Balance sheet of the Company

	Note	As at 31 December 2012 RMB'000	As at 30 June 2013 RMB'000
ASSETS			
Non-current assets			
Investment in a subsidiary	*8*	3,533	3,533
		3,533	3,533
Current assets		–	–
Total assets		3,533	3,533
EQUITY			
Equity attributable to owners of the Company			
Share capital	*17*	–	–
Reserves	*18*	4,478	4,478
Accumulated losses		(4,236)	(5,236)
		242	(758)
Total equity		242	(758)
LIABILITIES			
Non-current liabilities		–	–
Current liabilities			
Trade and other payables		3,291	4,291
		3,291	4,291
Total liabilities		3,291	4,291
Total equity and liabilities		3,533	3,533
Net current liabilities		(3,291)	(4,291)
Total assets less current liabilities		242	(758)

II. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

(a) General information

The Company was incorporated in the Cayman Islands on 12 March 2012, as an exempted company with limited liabilities under the Companies Law (2013 Revision) of the Cayman Islands. The address of the Company's registered office is George Town, Grand Cayman, KY1-1112, Cayman Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in the distribution and retail of drugs and other pharmaceutical products in the northern region of the People's Republic of China (the "PRC") (collectively the "Listing Business").

(b) Reorganisation

Prior to the incorporation of the Company and the completion of the reorganisation as described below (the "Reorganisation"), the Listing Business were carried out by Heilongjiang Jintian Group Jintian Ciji Pharmaceutical Co., Ltd., Heilongjiang Jintian Group Jintian Ciji Drug Store Co., Ltd., Heilongjiang Jintian Group Harbin Ciji Pharmaceutical Co., Ltd. and Heilongjiang Jintian Group Lao Bai Xing Drug Store Co., Ltd.(collectively the "Original Operating Companies"). The Original Operating Companies were collectively controlled by Mr. Jin Dongtao (the "Controlling Shareholder") through Heilongjiang Jintian Group Co., Ltd. ("Jintian Group") before the Reorganisation. During Relevant Periods, the Group acquired several subsidiaries and businesses as described in Note 29 below, which are principally engaged in the distribution and retail of pharmaceutical products, from third parties (collectively the "Acquired Companies"). The Original Operating Companies and the Acquired Companies are collectively referred to as the "Operating Companies" now comprising the Group. The Acquired Companies are included in the consolidated financial statements from their acquisition dates.

In preparing for the listing, the following reorganisation activities were carried out:

(i) On 2 August 2010, Asia Health Century International Inc. ("Asia Health") was set up in the Cayman Islands by the Controlling Shareholder. On 15 September 2010, Hong Kong Health Century International Group Limited ("HKHCI") was set up in Hong Kong by Asia Health, the paid in capital was HKD1,000. On 1 December 2010, Health Century Business Co., Ltd. ("HCBC") was set up in PRC by HKHCI.

(ii) On 28 September 2010, Heilongjiang Jintian Group Pharmaceutical Management Co., Ltd. ("Jintian Management") was set up in PRC by the Controlling Shareholder, the paid in capital was RMB23,000,000. On 11 October 2010, Jintian Management acquired the entire equity interests in the Original Operating Companies from our Group, at a consideration of RMB22,400,000.

(iii) On 30 December 2010, HCBC, the Original Operating Companies and Jintian Management reached a series of agreements including the Entrustment Agreements, the Consulting Service Agreement, the Operation Agreement, the Equity Pledge Agreements, the Call Option Agreements and the Loan Agreement (collectively the "Original VIE Agreements"). On 15 September 2011, HCBC, the Original Operating Companies and Jintian Management terminated the Consulting Service Agreement, the Operation Agreement, the Loan Agreement and the Equity Pledge Agreements, meanwhile, HCBC, the Original Operating Companies, Jintian Management and the shareholders of Jintian Management reached the Entrusted Management and Operation Agreement, the new Equity Pledge Agreements, the Addendums to the Call Option Agreements (together with the Entrustment Agreements signed on 30 December 2010, collectively the "Revised VIE Agreements"). The Original VIE Agreements, taken as a whole, or the Revised VIE Agreements, taken as a whole, permit HCBC to take the voting rights in the board of Jintian Management in the Original Operating Companies, permit the financial results of the Original Operating Companies and the economic benefits of their business to flow to HCBC. In addition, all the directors in each of the Original Operating Companies shall be assigned by HCBC. Through its control over the Original Operating Companies, HCBC is able to monitor, supervise and effectively control the Original Operating Companies' business, operations and financial policies so as to ensure and facilitate the implementation of the Original VIE Agreements or the Revised VIE Agreements. The Original VIE Agreements or the Revised VIE Agreements also enable HCBC to control over and to acquire the equity interests of the Original Operating Companies at such time as permitted by the relevant PRC laws and regulations. Based on the Original VIE Agreements or the Revised VIE Agreements, the directors believe that, notwithstanding the lack of equity ownership, HCBC is entitled to control over the Original Operating Companies' business in substance during the Relevant Periods. Accordingly, the financial position and the operating results of the Original Operating Companies are included in the Group's consolidated financial statements throughout the Relevant Periods or since the respective dates of incorporation/establishment or acquisition, whichever is the shorter period.

Through the VIE Agreements, the Original Operating Companies were held by Asia Health through HKHCI and HCBC, and Asia Health obtained the entire economic benefits in the Original Operating Companies.

(iv) On 5 August 2011, one subsidiary of the Group acquired entire interest of Shuangcheng Chang Shou Tang Lao Bai Xing Drug Store from the Controlling Shareholder with a cash consideration of RMB930,000, which was regarded as common control transaction and treated as the deemed distribution to the Controlling Shareholder.

(v) On 12 March 2012, the Company was set up and controlled by Asia Health, the paid in capital was HKD1,000. Upon incorporation, 1,000 shares were issued and allotted to Asia Health. The excess of the cash received over the nominal value of the share issued was recorded in capital reserves under equity.

(vi) On 4 May 2012, the Company acquired the entire equity interests in HKHCI, HCBC and the entire economic benefits in the subsidiaries now comprising the Group through the Revised VIE Agreements from Asia Health at a consideration of HKD1,000, which was reorganisation and treated as deemed distribution to the Controlling Shareholder.

(vii) On 17 April 2013, Jiamusi Jintian Century Trade Company Limited ("Jintian Century") was set up in PRC by the Controlling Shareholder as the holding company of Jintian Management. On 27 June 2013, Jintian Management was merged into Heilongjiang Jintian Aixin Pharmaceutical Co., Ltd. ("Jintian Aixin"), which is a subsidiary of the Company, and the Revised VIE Agreements were terminated thereafter. As the result, HKHCI and Jintian Century held Jintian Aixin as 95.01% and 4.99%, respectively.

(viii) On 27 June 2013, HKHCI, Jintian Century and Jintian Aixin reached a series of agreements including the Trustee agreement and Business and Operation agreement (collectively the "Exclusive Consultancy Service Agreements"). The Exclusive Consultancy Service Agreements, take as a whole, permitted HKHCI to obtain the voting rights in Jintian Aixin and enable the inflow of the economic benefits in respect of the 4.99% equity interest of Jintian Aixin held by Jintian Century to HKHCI. Accordingly, the whole financial position and the operating results of the Original Operating Companies are included in the Group's consolidated financial statements.

Upon completion of the Reorganisation, the Company became the holding company of the subsidiaries now comprising the Group. The parent company of the Group is Asia Health. The ultimate shareholder of the Group is Mr. Jin Dongtao, the Controlling Shareholder.

As at 30 June 2013, and the date of this report, the Company has direct or indirect interests in the following subsidiaries and joint ventures:

Name of company	Country/place and date of incorporation	Principal activities	Issued and fully paid in capital/ registered capital	Effective Interest held	Statutory auditor
Subsidiaries					
Directly owned:					
Hong Kong Health Century International Group Limited ("HKHCI")	Hong Kong/ 15 September 2010	Investments holding and retailing drugs and other pharmaceutical products	HKD1,000/ HKD10,000	100.00%	(i)
Indirectly owned:					
Health Century Business Co., Ltd. ("HCBC")	PRC/ 01 December 2010	Investments holding	USD12,000,000	100.00%	(iv)
Health Century Jintian Aixin Pharmaceutical Group Limited ("Health Century")	Hong Kong/ 24 April 2013	Investments holding and wholesaling drugs and other pharmaceutical products	HKD100,000	100.00%	
Heilongjiang Jintian Group Jintian Ciji Pharmaceutical Co., Ltd. ("Jintian Ciji Pharmaceutical")[i]	PRC/ 15 July 1998	Wholesaling drugs and other pharmaceutical products	RMB15,000,000	100.00%	(ii)
Heilongjiang Jintian Group Harbin Ciji Pharmaceutical Co., Ltd. ("Harbin Ciji Pharmaceutical")[i]	PRC/ 20 July 2001	Wholesaling drugs and other pharmaceutical products	RMB1,400,000	100.00%	(iii)
Heilongjiang Jintian Group Jintian Ciji Drug Store Co., Ltd. ("Jintian Ciji Drug Store")[i]	PRC/ 14 April 2004	Retailing drugs and other pharmaceutical products	RMB5,000,000	100.00%	(ii)

Name of company	Country/place and date of incorporation	Principal activities	Issued and fully paid in capital/ registered capital	Effective Interest held	Statutory auditor
Heilongjiang Jintian Group Lao Bai Xing Drug Store Co., Ltd. ("Lao Bai Xing Drug Store")[i]	PRC/ 23 June 2005	Retailing drugs and other pharmaceutical products	RMB1,000,000	100.00%	(iii)
Hebei Jintian Yan Xiao Pharmaceutical Co., Ltd. ("Yan Xiao")[e,i]	PRC/ 27 December 2005	Wholesaling drugs and other pharmaceutical products	RMB30,000,000	100.00%	(v)
Hegang Ji Shi Tang Drug Store Co., Ltd. ("Ji Shi Tang")[i]	PRC/ 30 September 2006	Retailing drugs and other pharmaceutical products	RMB650,000	51.00%	(vi)
Jintian Aixin[a,i]	PRC/ 12 February 2004	Wholesaling drugs and other pharmaceutical products	USD74,310,000	100.00%	(iv)
Heilongjiang Jintian Aixin Health Chain Pharmacy Co., Ltd. ("Aixin Health")[b,i]	PRC/ 04 January 2006	Retailing drugs and other pharmaceutical products	RMB500,000	100.00%	(v)
Suibin Le Ren Tang Drug Store[h,i]	PRC/ 13 March 2008	Retailing drugs and other pharmaceutical products	–	51.00%	(xiv)
Suibin Jintian Aixin Drug Store[g,h,i]	PRC/ 05 April 2008	Retailing drugs and other pharmaceutical products	–	51.00%	(xiv)
Suibin Lao Bai Xing Drug Store[h,i]	PRC/ 23 March 2009	Retailing drugs and other pharmaceutical products	–	51.00%	(xiv)
Suibin Bai Xing Drug Store[h,i]	PRC/ 11 May 2009	Retailing drugs and other pharmaceutical products	–	51.00%	(xiv)
Suibin Jintian Drug Store[h,i]	PRC/ 23 December 2009	Retailing drugs and other pharmaceutical products	–	51.00%	(xiv)
Shuangcheng Chang Shou Tang Lao Bai Xing Drug Store ("Shuang Cheng")[i]	PRC/ 10 June 2008	Retailing drugs and other pharmaceutical products	–	100.00%	(xiv)
Jilin Hao Yao Shi Pharmaceutical Co., Ltd. ("Hao Yao Shi")[i]	PRC/ 04 December 2007	Wholesaling drugs and other pharmaceutical products	RMB1,000,000	51.00%	(v)
Suihua New Century Drug Store Co., Ltd. ("Sui Hua")[i]	PRC/ 08 April 2003	Retailing drugs and other pharmaceutical products	RMB3,800,000	99.04%	(viii)

Name of company	Country/place and date of incorporation	Principal activities	Issued and fully paid in capital/ registered capital	Effective Interest held	Statutory auditor
Heilongjiang Jintian Group Aixin Culture Communication Development Co., Ltd.[i]	PRC/ 04 November 2011	Culture communication	RMB1,000,000	100.00%	(vii)
Daqing Jintian Aixin Drug Store Co., Ltd. ("Da Qing")[c,i]	PRC/ 06 September 2007	Retailing drugs and other pharmaceutical products	RMB3,000,000	100.00%	(ix)
Qitaihe Jintian Aixin Health Pharmaceutical Chain Co., Ltd. ("Qi Tai He")[f,i]	PRC/ 07 July 2005	Retailing drugs and other pharmaceutical	RMB2,360,000	100.00%	(ix)
Harbin Jintian Aixin Drug Store Co., Ltd. ("Harbin Jintian Aixin")[d,i]	PRC/ 18 April 2005	Retailing drugs and other pharmaceutical products	RMB5,000,000	100.00%	(x)
Shenyang Wei Kang Drug Store Co., Ltd. ("Wei Kang")[i]	PRC/ 24 October 2001	Retailing drugs and other pharmaceutical products	RMB30,000,000	64.00%	(xi)
Luen Fat Dispensary Ltd. ("Luen")[i]	Hong Kong/ 18 August 2011	Retailing drugs and other pharmaceutical products	HKD100	100.00%	(xii)
Liaoning Jintian Aixin Supermarket[i]	PRC/ 06 December 2012	Commercial retail	RMB3,000,000	100.00%	(xiii)
Health Century Jintian Aixin Medical Limited	Hong Kong/ 02 May 2013	Retailing drugs and other pharmaceutical products	HKD10,000	100.00%	
Changchun Fuhe Jitai Drug Store Co., Ltd. ("Ji Tai")[i]	PRC/ 11 December 2012	Retailing drugs and other pharmaceutical products	RMB1,000,000	100.00%	

a Heilongjiang Tong Sheng Pharmaceutical Co., Ltd. ("Tong Sheng") was renamed as Heilongjiang Jintian Aixin Pharmaceutical Co., Ltd. ("Jintian Aixin") in June 2012.

b Jiamusi Ren He Tang Drug Store Co., Ltd. ("Ren He Tang") was renamed as Heilongjiang Jintian Aixin Health Chain Pharmacy Co., Ltd. ("Aixin Health") in December 2012.

c Daqing Ci Ji Tang Drug Store Co., Ltd. ("Ci Ji Tang") was renamed as Daqing Jintian Aixin Drug Store Co., Ltd. ("Da Qing") in February 2013.

d Harbin Hong Qi Drug Store Co., Ltd. ("Hong Qi") was renamed as Harbin Jintian Aixin Drug Store Co., Ltd. ("Harbin Jintian Aixin") in April 2013.

e Hebei Yan Xiao Pharmaceutical Co., Ltd. ("Yan Xiao") was renamed as Hebei Jintian Yan Xiao Pharmaceutical Co., Ltd. ("Yan Xiao) in June 2013.

f Boli Bai Kang Drug Store Co.,Ltd. ("Bai Kang") was renamed as Qitaihe Jintian Aixin Health Pharmaceutical Chain Co.,Ltd. ("Qi Tai He") in July 2013.

g Suibin Tian Cheng Drug Store was renamed as Suibin Jintian Aixin Drug Store in July 2013.

h These companies were collectively referred to as "Sui Bin".

i The English names of these companies represent management's best efforts at translating the Chinese names of these these companies as no English names have been registered or available.

(i) The statutory financial statements of the company for the years ended 31 December 2011, 2012 were audited by K.M.CHU&CO Certified Public Accountants Firm.

(ii) The statutory financial statements of these companies for the years ended 31 December 2010, 2011, 2012 were audited by Jiamusi Long Jia Certified Public Accountants Firm.

(iii) The statutory financial statements of these companies for the years ended 31 December 2010 were audited by Heilongjiang Jin Yu Da Certified Public Accountants Firm, for the years ended 31 December 2011, 2012 were audited by Jiamusi Long Jia Certified Public Accountants Firm.

(iv) Jintian Aixin was acquired by HCBC from third parties on 30 June 2011 (Note 29). The statutory financial statements of these companies for the years ended 31 December 2011, 2012 were audited by Heilongjiang Jin Yu Da Certified Public Accountants Firm.

(v) Yan Xiao and Hao Yao Shi were acquired by HCBC from third parties on 18 April 2011 and 18 August 2011 respectively (Note 29). Aixin Health was acquired by Jintian Ciji Drug Store from third parties on 30 June 2011 (Note 29). The statutory financial statements of these companies for the years ended 31 December 2011, 2012 were audited by Jiamusi Long Jia Certified Public Accountants Firm.

(vi) Ji Shi Tang was acquired by Jintian Management from third parties on 30 April 2011 (Note 29). The statutory financial statements of the company for the years ended 31 December 2011, 2012 were audited by Hegang He Xing Certified Public Accountants Firm.

(vii) The statutory financial statements of the company for the years ended 31 December 2011, 2012 were audited by Jiamusi Long Jia Certified Public Accountants Firm.

(viii) Sui Hua was acquired by Lao Bai Xing Drug Store from third parties on 20 December 2011 (Note 29). The statutory financial statements of the company for the years ended 31 December 2011, 2012 were audited by Suihua Guang Xing Certified Public Accountants Firm and Jiamusi Long Jia Certified Public Accountants Firm respectively.

(ix) Da Qing and Qi Tai He were acquired by HKHCI from third parties on 1 January 2012 and on 31 March 2012 respectively (Note 29). The statutory financial statements of these companies for the year ended 31 December 2012 were audited by Heilongjiang Jin Yu Da Certified Public Accountants Firm.

(x) Harbin Jintian Aixin was acquired by Jintian Aixin from third parties on 30 April 2012 (Note 29). The statutory financial statements of the company for the year ended 31 December 2012 were audited by Jiamusi Long Jia Certified Public Accountants Firm.

(xi) Wei Kang was acquired by Jintian Aixin from third parties on 31 August 2012 (Note 29). The statutory financial statements of the company for the year ended 31 December 2012 were audited by Jiamusi Long Jia Certified Public Accountants Firm.

(xii) Luen was acquired by HKHCI from third parties on 20 December 2012 (Note 29). The statutory financial statements of this company for the year ended 31 December 2012 were not subject to statutory audit requirement.

(xiii) The statutory financial statements of this company for the year ended 31 December 2012 were audited by Jiamusi Long Jia Certified Public Accountants Firm.

(xiv) Sui Bin were acquired by Jintian Ciji Drug Store from third parties on 31 July 2011 (Note 29). These companies are not subject to statutory audit requirement.

All companies comprising the Group have adopted 31 December as their financial year end date. The above English names of the auditors represent management's best efforts at translating the Chinese names of these auditors as no English names have been registered or available.

As at 30 June 2013 and the date of this report, the Group had equity interests in these joint ventures:

Name of company	Country/place and date of incorporation	Date of acquisition	Principal activities	Issued and fully paid in capital/ registered capital	Effective interest held	Statutory auditor
Joint ventures						
Indirectly owned:						
[1]Yichun Nancha Haolianghe Limin Drug Store	PRC/ 11 March 1997	5 August 2011	Retailing drugs and other pharmaceutical products	–	30.00%*	(i)
[1]Fuyuan Drug Store	PRC/ 4 March 2008	3 August 2011	Retailing drugs and other pharmaceutical products	–	50.00%	(i)
[1]Yichun Nancha Huakang Drug Store	PRC/ 14 May 2008	6 August 2011	Retailing drugs and other pharmaceutical products	–	50.00%	(i)
[1]Yichun Nancha Jintian Drug Store	PRC/ 11 April 2011	7 August 2011	Retailing drugs and other pharmaceutical products	–	50.00%	(i)

1 The English names of these companies represent management's best efforts at translating the Chinese names of these companies as no English names have been registered or available.

(i) These companies are not subject to statutory audit requirement.

* The Company holds less than 50% of the equity interests in these entities, while the directors of the Company consider that these entities are jointly controlled entities of the Company because their strategic operating, investing and financing activities are jointly controlled by the Company and the jointly controlled entity partners.

(c) Basis of presentation

For the purpose of this report, the consolidated financial statements of the Group have been prepared on a basis in accordance with the principles of the Auditing Guideline 3.340 "Prospectus and the Reporting Accountant" issued by the HKICPA. The consolidated statements of comprehensive income, consolidated cash flow statements and consolidated statements of changes in equity of the Group for each of the years ended 31 December 2010, 2011 and 2012 and each of the six months ended 30 June 2012 and 2013 have been prepared using the financial information of the companies engaged in the Listing Business, under the common control of the Controlling Shareholder and now comprising the Group as if the current group structure had been in existence throughout each of the years ended 31 December 2010, 2011 and 2012 and each of the six months ended 30 June 2012 and 2013, or since the respective dates of incorporation/establishment of the combining companies, or since the date when the combining companies first came under the control of the Controlling Shareholder, whichever is a shorter period. The consolidated balance sheets of the Group as at 31 December 2010, 2011 and 2012 and 30 June 2013 have been prepared to present the assets and liabilities of the companies now comprising the Group at these dates, as if the current group structure had been in existence as at these dates. The net assets and results of the Group were consolidated using the existing book values from the Controlling Shareholder's perspective.

For companies acquired from or disposed to a third party during each of the years ended 31 December 2010, 2011 and 2012 and each of the six months ended 30 June 2012 and 2013, they are included in or excluded from the consolidated financial statements of the Group from the date of the acquisition or disposal.

Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on consolidation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied during the Relevant Periods, unless otherwise stated. The Group has adopted IFRSs that are effective for the accounting periods beginning on or before 1 January 2013 consistently throughout the Relevant Periods.

2.1 Basis of preparation

The Financial Information of the Company has been prepared in accordance with International Financial Reporting Standards (IFRS) issued by IASB. The Financial Information has been prepared under the historical cost convention, as modified by the revaluation of the financial assets at fair value through profit or loss.

The preparation of the Financial Information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 4.

New Standards and interpretation not yet adopted

The following new standards, amendments and interpretations to existing standards have been issued by IASB and are mandatory for the Group's accounting periods beginning on 1 January 2014 or later periods, but the Group has not early adopted them:

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. Changes effective for the financial reporting periods beginning on or after 1 January 2015.

- IFRIC Int 21 'Levies', the interpretation clarifies the accounting for levies in the financial statements of the entity that is paying the levy. Changes effective for periods commencing after 1 January 2014.

- IAS 32 (Amendment) 'Financial instruments: Presentation' on asset and liability offsetting, are to the application guidance in IAS 32, 'Financial instruments: Presentation', and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. Changes effective for the financial reporting periods beginning on or after 1 January 2014.

- IAS 36 (Amendments) 'Recoverable amount disclosures for non-financial assets'. The IASB made consequential amendments to the disclosure requirements of IAS 36 when it issued IFRS 13. One of the amendments was drafted more widely than intended. The unintended result requires to disclose the recoverable amount for each CGU with significant amount of goodwill or intangible assets with indefinite useful lives no matter whether there has been impairment. IASB has published limited amendments to remove such requirement for CGU without impairment and introduces additional disclosures about fair value measurements when there has been impairment or a reversal of impairment. The amendments are effective from annual periods beginning on or after 1 January 2014.

- IAS 39 (Amendments) 'Novation of derivatives'. IASB has amended IAS 39 to provide relief from discontinuing hedge accounting when novation of the derivative contract which is designated as a hedging instrument to a central counterparty meets specified criteria. The amendments are effective from annual periods beginning on or after 1 January 2014.

- IFRS 10 and IFRS 12 (Amendments) 'Investment entities'. The amendments provide an exception to the consolidation requirements in IFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities.The amendments are effective from annual periods beginning on or after 1 January 2014.

- IFRS 7 and IFRS 9 (Amendments) "Mandatory effective date and transition disclosures" delay the effective date to annual periods beginning on or after 1 January 2015, and also modify the relief from restating prior periods. As part of this relief, additional disclosures on transition from IAS 39 to IFRS 9 are required. The amendments are effective from annual periods beginning on or after 1 January 2015.

Directors of the Company anticipate that the application of these new standards, amendments and interpretations will have no material impact on the result of operation and financial position of the Group.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(a) Business combinations

Except for the Reorganisation, the Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer 's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions-that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Joint ventures

Joint ventures are ventures undertaken by two or more parties whose rights and obligations with respect to the venture are specified in the jointly controlled entity agreement. No single venture party is in a position to control unilaterally the activity of the venture. Investments in joint ventures are accounted for using equity method of accounting, the investments are initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in joint ventures includes goodwill identified on acquisition.

The Group's share of post-acquisition profit or loss is recognised in the consolidated statements of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the jointly controlled entity.

The Group determines at each reporting date whether there is any objective evidence that the investment in the jointly controlled entity is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the jointly controlled entity and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of joint ventures' in the consolidated statements of comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the Group and its joint ventures are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the joint ventures. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in joint ventures are recognised in the consolidated statements of comprehensive income.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Financial Information is presented in Renminbi ('RMB'), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statements of comprehensive income.

Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the consolidated statements of comprehensive income within 'Finance income or cost'.

(c) Group companies

The results and financial position of all the Group's entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i. assets and liabilities for each balance sheet presented are translated at the closing rate at the dated of that balance sheet;

ii. income and expenses for each consolidated statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

iii. all resulting exchange differences are recognised in other comprehensive income.

2.6 Property, plant and equipment

Property, plant and equipment comprise mainly machinery, motor vehicles, furniture, office equipment and lease improvement are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives. The estimated useful lives of property, plant and equipment are as follows:

– Building	20 years
– Motor vehicles	4-8 years
– Furniture and office equipment.	3-5 years
– Lease improvement	shorter of lease period and estimated useful life

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amounts (Note 2.8).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated statement of comprehensive income.

2.7 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries and businesses, joint ventures and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Trademarks and brand loyalty

Separately acquired trademarks and brand loyalty are shown at historical cost. Trademarks and brand loyalty acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and brand loyalty have a finite useful life and are carried at cost less accumulated amortization. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and brand loyalty over their estimated useful lives of 8 to 20 years.

(c) Contractual supplier relationships

Contractual supplier relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual supplier relationships have a finite useful life and are carried at cost less accumulated amortization. Amortisation is calculated using the straight-line method from 5 years over the expected life of supplier relationship.

(d) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire the specific software. These costs are amortised over their estimated useful lives of 5 to 7 years.

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Financial assets

2.9.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables', 'cash and cash equivalents' and 'restricted cash' in the consolidated balance sheets (Notes 2.13 and 2.14).

2.9.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated statements of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheets when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.11 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statements of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statements of comprehensive income.

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.13 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.14 Cash and cash equivalents

In the consolidated statements of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.15 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statements of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.18 Employee benefits

(i) Pension obligations

The full-time employees of the Group are covered by various government-sponsored pension plans under which the employees are entitled to a monthly pension based on certain formulae. Certain government agencies are responsible for the pension liability to these retired employees. The Group contribute on a monthly basis to these pension plans. Under these plans, the Group have no legal or constructive obligations for retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

(ii) Housing benefits

In accordance with the PRC housing reform regulations, the Group is required to make contributions to the State-sponsored housing fund of the specified salary amount of its full-time Chinese employees. At the same time, the employees are required to make a contribution equal to the Group's contributions out of their salaries. The employees are entitled to claim the entire sum of the fund under certain specified withdrawal circumstances.

2.19 Provisions and contingent liabilities

2.19.1 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.19.2 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the Group's consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

2.20 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods – distribution

The Group sells a range of drugs and other pharmaceutical products in the distribution market. Sales of goods are recognised when a Group entity has delivered products to the distributor, the distributor has accepted the products, and the significant risks and rewards of ownership of the goods are transferred to distributors.

(b) Sales of goods – retail

The Group operates a chain of retail pharmacies for selling drugs and other pharmaceutical products. Sales of goods are recognised when a group entity delivered products to customers, who have accepted the products and collectability of the related receivables is reasonably assured. Retail sales are usually in cash or by credit card.

2.21 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continue unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

2.22 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statements of comprehensive income on a straight-line basis over the period of the lease.

2.23 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Financial Information in the period in which the dividends are approved by the Company's directors, where appropriate.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk and interest risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group regularly monitors its exposure and currently considers not necessary to hedge any of these financial risks.

(a) Foreign exchange risk

The Group mainly operates in the PRC with transactions denominated and settled in RMB. Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. These include mainly the bank deposits (Note 16), financial assets at fair value through profit or loss (Note 14) and shareholder's loan (Note 19(c)) denominated in Hong Kong Dollars ("HKD") and US Dollars ("USD"). The Group currently does not hedge its foreign exchange exposure.

As at 31 December 2010, 2011 and 2012 and 30 June 2013, if RMB had strengthened/weakened by 5% against the USD/HKD with all other variables held constant, profit before income tax for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013 would have been RMB4,216 lower/higher, RMB3,487,000 higher/lower, RMB2,413,000 higher/lower and RMB1,555,161 higher/lower, mainly as a result of foreign exchange losses/gains on translation of USD and HKD denominated cash and bank deposits, financial assets at fair value through profit or loss and shareholder's loan.

The Group will constantly review the economic situation and its foreign exchange risk profile, and will consider appropriate hedging measures in the future, as may be necessary.

(b) Credit risk

The carrying amount of cash, restricted cash, and trade and other receivables, represent the Group's maximum exposure to credit risk in relation to financial assets.

As at 31 December 2010, 2011 and 2012 and 30 June 2013, 88.4%, 96.1%, 71.4% and 61.5% of the Group's restricted cash, cash are held in state-owned financial institutions or joint-stock commercial bank, which management believes are of high credit quality. The rest are deposited in local banks with good reputation. Management does not expect any losses from non-performance by these counterparties.

The Group has no significant concentrations of credit risk. The carrying amounts of receivables included in the consolidated balance sheets are generated by distributions and represent the Group's maximum exposure to credit risk in relation to these financial assets. Ageing analysis of the Group's accounts receivable is disclosed in Note 12. The Group has policies in place to ensure that credit sales are only made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. The Group assesses the credit quality of its customers by taking into account various factors including their financial position, past experience and other factors. The utilisation of credit terms is regularly monitored and management does not expect any losses from non-performance by these counterparties.

Counterparty risk related to trade receivables is limited due to the large number of customers in the Group's customer portfolio and their diversification throughout various business sectors, as well as geographic locations. As at 30 June 2013, the exposure to the top 15 customers did not exceed 21%, of the gross trade and other receivables, with the exposure to the largest customer representing less than 7%.

(c) Liquidity risk

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group expects to fund its future cash flow needs through internally generated cash flows from operations, as well as equity financing through shareholders or initial public offering.

Generally there is no specific credit period granted by the suppliers but the related trade payables are normally expected to be settled within three months after receipt of goods or services.

At 31 December 2010, 2011 and 2012 and 30 June 2013 the Group held cash of RMB107,025,000, RMB713,257,000 and RMB455,916,000 and RMB592,868,000 (Note 16), trade receivables of RMB66,426,000, RMB141,445,000 and RMB179,442,000 and RMB167,120,000 (Note 12) and restricted cash of nil, nil and RMB22,474,000 and RMB8,267,000 (Note 15), that are expected to readily generate cash inflows for managing liquidity risk. In addition, at 31 December 2012, the Group held financial assets at fair value through profit or loss for trading of RMB96,958,000 (Note 14), which could be readily realised to provide a further source of cash if the need arose.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are contractual undiscounted cash flows.

	Less than 1 year
	RMB'000
As at 31 December 2010	
Trade and other payables	70,023
As at 31 December 2011	
Trade and other payables	801,352
As at 31 December 2012	
Trade and other payables	831,997
As at 30 June 2013	
Trade and other payables	832,946

(d) Interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to its restricted cash and bank deposits.

The interest rates and maturities of the Group's restricted cash and bank balances are disclosed in Notes 15 and 16 respectively.

The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets.

At 31 December 2010, 2011 and 2012 and 30 June 2013, if the interest rates on bank deposits and bank balances had been 50 basis points higher/lower than the prevailing rate announced by People's Bank of China, with all other variables held constant, profit for the year would have been RMB530,000, RMB3,563,000 and RMB2,385,000 and RMB1,477,000 higher/lower.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group's strategy remains consistent throughout the Relevant Periods.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated at net debt divided by total capital. Net debt is calculated as shareholder 's loan as shown in the consolidated balance sheet, less cash and cash equivalents. Total capital is calculated as total equity as shown in the consolidated balance sheet plus net debt. The Group aims to maintain the gearing ratio at a level of not more than 50%.

The gearing ratios at 31 December 2010, 2011 and 2012 and 30 June 2013 were as follows:

	As at 31 December			As at 30 June
	2010	**2011**	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Shareholder's loan *(Note 19(c))*	–	667,913	626,429	645,470
Less: cash and cash equivalents *(Note 16)*	107,025	713,257	455,916	592,868
Net (cash)/debt	(107,025)	(45,344)	170,513	52,602
Total equity	187,112	401,244	628,158	772,506
Total capital	80,087	355,900	798,671	825,108
Gearing ratio	N/A	N/A	21%	6%

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at the balance sheet dates.

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2010 and 2011				
Assets				
Financial assets at fair value through profit or loss	–	–	–	–
Liabilities	–	–	–	–
At 31 December 2012				
Assets				
Financial assets at fair value through profit or loss	96,958	–	–	96,958
Liabilities	–	–	–	–
At 30 June 2013				
Assets				
Financial assets at fair value through profit or loss	–	–	–	–
Liabilities	–	–	–	–

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Investment inducted in level 1 is paper gold held for trading classified as financial assets at fair value through profit or loss.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

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

There were no transfers of financial assets between level 1 and level 2 fair value hierarchy classifications.

4. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Income taxes

The Group is mainly subject to income taxes in the numerous jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognise liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(b) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.7. The recoverable amounts of CGUs have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 7). Where the expectation is different from the original estimate, such difference will impact carrying value of goodwill and impairment loss in the period in which such estimate is changed.

(c) Estimated useful life of trademarks and brand loyalty

The Group's management determined that the useful life of trademarks and brand loyalty are 8-20 years (Note 2.7). This estimate is based on the management's experiences in the industry. The Group will increase or decrease the amortisation charge where useful life is shorter or longer than previously estimated. The estimate of useful life of the trademarks and brand loyalty and the amortisation charge could change significantly as a result of changes in the pharmaceutical market, market trend and competition. Management will increase the amortisation charge where useful life is less than the previously estimated, or the trademark and brand loyalty asset will be written-off or written-down to the recoverable amount when there is an indication that the carrying amount is not recoverable.

(d) Purchase price allocation for business combination

Accounting for business acquisitions require the Group to allocate the cost of the acquisition to the specific assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. In connection with the acquisition of the Group, the management undertakes a process to identify all assets and liabilities acquired, including any identified intangible assets where appropriate. The judgments made in identifying all acquired assets, determining the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as assets useful lives, may materially impact the Group's financial position and results of operation. In determining the fair values of the identifiable assets acquired and liabilities assumed, a valuation was conducted by an independent valuer and estimated fair values are based on information available near the acquisition date and on expectations and assumptions that have been deemed reasonable by management.

5. REVENUE AND SEGMENT INFORMATION

The Board of Directors is the Group's chief operating decision-maker. Management has determined the operating segments based on the information reviewed by the Board of Directors for the purposes of allocating resources and assessing performance.

The Group is principally engaged in the distributions and retails of drugs and other pharmaceutical products in the northern region of the PRC. Separate individual financial information for distributions and retails are presented to the Board of Directors who reviews the internal reports in order to assess performance and allocate resources. Due to the differences in economic characters, customers etc. For distributions, retails and others respectively, the distributions, retails and others are considered to be three reportable segments in accordance with IFRS 8 "Operating Segment". The "others" segment mainly comprises investment companies.

The Group's principal market is the northern region of the PRC. The Group has a large number of customers, which are widely dispersed within the northern region of the PRC, no single customer accounted for more than 10% of the Group's total revenues during the Relevant Periods. Accordingly, no geographical segment is presented.

Sales between segments are carried out at arm's length. The revenue from external customers and the cost, the total assets and the total liabilities are measured in a manner consistent with that of the Financial Information.

The Board of Directors assesses the performance of the operating segments based on a measure of EBITDA.

The segment information provided to the Board of Directors for the reportable segments for the year ended 31 December 2010 and as at 31 December 2010 is as follows:

	Distributions	Retails	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	473,868	386,420	–	860,288
Inter-segment revenue	(1,675)	–	–	(1,675)
Revenue from external customers	472,193	386,420	–	858,613
EBITDA	61,832	101,025	(244)	162,613
Depreciation and amortisation	867	830	–	1,697
Finance income	1,237	1,486	–	2,723
Finance costs	(18)	(16)	–	(34)
Income tax expense	15,671	25,424	–	41,095
Total assets before eliminations	154,087	116,695	23,059	293,841
Inter-segment assets	(2,611)	–	(22,400)	(25,011)
Total assets	151,476	116,695	659	268,830
Additions of non-current assets	410	620	–	1,030
Total liabilities before eliminations	52,450	31,756	123	84,329
Inter-segment liabilities	–	(2,611)	–	(2,611)
Total liabilities	52,450	29,145	123	81,718

The segment information provided to the Board of Directors for the reportable segments for the year ended 31 December 2011 and as at 31 December 2011 is as follows:

	Distributions	Retails	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	947,827	526,075	–	1,473,902
Inter-segment revenue	–	–	–	–
Revenue from external customers	947,827	526,075	–	1,473,902
EBITDA	130,804	127,596	(9,212)	249,188
Depreciation and amortisation	2,171	2,169	–	4,340
Finance income	2,623	359	2,840	5,822
Finance costs	(45)	(30)	(4)	(79)
Income tax expense	32,606	29,771	–	62,377
Total assets before eliminations	486,593	304,331	702,279	1,493,203
Inter-segment assets	(57,707)	(2,750)	(199,977)	(260,434)
Total assets	428,886	301,581	502,302	1,232,769
Additions of non-current assets	49,520	79,159	–	128,679
Total liabilities before eliminations	189,290	109,272	684,100	982,662
Inter-segment liabilities	(91,364)	(52,316)	(7,457)	(151,137)
Total liabilities	97,926	56,956	676,643	831,525

The segment information provided to the Board of Directors for the reportable segments for the year ended 31 December 2012 and as at 31 December 2012 is as follows:

	Distributions	Retails	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	1,452,524	912,203	–	2,364,727
Inter-segment revenue	(38,435)	–	–	(38,435)
Revenue from external customers	1,414,089	912,203	–	2,326,292
EBITDA	150,099	183,702	(18,185)	315,616
Depreciation and amortisation	4,137	9,724	–	13,861
Finance income	2,990	586	(400)	3,176
Finance costs	(129)	(48)	(11)	(188)
Income tax expense	37,635	40,635	247	78,517
Total assets before eliminations	849,891	761,957	646,008	2,257,856
Inter-segment assets	(199,753)	(10,953)	(532,004)	(742,710)
Total assets	650,138	751,004	114,004	1,515,146
Additions of non-current assets	4,165	303,101	1,460	308,726
Total liabilities before eliminations	384,350	243,518	646,759	1,274,627
Inter-segment liabilities	(300,364)	(77,668)	(9,607)	(387,639)
Total liabilities	83,986	165,850	637,152	886,988

The segment information provided to the Board of Directors for the reportable segments for the six months ended 30 June 2012 is as follows:

(Unaudited)

	Distributions	Retails	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	606,223	368,519	–	974,742
Inter-segment revenue	(209)	–	–	(209)
Revenue from external customers	606,014	368,519	–	974,533
EBITDA	65,963	74,452	(29,021)	111,394
Depreciation and amortisation	2,136	3,515	–	5,651
Finance income	780	225	1,808	2,813
Finance costs	(33)	(21)	(6)	(60)
Income tax expense	17,974	15,817	–	33,791

The segment information provided to the Board of Directors for the reportable segments for the six months ended 30 June 2013 and as at 30 June 2013 is as follows:

	Distributions	Retails	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	802,191	700,795	–	1,502,986
Inter-segment revenue	(45,996)	–	–	(45,996)
Revenue from external customers	756,195	700,795	–	1,456,990
EBITDA	71,606	156,860	(2,452)	226,014
Depreciation and amortisation	1,997	9,520	–	11,517
Finance income	363	481	1,581	2,425
Finance costs	(46)	(106)	(5)	(157)
Income tax expense	18,036	35,738	(247)	53,527
Total assets before eliminations	999,778	885,524	632,983	2,518,285
Inter-segment assets	(247,603)	(1,786)	(611,475)	(860,864)
Total assets	752,175	883,738	21,508	1,657,421
Additions of non-current assets	297	141,967	–	142,264
Total liabilities before eliminations	132,440	252,317	657,320	1,042,077
Inter-segment liabilities	(40,222)	(113,912)	(3,028)	(157,162)
Total liabilities	92,218	138,405	654,292	884,915

The amounts provided to the Board of Directors with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

6. PROPERTY, PLANT AND EQUIPMENT

	Building	Machinery	Motor vehicles	Furniture and office equipments	Lease improvement	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2010						
Cost	–	6,300	1,236	8,485	219	16,240
Accumulated depreciation	–	(2,992)	(547)	(6,474)	(218)	(10,231)
Net book amount	–	3,308	689	2,011	1	6,009
Year ended 31 December 2010						
Opening net book amount	–	3,308	689	2,011	1	6,009
Additions	–	–	708	279	43	1,030
Disposals	–	(2,759)	(195)	(39)	–	(2,993)
Depreciation *(Note 21)*	–	(549)	(211)	(921)	(16)	(1,697)
Closing net book amount	–	–	991	1,330	28	2,349
At 31 December 2010						
Cost	–	–	1,532	8,367	262	10,161
Accumulated depreciation	–	–	(541)	(7,037)	(234)	(7,812)
Net book amount	–	–	991	1,330	28	2,349

	Building	Machinery	Motor vehicles	Furniture and office equipments	Lease improvement	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2011						
Opening net book amount	–	–	991	1,330	28	2,349
Acquisition of subsidiaries and businesses *(Note 29)*	–	–	1,336	5,967	233	7,536
Additions	–	–	4,118	2,919	4,705	11,742
Disposals	–	–	(41)	(6)	–	(47)
Depreciation *(Note 21)*	–	–	(801)	(977)	(997)	(2,775)
Closing net book amount	–	–	5,603	9,233	3,969	18,805
At 31 December 2011						
Cost	–	–	7,306	19,283	5,001	31,590
Accumulated depreciation	–	–	(1,703)	(10,050)	(1,032)	(12,785)
Net book amount	–	–	5,603	9,233	3,969	18,805
Year ended 31 December 2012						
Opening net book amount	–	–	5,603	9,233	3,969	18,805
Acquisition of subsidiaries and businesses *(Note 29)*	2,997	–	98	7,367	12,061	22,523
Additions	–	–	1,996	6,059	6,482	14,537
Disposals	–	–	(43)	(134)	–	(177)
Depreciation *(Note 21)*	(101)	–	(1,573)	(4,171)	(2,942)	(8,787)
Closing net book amount	2,896	–	6,081	18,354	19,570	46,901
At 31 December 2012						
Cost	3,200	–	9,381	38,775	27,591	78,947
Accumulated depreciation	(304)	–	(3,300)	(20,421)	(8,021)	(32,046)
Net book amount	2,896	–	6,081	18,354	19,570	46,901
Six months ended 30 June 2013						
Opening net book amount	2,896	–	6,081	18,354	19,570	46,901
Acquisition of subsidiaries and businesses *(Note 29)*	–	–	271	3,510	2,536	6,317
Additions	–	–	444	702	36,877	38,023
Disposals	–	–	(256)	–	–	(256)
Depreciation *(Note 21)*	(76)	–	(858)	(2,780)	(3,800)	(7,514)
Closing net book amount	2,820	–	5,682	19,786	55,183	83,471
At 30 June 2013						
Cost	3,200	–	9,853	43,322	67,005	123,380
Accumulated depreciation	(380)	–	(4,171)	(23,536)	(11,822)	(39,909)
Net book amount	2,820	–	5,682	19,786	55,183	83,471

(a) Depreciation expenses have been charged to consolidated statement of comprehensive income as follows:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Administrative expenses	782	679	1,863	993	1,685
Selling and marketing expenses	915	2,096	6,924	2,897	5,829
	1,697	2,775	8,787	3,890	7,514

(b) Lease rentals amounting to RMB10,875,000, RMB16,266,000 and RMB38,516,000 and for the years ended 31 December 2010, 2011 and 2012 and RMB14,145,000 and RMB32,655,000 for the six months ended 30 June 2012 and 2013 related to the lease of property are included in the consolidated statements of comprehensive income.

7. INTANGIBLE ASSETS

	Goodwill	Trademarks and brand loyalty	Contractual supplier relationships	Computer software	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2010					
Opening net book amount	–	–	–	–	–
Amortisation charge *(Note 21)*	–	–	–	–	–
Closing net book amount	–	–	–	–	–
At 31 December 2010					
Cost	–	–	–	–	–
Accumulated amortisation	–	–	–	–	–
Net book amount	–	–	–	–	–
Year ended 31 December 2011					
Opening net book amount	–	–	–	–	–
Acquisition of subsidiaries and businesses *(Note 29)*	71,516	11,528	9,775	–	92,819
Amortisation charge *(Note 21)*	–	(352)	(1,213)	–	(1,565)
Closing net book amount	71,516	11,176	8,562	–	91,254
At 31 December 2011					
Cost	71,516	11,528	9,775	–	92,819
Accumulated amortisation	–	(352)	(1,213)	–	(1,565)
Net book amount	71,516	11,176	8,562	–	91,254
Year ended 31 December 2012					
Opening net book amount	71,516	11,176	8,562	–	91,254
Acquisition of subsidiaries and businesses *(Note 29)*	178,805	87,488	–	45	266,338
Additions	–	–	–	2,088	2,088
Amortisation charge *(Note 21)*	–	(3,060)	(1,955)	(59)	(5,074)
Closing net book amount	250,321	95,604	6,607	2,074	354,606

	Goodwill	Trademarks and brand loyalty	Contractual supplier relationships	Computer software	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2012					
Cost	250,321	99,016	9,775	2,133	361,245
Accumulated amortisation	–	(3,412)	(3,168)	(59)	(6,639)
Net book amount	250,321	95,604	6,607	2,074	354,606
Six months ended 30 June 2013					
Opening net book amount	250,321	95,604	6,607	2,074	354,606
Acquisition of subsidiaries and businesses *(Note 29)*	97,115	–	–	–	97,115
Amortisation charge *(Note 21)*	–	(2,952)	(978)	(73)	(4,003)
Closing net book amount	347,436	92,652	5,629	2,001	447,718
At 30 June 2013					
Cost	347,436	99,016	9,775	2,133	458,360
Accumulated amortisation	–	(6,364)	(4,146)	(132)	(10,642)
Net book amount	347,436	92,652	5,629	2,001	447,718

(a) Amortisations of the Group's intangible assets for each of the years ended 31 December 2010, 2011 and 2012 and the six months ended June 30 2012 and 2013 amounting to nil, RMB1,565,000, RMB5,074,000, RMB1,761,000 and RMB4,003,000 have been charged to the consolidated statements of comprehensive income as administrative expenses.

(b) Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) in the operating segments as follows:

	Year ended 31 December			At 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Distributions	–	17,440	17,440	17,440
Retails	–	54,076	232,881	329,996
	–	71,516	250,321	347,436

During the years ended 31 December 2011 and 2012 and six months ended 30 June 2013, the Group acquired several subsidiaries and businesses, all of which are engaged in the distribution and retail of pharmaceutical products (Note 29) in the northern region of the PRC. The Group integrated these subsidiaries and businesses, unified suppliers and centralise the control of sales on the basis of distributions and retails, by which the input, the output and the resources allocated are managed accordingly. The goodwill as a result of those acquisitions is allocated to the CGUs that are expected to benefit from the synergies of the business combinations and is monitored thereon accordingly. The recoverable amount of all CGUs is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

The key assumptions used for value-in-use calculations for the year ended 31 December 2011 is as follows:

	Distributions	Retails
Gross margin	17.2%-26.4%	23.0%-36.6%
Growth rate	3.0%	3.0%
Discount rate	18.0%	16.7%

The key assumptions used for value-in-use calculations for the year ended 31 December 2012 is as follows:

	Distributions	Retails
Gross margin	18.5%	28.7%-37.0%
Growth rate	3.0%	3.0%
Discount rate	18.0%	16.7%

The key assumptions used for value-in-use calculations for the six months ended 30 June 2013 is as follows:

	Distributions	Retails
Gross margin	23.1%	37.5%-40.0%
Growth rate	3.0%	3.0%
Discount rate	18.0%	16.7%

Management determined budgeted gross margin based on past performance and its expectations of market development. The weighted average growth rates used are consistent with the management forecasts. The discount rates used are pre-tax and reflect specific risks relating to the relevant business.

The directors are of the view that there was no impairment of goodwill at 31 December 2011 and 2012 and 30 June 2013.

As at 30 June 2013, in distributions and retails, the recoverable amount of the goodwill calculated based on the value in use significantly exceeded the carrying amount. The carrying amount would be sensitive only to significant changes in key assumptions which are not considered reasonably possible at this time. In distributions, a reduction in gross margin of 1%, a fall in growth rate of 1% or a rise in discount rate of 1% would reduce the recoverable amount approximately by RMB283,717,000, RMB105,312,000 and RMB104,103,000, to RMB1,384,612,000, RMB1,563,016,000 and RMB1,564,226,000; In retails, a reduction in gross margin of 1%, a fall in growth rate of 1% or a rise in discount rate of 1% would reduce the recoverable amount approximately by RMB457,269,000, RMB208,975,000 and RMB204,931,000, to RMB2,580,279,000, RMB2,828,573,000 and RMB2,832,617,000. Respectively, the recoverable amount is still significantly higher than carrying amount.

8. INVESTMENT IN SUBSIDIARIES

THE GROUP

As at 30 June 2013, the subsidiaries of the Group are set out in Note 1 (b). All subsidiaries are included in the consolidation.

The total non-controlling interest as at 31 December 2010, 2011 and 2012 and 30 June 2013 are nil, RMB38,787,000, RMB79,377,000 and RMB84,193,000, of which nil, nil, RMB58,135,000 and 68,046,000 are attributed to Weikang (which was acquired by the Group on 31 August 2012). The non-controlling interest in respect of others is not material.

Set out below are the summarised financial information for Weikang that has non-controlling interests that are material to the Group.

Summarised balance sheet

	As at 31 December	As at 30 June
	2012	2013
	RMB'000	RMB'000
Current		
Assets	150,022	121,776
Liabilities	(64,434)	(36,089)
Total current net assets	85,588	85,687
Non-current		
Assets	225,936	252,853
Liabilities	(19,913)	(19,406)
Total non-current net assets	206,023	233,447
Net assets	291,611	319,134

Summarised income statement

	For the period from acquisition date to 31 December	Six month ended 30 June
	2012	2013
	RMB'000	RMB'000
Revenue	109,198	191,273
Profit before income tax	17,679	36,749
Income tax expense	(4,452)	(9,226)
Profit and total comprehensive income	13,227	27,523
Profit and total comprehensive income attributable to non-controlling interests	4,762	9,908

Summarised cash flows

	For the period from acquisition date to 31 December	Six month ended 30 June
	2012	2013
	RMB'000	RMB'000
Cash flows from operating activities		
Cash flows from operating activities	(68,189)	34,739
Bank charges paid	(3)	(14)
Income tax paid	(4,796)	(10,909)
Net cash (used in)/generated from operating activities	(72,988)	23,816
Net cash used in investing activities	(24,201)	(12,921)
Net (decrease)/increase in cash	(97,189)	10,895
Cash at beginning of the period	129,989	32,800
Cash at end of the period	32,800	43,695

The information above is the amount before inter-company eliminations.

THE COMPANY

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Investment in HKHCI pursuant to the Reorganisation *(Note 1(b))*	–	–	3,533	3,533

9. INVESTMENTS IN JOINT VENTURES

	Year ended 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year/period	–	–	2,582	3,719
Acquisition of joint ventures	–	1,950	–	–
Share of profits	–	632	1,137	808
At end of year/period	–	2,582	3,719	4,527

The following amounts represent the Group's share of the assets (including goodwill) and liabilities, and results of the joint ventures:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
Non-current assets	–	414	383	389
Current assets	–	2,501	3,967	4,312
	–	2,915	4,350	4,701
Liabilities				
Current liabilities	–	(333)	(631)	(174)
Net assets	–	2,582	3,719	4,527

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue	–	2,136	4,408	2,180	2,453
Expenses	–	(1,605)	(3,271)	(1,623)	(1,645)
Profit after income tax	–	531	1,137	557	808
Excess of share of net fair value of identifiable assets and liabilities over the cost of the investment	–	101	–	–	–
	–	632	1,137	557	808

There are no contingent liabilities relating to the Group's interests in the joint ventures, and no contingent liabilities of the ventures themselves. Details of the joint ventures are set out in Note 1.

10. DEFERRED INCOME TAX

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets:				
– Deferred tax assets to be recovered within 12 months	3,582	5,363	9,297	10,477
Deferred tax liabilities:				
– Deferred tax liabilities to be recovered after more than 12 months	–	(3,461)	(23,011)	(22,082)
– Deferred tax liabilities to be recovered within 12 months	–	(1,104)	(1,858)	(1,858)
	–	(4,565)	(24,869)	(23,940)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets	**Accrual for employee payroll**	**Accrual for sales commission**	**Total**
	RMB'000	**RMB'000**	**RMB'000**
At 1 January 2010	1,208	2,175	3,383
Credited to the consolidated statements of comprehensive income	113	86	199
At 31 December 2010	1,321	2,261	3,582
Credited to the consolidated statements of comprehensive income	1,526	255	1,781
At 31 December 2011	2,847	2,516	5,363
Credited to the consolidated statements of comprehensive income	2,756	1,178	3,934
At 31 December 2012	5,603	3,694	9,297
Credited to the consolidated statements of comprehensive income	2,477	(1,297)	1,180
At 30 June 2013	8,080	2,397	10,477

Deferred tax liabilities	**Deferred tax liabilities arising from business combination**
	RMB'000
At 1 January 2010 and 31 December 2010	–
Acquisition of subsidiaries and businesses *(Note 29)*	(5,585)
Credited to the consolidated statements of comprehensive income	1,020
At 31 December 2011	(4,565)
Acquisition of subsidiaries and businesses *(Note 29)*	(23,745)
Credited to the consolidated statements of comprehensive income	3,441
At 31 December 2012	(24,869)
Credited to the consolidated statements of comprehensive income	929
At 30 June 2013	(23,940)

As at 31 December 2010, 2011 and 2012 and 30 June 2013, deferred income tax assets of RMB16,000, RMB1,104,000, RMB4,031,000 and RMB4,403,000 have not been recognised in respect of the tax losses amounting to RMB65,000, RMB6,638,000, RMB23,152,000 and RMB25,397,000 which can be carried forward against future taxable income.

Dividends derived from the Company's subsidiaries in the mainland China earned after 1 January 2008 are subject to withholding tax at the rate of 5%. During the Relevant Periods, the Group reassessed its needs to make distributions out of its subsidiaries in the mainland China.

As at 31 December 2010, 2011 and 2012 and 30 June 2013, no provision for withholding tax has been made, as unremitted earnings of those subsidiaries in mainland China are not expected to be distributed in the foreseeable future. Unremitted earnings amounted to RMB146,814,000, RMB329,262,000, RMB557,181,000, and RMB710,244,000 as at 31 December 2010, 2011 and 2012 and 30 June 2013, respectively.

11. FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables
	RMB'000
31 December 2010	
Assets as per consolidated balance sheet	
Trade and other receivables excluding prepayments	69,926
Cash	107,025
Total	176,951

	Financial liabilities at amortised cost
	RMB'000
Liabilities as per consolidated balance sheet	
Trade and other payables	70,023

	Loans and receivables
	RMB'000
31 December 2011	
Assets as per consolidated balance sheet	
Trade and other receivables excluding prepayments	146,950
Cash	713,257
Total	860,207

	Financial liabilities at amortised cost
	RMB'000
Liabilities as per consolidated balance sheet	
Trade and other payables	801,352

	Loans and receivables	Financial assets at fair value through the profit or loss	Total
	RMB'000	RMB'000	RMB'000
31 December 2012			
Assets as per consolidated balance sheet			
Trade and other receivables excluding prepayments	190,210	–	190,210
Financial assets at fair value through profit or loss	–	96,958	96,958
Restricted Cash	22,474	–	22,474
Cash	455,916	–	455,916
Total	668,600	96,958	765,558

	Financial liabilities at amortised cost
	RMB'000
Liabilities as per consolidated balance sheet	
Trade and other payables	831,997

	Loans and receivables
	RMB'000
30 June 2013	
Assets as per consolidated balance sheet	
Trade and other receivables excluding prepayments	177,336
Restricted Cash	8,267
Cash	592,868
Total	778,471

	Financial liabilities at amortised cost
	RMB'000
Liabilities as per consolidated balance sheet	
Trade and other payables	832,946

12. TRADE AND OTHER RECEIVABLES

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables (a)	66,426	141,445	179,442	167,120
– Due from related parties *(Note 30)*	–	–	1,269	387
– Due from third parties	66,426	141,445	178,173	166,733
Prepayments	5,355	62,629	83,520	59,775
– Prepayments of rental expense	3,719	11,882	41,876	38,924
– Prepayments of goods due from related parties *(Note 30)*	–	17,931	17,469	4,083
– Prepayments of goods and services due from third parties	–	32,816	20,348	11,193
– Prepayments of taxes	1,636	–	–	–
– Value added tax input credits	–	–	3,827	5,575
Other receivables	3,500	5,505	10,768	10,216
– Deposits receivables	689	2,931	6,603	6,870
– Advance to employees	137	1,773	1,408	522
– Expense paid on behalf of a related party *(Note 30)*	–	673	423	423
– Equipment rental from a related party *(Note 30)*	1,746	–	–	–
– Equipment disposal proceeds from a related party *(Note 30)*	817	–	–	–
– Others	111	128	2,334	2,401
Total	75,281	209,579	273,730	237,111

The carrying amounts of receivables approximate their fair values.

(a) Retail sales at the Group's pharmacies are usually made in cash or debt or credit cards. For distribution to distributors, there is no concentration of credit risk with respect to trade receivables, as the majority of the Group's sales are settled in cash on delivery of goods. The remaining amounts are with credit items of 0~90 days. The ageing analysis based on recognition date of the trade receivables is as follows:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Up to 3 months	63,629	138,377	165,633	162,548
4 to 6 months	1,610	303	11,780	4,305
7 to 12 months	1,187	2,765	2,029	267
	66,426	141,445	179,442	167,120

As at 31 December 2010, 2011 and 2012 and 30 June 2013, the trade receivables of RMB2,797,000, RMB3,068,000 and RMB13,809,000 and RMB4,572,000 were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Past due up to 3 months	1,610	303	11,780	4,305
Past due 4 to 6 months	1,187	2,765	2,029	267
	2,797	3,068	13,809	4,572

The carrying amounts of the Group's trade and other receivables are all denominated in RMB.

For the years ended 31 December 2010, 2011 and 2012 and 30 June 2013, no trade and other receivables were impaired and provided for. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above.The Group does not hold any collateral as security.

13. INVENTORIES

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Goods	80,593	177,929	249,442	270,879

The cost of inventories recognised as expense and included in cost of sales for the years ended 31 December 2010, 2011 and 2012 and six months ended 30 June 2012 and 2013 amounted to RMB613,495,000, RMB1,088,818,000, RMB1,768,843,000, RMB741,628,000 and RMB1,066,063,000 respectively (Note 21).

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Paper gold held for trading	–	–	96,958	–

Changes in fair values of financial assets at fair value through profit or loss are recorded in "*other losses – net*" in the consolidated statements of comprehensive income (Note 20).

The paper gold held for trading is denominated in USD, The fair value of the paper gold held for trading is based on their current bid prices in an active market.

15. RESTRICTED CASH

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Restricted cash	–	–	22,474	8,267

As at 31 December 2012 and 30 June 2013, the entire balance of the restricted cash was secured for notes payable, the amount of trade finance facilities utilised by the Group for issuing notes payable to its suppliers amounting to RMB42,088,000 and RMB8,267,000 (Note 19(b)).

All of the restricted cash was denominated in RMB.

The effective interest rates on restricted cash, with mature days within one year, were 3.50% and 2.80% per annum as at 31 December 2012 and 30 June 2013.

16. CASH

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Cash on hand	1,102	605	1,393	10,360
Cash at bank	105,923	712,652	454,523	582,508
	107,025	713,257	455,916	592,868

Bank balances earn interest at floating rates based on daily bank deposit rates.

As at 31 December 2010, 2011 and 2012 and 30 June 2013, the cash and bank balances were denominated in the following currencies:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
RMB	106,941	600,092	454,685	463,014
USD	–	113,087	1,004	128,191
HKD	84	78	227	1,663
	107,025	713,257	455,916	592,868

17. SHARE CAPITAL

	Number of ordinary shares	Nominal value of ordinary shares
		USD
Authorised:		
Ordinary shares of USD 0.001 each		
At 12 March 2012 (date of incorporation) and 30 June 2013	50,000,000	50,000

Issued and fully paid:

	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares
		USD	RMB
At 12 March 2012 (date of incorporation) and 30 June 2013	1,000	1	6

18. RESERVES

THE GROUP

	Capital reserves *(Note(a))*	Statutory reserves *(Note(b))*	Share-based compensation reserves *(Note(c))*	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2010	22,800	7,440	8,853	39,093
Capital contribution from the Controlling Shareholder *((a)(i), Note 1(b))*	23,001	–	–	23,001
Deemed contribution from the Controlling Shareholder *(Note 30(a)(ii))*	180	–	–	180
Deemed distribution to the Controlling Shareholder *((a)(ii), Note 1(b))*	(22,400)	–	–	(22,400)
Profit appropriation to statutory reserves	–	669	–	669
Balance at 31 December 2010	23,581	8,109	8,853	40,543
Balance at 1 January 2011	23,581	8,109	8,853	40,543
Purchase of non-controlling interests *(a)(iii)*	(4,417)	–	–	(4,417)
Deemed contribution from the Controlling Shareholder *(Note 30(a)(ii))*	575	–	–	575
Deemed distribution to the Controlling Shareholder *((a)(ii), Note 1(b))*	(930)	–	–	(930)
Profit appropriation to statutory reserves	–	4,099	–	4,099
Balance at 31 December 2011	18,809	12,208	8,853	39,870
Balance at 1 January 2012	18,809	12,208	8,853	39,870
Purchase of non-controlling interests *(a)(iv)*	(23,381)	–	–	(23,381)
Deemed contribution from the Controlling Shareholder *(Note 30(a)(ii))*	945	–	–	945
Capital contribution from the Controlling Shareholder *((a)(i), Note 1(b))*	1	–	–	1
Deemed distribution to the Controlling Shareholder *((a)(ii), Note 1(b))*	(5,001)	–	–	(5,001)
Profit appropriation to statutory reserves	–	8,202	–	8,202
Balance at 31 December 2012	(8,627)	20,410	8,853	20,636
Balance at 1 January 2013	(8,627)	20,410	8,853	20,636
Purchase of non-controlling interests *(a)(v)*	(11,248)	–	–	(11,248)
Balance at 30 June 2013	(19,875)	20,410	8,853	9,388

Notes:

(a) Capital reserves

(i) During the Reorganisation, the Controlling Shareholder made cash contribution to the Group through capital injection to the companies now comprising the Group, which were accounted for as capital contribution from the Controlling Shareholder (Note 1(b)).

(ii) During the Reorganisation, the Group acquired equity interests in certain companies now comprising the Group from the Controlling Shareholder, which were accounted for as deemed distribution to the Controlling Shareholder (Note 1(b)).

The Group used a trademark of the Controlling Shareholder for the Listing Business during the Relevant Periods. On 15 April 2012, the Group paid RMB5,000,000 to transfer the legal title of the trademark, which was accounted for as deemed distribution to the Controlling Shareholder.

(iii) On 30 November 2011, one subsidiary of the Company acquired 49% interest of Heilongjiang Tong Sheng Pharmaceutical Co., Ltd. ("Tong Sheng") from non-controlling shareholders for a purchase consideration of RMB8,260,000. The carrying amount of the non-controlling interests in Tong Sheng on the date of acquisition was RMB3,843,000. The Group recognised a decrease in non-controlling interests of RMB3,843,000 and a decrease in equity attributable to owners of the Company of RMB4,417,000. After the transaction with non-controlling shareholders, the Group obtained entire equity interest in Tong Sheng.

(iv) On 31 July 2012, one subsidiary of the Company acquired 49% interest of Yan Xiao from non-controlling shareholders for a purchase consideration of RMB49,767,000. The carrying amount of the non-controlling interests in Yan Xiao on the date of acquisition was RMB26,386,000. The Group recognised a decrease in non-controlling interests of RMB26,386,000 and a decrease in equity attributable to owners of the Company of RMB23,381,000. After the transaction with non-controlling shareholders, the Group obtained entire equity interest in Yan Xiao.

(v) On 3 April 2013, a subsidiary of the Company acquired 49% interest of Haoyaoshi from non-controlling shareholders for a purchase consideration of RMB19,698,000. The carrying amount of the non-controlling interests in Haoyaoshi on the date of acquisition was RMB8,450,000. The Group recognised a decrease in non-controlling interests of RMB8,450,000 and a decrease in equity attributable to owners of the Company of RMB11,248,000. After the transaction with non-controlling shareholders, the Group obtained entire equity interest in Haoyaoshi.

(b) Statutory reserves

Under the relevant PRC laws and regulations, PRC companies are required to appropriate 10% of the respective net profit to statutory reserve until such reserve reached 50% of the Companies registered capital. The statutory reserve can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase registered capital of the companies, provide that such reserve is maintained at a minimum of 25% of the companies registered capital.

The statutory reserve maintained by "Heilongjiang Jintian Group Harbin Ciji Pharmaceutical Co., Ltd." has reached 50% of the registered capital as at 31 December 2007. "Heilongjiang Jintian Group Jintian Ciji Drug Store Co., Ltd." and "Heilongjiang Jintian Group Lao Bai Xing Drug Store Co., Ltd." have reached 50% of the registered capital as at 31 December 2008. According to the relevant PRC laws and regulations, there is no statutory requirement for these three companies to appropriate statutory reserve any more.

(c) Share-based compensation reserves

On 10 September 2009, 1% shares of the Group were granted to Mr. Chu Chuanfu, the general manager of the Group. The fair value of the shares were accounted for as share-based compensation reserve.

The company

	Capital reserves
	RMB'000
At 1 January 2012	–
Proceeds from share issued	3,533
Deemed contribution from the Controlling Shareholder	945
At 31 December 2012 and 30 June 2013	4,478

19. TRADE AND OTHER PAYABLES

THE GROUP

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables (a)	52,236	86,591	99,204	82,067
– Due to related parties *(Note 30)*	1,981	1,408	17,962	1,874
– Due to third parties	50,255	85,183	81,242	80,193
Notes payable (b)	–	–	42,088	8,267
– Due to third parties	–	–	42,088	8,267
Other payables (c)	17,787	714,761	690,705	742,612
– Due to related parties *(Note 30)*	123	676,184	640,742	663,301
– Due to third parties	17,664	38,577	49,963	79,311
	70,023	801,352	831,997	832,946

(a) Details of ageing analysis of trade payables were as follows:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Up to 3 months	51,077	84,053	91,430	80,876
4 to 6 months	1,150	6	4,376	1,017
7 to 12 months	9	2,523	3,085	138
1 year to 2 years	–	9	304	36
2 years to 3 years	–	–	9	–
	52,236	86,591	99,204	82,067

(b) As at 31 December 2012 and 30 June 2013, the entire balance of notes payable was secured by restricted cash of RMB22,474,000 and RMB8,267,000 (Note 15).

(c) Details of other payables are as follows:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Salary and welfare payable	5,395	12,515	24,561	35,496
Sales commissions and marketing expenses	9,045	10,066	14,778	12,348
Shareholder's loan *(Note 30(a)(ii))*	–	667,913	626,429	645,470
Due to related parties *(Note 30(b))*	123	8,271	14,313	17,831
Other taxes	1,244	8,007	5,400	10,391
Deposits payable	1,430	1,270	1,140	390
Consideration payable	–	–	1,041	15,003
Payable to non-controlling investors	–	5,207	636	636
Others	550	1,512	2,407	5,047
	17,787	714,761	690,705	742,612

Except for the shareholder's loan, the carrying amounts of other trade and other payables are denominated in RMB. As at 31 December 2011 and 2012 and 30 June 2013, the Group's shareholder's loan amount to RMB667,913,000, RMB626,429,000 and RMB645,470,000 respectively, which were granted by Asia Health. The shareholder's loan is unsecured, non-interest bearing and has no fixed term of repayment. The carrying amounts of the Group's shareholder's loan are denominated in the following currencies:

	As at 31 December		As at 30 June
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
RMB	485,000	485,000	485,000
USD	182,913	141,429	159,563
HKD	–	–	907

Pursuant to the written agreement dated 11 November 2013 and signed by the Company, HKHCI and Asia Health, Asia Health agreed to release HKHCI from all obligations and liabilities with respect to the shareholder's loan in full and a share of the Company was issued and allotted to Asia Health.

20. OTHER LOSSES – NET

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Loss on financial assets at fair value through profit or loss	–	–	(14,058)	(26,909)	(1,160)
Loss on disposals of property, plant and equipment	(2,086)	(25)	(165)	–	(76)
Other	–	–	(52)	(1)	–
	(2,086)	(25)	(14,275)	(26,910)	(1,236)

21. EXPENSES BY NATURE

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Changes in inventories *(Note 13)*	613,495	1,088,818	1,768,843	741,628	1,066,063
Employee benefit expenses *(Note 22)*	34,027	52,156	93,167	41,073	74,956
Advertising and other marketing expenses	14,706	18,320	22,125	9,733	9,997
Transportation and related charges	11,683	25,290	40,392	17,371	26,005
Rental expenses *(Note 6)*	10,875	16,266	38,516	14,145	32,655
Tax expenses	6,241	8,145	14,763	5,780	9,146
Office and communication expenses	3,677	5,169	8,191	3,549	4,481
Depreciation of property, plant and equipment equipment *(Note 6)*	1,697	2,775	8,787	3,890	7,514
Amortisation of intangible assets *(Note 7)*	–	1,565	5,074	1,761	4,003
Travelling and meeting expenses	398	8,111	3,043	488	1,106
Professional fees	–	878	2,938	490	1,386
Auditors' remuneration	500	1,280	1,980	990	1,000
Electricity and other utility fees	86	232	1,249	109	1,655
Other expenses	435	506	2,316	873	1,318
	697,820	1,229,511	2,011,384	841,880	1,241,285

22. EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Wages and salaries	26,593	37,670	67,192	29,003	53,182
Contributions to pension plan *(a)*	6,360	12,223	23,561	11,021	19,496
Other benefits	1,074	2,263	2,414	1,049	2,278
	34,027	52,156	93,167	41,073	74,956

(a) The employees of the Group participate in certain defined contribution pension plans organised by the relevant municipal and provincial government under which the Group are required to make monthly defined contributions to this plan at a certain rate of employee's basic salary dependent upon the applicable local regulations.

(b) Directors' emoluments

The aggregate amounts of the emoluments paid and payable to the directors of the Company by companies comprising the Group during the Relevant Periods are set out as follows:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Salaries, wages and bonuses	422	722	1,024	508	600
Contributions to pension plan	19	22	26	12	16
	441	744	1,050	520	616

The emoluments of the directors are set out as follows:

Name of directors	Year ended 31 December 2010		
	Salaries, wages and bonuses	Contributions to pension plan	Total
	RMB'000	RMB'000	RMB'000
Mr. Jin Dongtao	120	5	125
Mr. Chu Chuanfu	82	4	86
Mr. Jin Dongkun	80	5	85
Ms. Chen Xiaoyan	80	5	85
Ms. Wu Qiong	60	–	60
	422	19	441

Name of directors	Year ended 31 December 2011		
	Salaries, wages and bonuses	Contributions to pension plan	Total
	RMB'000	RMB'000	RMB'000
Mr. Jin Dongtao	260	6	266
Mr. Chu Chuanfu	122	4	126
Ms. Wu Qiong	120	–	120
Mr. Jin Dongkun	110	6	116
Ms. Chen Xiaoyan	110	6	116
	722	22	744

Name of directors	Year ended 31 December 2012		
	Salaries, wages and bonuses	Contributions to pension plan	Total
	RMB'000	RMB'000	RMB'000
Mr. Jin Dongtao	410	7	417
Mr. Chu Chuanfu	174	5	179
Ms. Wu Qiong	160	–	160
Mr. Jin Dongkun	140	7	147
Ms. Chen Xiaoyan	140	7	147
	1,024	26	1,050

Name of directors	Six months ended 30 June 2012 (Unaudited)		
	Salaries, wages and bonuses	Contributions to pension plan	Total
	RMB'000	RMB'000	RMB'000
Mr. Jin Dongtao	205	3	208
Mr. Chu Chuanfu	83	3	86
Ms. Wu Qiong	80	–	80
Mr. Jin Dongkun	70	3	73
Ms. Chen Xiaoyan	70	3	73
	508	12	520

Name of directors	Six months ended 30 June 2013 Salaries, wages and bonuses	Contributions to pension plan	Total
	RMB'000	RMB'000	RMB'000
Mr. Jin Dongtao	240	4	244
Mr. Chu Chuanfu	90	4	94
Ms. Wu Qiong	90	–	90
Mr. Jin Dongkun	90	4	94
Ms. Chen Xiaoyan	90	4	94
	600	16	616

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group are as follows:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
In the capacity as:					
Directors	441	744	1,050	520	616

For the year ended 31 December 2010, 2011 and 2012 , 30 June 2012 and 2013, the five highest paid individuals include 5 directors, 5 directors, 5 directors, 5 directors and 5 directors respectively, whose emoluments were reflected in the analysis presented above. The emolument paid to each of the highest paid individuals fell within between nil to HK$1,000,000.

During the Relevant Periods, no director or the five highest paid individuals received any emolument from the Group as an inducement to join, upon joining the Group, leave the Group or as compensation for loss of office.

23. FINANCE INCOME AND COSTS

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Finance income					
Exchange (losses)/gains	(1)	4,736	703	1,219	1,606
Interest income on bank deposits	299	1,086	2,473	1,594	819
Interest income on loans to a related party *(Note 30)*	2,425	–	–	–	–
	2,723	5,822	3,176	2,813	2,425
Finance costs					
Other charges	(34)	(79)	(188)	(60)	(157)
Finance income – net	2,689	5,743	2,988	2,753	2,268

24. INCOME TAX EXPENSE

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Current income tax	41,294	65,178	85,892	35,343	55,636
Deferred income tax credit *(Note 10)*	(199)	(2,801)	(7,375)	(1,552)	(2,109)
Total income tax expense	41,095	62,377	78,517	33,791	53,527

The difference between the actual taxation charge in the consolidated statements of comprehensive income and the amounts which would result from applying the enacted tax rate to profit before income tax can be reconciled as follows:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit before income tax	163,605	251,223	305,880	109,053	217,573
Tax calculated at a PRC statutory tax rate of 25%	40,901	62,806	76,470	27,263	54,393
Tax effects of					
– Expenses not deductible for tax purpose	222	1,666	1,345	2,999	890
– Income not subject to tax	–	(1,541)	(58)	–	(705)
– Tax losses for which no deferred income tax asset was recognised	16	1,088	2,927	2,827	861
– Effect of different applicable tax rates for certain subsidiaries	(44)	(1,484)	(1,883)	841	(1,710)
– Joint ventures results reported net of tax	–	(158)	(284)	(139)	(202)
Income tax expense	41,095	62,377	78,517	33,791	53,527

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assemble profit during the Relevant Periods. The subsidiaries of the Group in PRC are subject to corporate income tax at a rate of 25% on its taxable income or deemed profit method as determined in accordance with the relevant PRC income tax rules and regulations.

25. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owner of the Company by the weighted average number of ordinary shares in issue during the Relevant Periods.

	Year ended 31 December			Six months ended 30 June	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (Unaudited)**	**RMB'000**
Profit attributable to owner of the Company	122,510	180,117	213,760	69,307	150,780
Weighted average number of ordinary shares in issue	1,000	1,000	1,000	1,000	1,000
Basic earnings per share*	123	180	214	69	151

* The earnings per share as presented above is calculated using the weighted average number of ordinary shares of 1,000 shares for each of the years ended 31 December 2010, 2011 and 2012. It has not taken into account the proposal capitalisation issue as described in Note 31(c) because the proposed capitalisation issue has not become effective as at the date of this report.

(b) Diluted

No diluted earnings per share is presented as the Group has no dilutive potential ordinary shares during the Relevant Periods.

26. DIVIDENDS

	Year ended 31 December			Six months ended 30 June	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000 *Note(a)*	**RMB'000**	**RMB'000**	**RMB'000 (Unaudited)**	**RMB'000**
Dividends to the Controlling Shareholder	106,435	–	–	–	–

Notes:

(a) Dividends disclosed represented dividends declared by Heilongjiang Jintian Group Jintian Ciji Pharmaceutical Co.,Ltd, Heilongjiang Jintian Group Harbin Ciji Pharmaceutical Co., Ltd, Heilongjiang Jintian Group Jintian Ciji Drug Store Co., Ltd, Heilongjiang Jintian Group Lao Bai Xing Drug Store Co., Ltd and Shuangcheng Chang Shou Tang Lao Bai Xing Drug Store as set out in Note 1, out of their retained earnings to the then shareholder of the respective companies for the year ended 31 December 2010.

27. CASH GENERATED FROM OPERATIONS

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit for the year	122,510	188,846	227,363	75,262	164,046
Adjustments for:					
– Income tax expense	41,095	62,377	78,517	33,791	53,527
– Depreciation of property, plant and equipment *(Note 6)*	1,697	2,775	8,787	3,890	7,514
– Amortisation of intangible assets *(Note 7)*	–	1,565	5,074	1,761	4,003
– Loss on disposal of property, plant and equipment *(Note 20)*	2,086	25	165	–	76
– Finance income – net *(Note 23)*	(2,689)	(5,743)	(2,988)	(2,753)	(2,268)
– Share of profits of joint ventures *(Note 9)*	–	(632)	(1,137)	(557)	(808)
– Loss on financial assets at fair value through profit or loss *(Note 20)*	–	–	14,058	26,909	1,160
Changes in working capital:					
– Increase in inventories	(3,808)	(28,906)	(10,170)	(5,533)	(4,041)
– (Increase)/decrease in trade and other receivables	(18,898)	(63,530)	44,137	(77,088)	37,719
– Increase/(decrease) in trade and other payables	4,562	16,362	(120,612)	24,173	(32,817)
Cash generated from operations	146,555	173,139	243,194	79,855	228,111

In the consolidated statements of cash flows, proceeds from sale of property, plant and equipment comprise:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Net book amount *(Note 6)*	2,993	47	177	–	256
Loss on disposals of property, plant and equipment *(Note 20)*	(2,086)	(25)	(165)	–	(76)
Receipts from a related party for equipment disposal *(Note 30)*	(817)	817	–	–	–
Proceeds from disposal of property, plant and equipment	90	839	12	–	180

28. COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

	Year ended 31 December			Six months ended 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Investments	–	13,000	–	–

(b) Operating lease commitments

The Group leases various retail outlets, offices and warehouses under non-cancellable operating lease agreements. The lease terms are between three and ten years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Year ended 31 December			Six months ended 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
No later than 1 year	8,885	21,787	44,022	48,174
Later than 1 year and no later than 5 years	11,876	25,854	89,303	70,837
More than 5 years	–	31	208	182
	20,761	47,672	133,533	119,193

29. BUSINESS COMBINATIONS

During the Relevant Periods, certain equity interests in subsidiaries and businesses now comprising the Group were acquired from third parties for the purpose of expanding into new markets. Acquisitions of equity interests in these subsidiaries and businesses were accounted for using the acquisition method of accounting effective from the dates when the subsidiaries and businesses were controlled by the Group. Details are as follows:

(a) For the year ended 31 December 2011, the Group acquired equity interests in the following subsidiaries and businesses:

Company name/business	Acquisition date	Percentage of equity interests acquired	Cash consideration
			RMB'000
Yan Xiao	18 April 2011	51.00%	25,300
Ji Shi Tang	30 April 2011	51.00%	7,000
Jintian Aixin	30 June 2011	51.00%	5,510
Aixin Health	30 June 2011	100.00%	16,600
Chinese medicinal herb business ("Medicinal herb")	5 July 2011	100.00%	22,014
Sui Bin	31 July 2011	51.00%	3,530
Retailing business of pharmaceutical products ("Retailing businesses")	During the period from 1 August to 6 August 2011	100.00%	17,011
Hao Yao Shi	8 August 2011	51.00%	14,000
Sui Hua	20 December 2011	99.04%	48,500
			159,465

The following table summarises the consideration paid for the acquired subsidiaries and businesses, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

	Yan Xiao	Aixin Health	Medicinal herb	Hao Yao Shi	Sui Hua	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Consideration:							
– Cash consideration paid	25,300	16,600	22,014	14,000	48,500	33,051	159,465
Recognised amounts of identifiable assets acquired and liabilities assumed							
Cash	1,252	–	–	732	3,212	1,014	6,210
Property, plant and equipment *(Note 6)*	2,481	225	620	217	1,807	2,186	7,536
Trademarks and brand loyalty (included in intangibles) *(Note 7)*	–	1,775	–	1,172	6,541	2,040	11,528
Contractual supplier relationship (included in intangibles) *(Note 7)*	7,648	–	–	1,166	–	961	9,775
Inventories	21,267	6,534	2,374	5,118	18,151	14,986	68,430
Trade and other receivables	46,622	235	272	4,781	7,401	12,274	71,585
Trade and other payables	(40,614)	–	–	(2,593)	(632)	(3,790)	(47,629)
Deferred tax liabilities *(Note 10)*	(2,163)	–	–	(760)	(2,109)	(553)	(5,585)
Total identifiable net assets	36,493	8,769	3,266	9,833	34,371	29,118	121,850
Non-controlling interest	(17,882)	–	–	(4,818)	(330)	(10,871)	(33,901)
Goodwill *(Note 7)*	6,689	7,831	18,748	8,985	14,459	14,804	71,516
	25,300	16,600	22,014	14,000	48,500	33,051	159,465

As a result of the acquisition, the group is expected to facilitate entry into and/or increase its presence in these developing markets which operate primary in third or fourth tier cities. It also expects to reduce costs through economies of scale. The goodwill of RMB71,516,000 is attributable to the acquired human resources, economies of scale and synergy expected from combining the operations of the Group and above subsidiaries and businesses acquired not under common control combination. High profitability is expected to gain from these acquired subsidiaries and businesses and this expectation is subsumed in goodwill. None of the goodwill recognised is expected to be deductible for income tax purposes.

The revenue included in the consolidated statements of comprehensive income since the respective acquisition dates contributed by the acquired subsidiaries and businesses was RMB351,889,000. The acquired subsidiaries and businesses also contributed profit of RMB20,600,000 over the same period.

Had the acquired subsidiaries and businesses been consolidated from 1 January 2011, the consolidated statements of comprehensive income for 2011 would show revenue of RMB1,627,256,000 and profit of RMB202,840,000.

(b) For the year ended 31 December 2012, the Group acquired equity interests in the following subsidiaries and businesses:

Company name/business	Acquisition date	Percentage of equity interests acquired	Cash consideration
			RMB'000
Da Qing	1 January 2012	100.00%	17,878
Qi Tai He	31 March 2012	100.00%	9,120
Harbin Jintian Aixin	30 April 2012	100.00%	41,680
Wei Kang	31 August 2012	64.00%	225,010
Retailing businesses	During the period from 29 September to 20 October 2012	100.00%	26,399
Luen	20 December 2012	100.00%	1,851
			321,938

The following table summarises the consideration paid for the acquired subsidiaries and businesses, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

	Da Qing	Qi Tai He	Harbin Jintian Aixin	Wei Kang	Luen	Retailing business	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Consideration:							
– Cash consideration	17,878	9,120	41,680	225,010	810	26,399	320,897
– Consideration payable	–	–	–	–	1,041	–	1,041
Total consideration	17,878	9,120	41,680	225,010	1,851	26,399	321,938
Recognised amounts of identifiable assets acquired and liabilities assumed							
Cash	125	–	3,042	129,989	53	–	133,209
Property, plant and equipment *(Note 6)*	225	260	4,802	15,261	453	1,522	22,523
Trademarks and brand loyalty (included in intangibles) *(Note 7)*	2,025	804	3,659	81,000	–	–	87,488
Computer software (included in intangibles) *(Note 7)*	–	–	–	45	–	–	45
Inventories	7,767	4,038	6,401	36,893	754	5,490	61,343
Trade and other receivables	3,839	2,421	5,763	94,800	287	1,178	108,288
Trade and other payables	(242)	(1,703)	(2,549)	(188,151)	–	–	(192,645)
Deferred tax liabilities *(Note 10)*	(737)	(321)	(1,108)	(21,579)	–	–	(23,745)
Total identifiable net assets	13,002	5,499	20,010	148,258	1,547	8,190	196,506
Non-controlling interest	–	–	–	(53,373)	–	–	(53,373)
Goodwill *(Note 7)*	4,876	3,621	21,670	130,125	304	18,209	178,805
	17,878	9,120	41,680	225,010	1,851	26,399	321,938

As a result of the acquisition, the group is expected to facilitate entry into and/or increase its presence in these developing markets which operate primary in third or fourth tier cities. It also expects to reduce costs through economies of scale. The goodwill of RMB178,805,000 is attributable to the acquired human resources, economies of scale and synergy expected from combining the operations of the Group and above subsidiaries and businesses acquired not under common control combination. High profitability is expected to gain from these acquired subsidiaries and businesses and this expectation is subsumed in goodwill. None of the goodwill recognised is expected to be deductible for income tax purposes.

The revenue included in the consolidated statements of comprehensive income since the respective acquisition dates contributed by the acquired subsidiaries and businesses was RMB182,766,000. The acquired subsidiaries and businesses also contributed profit of RMB19,617,000 over the same period.

Had the acquired subsidiaries and businesses been consolidated from 1 January 2012, the consolidated statements of comprehensive income for 2012 would show revenue of RMB2,500,576,000 and profit of RMB262,403,000.

(c) For the six months ended 30 June 2013, the Group acquired equity interests in the following subsidiaries and businesses:

Company name/business	**Acquisition date**	**Percentage of equity interests acquired**	**Cash consideration**
			RMB'000
Ji Tai	30 June 2013	100.00%	18,478
Retailing businesses	During the period from May to June 2013	100.00%	102,687
			121,165

The following table summarises the consideration paid for the acquired subsidiaries and businesses, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

	Ji Tai	**Retailing businesses**	**Total**
	RMB'000	**RMB'000**	**RMB'000**
Consideration:			
– Cash consideration paid	8,500	97,662	106,162
– Consideration payable	9,978	5,025	15,003
Total consideration	18,478	102,687	121,165
Recognised amounts of identifiable assets acquired and liabilities assumed			
Property, plant and equipment *(Note 6)*	955	5,362	6,317
Inventories	682	16,714	17,396
Trade and other receivables	1,100	–	1,100
Trade and other payables	(763)	–	(763)
Total identifiable net assets	1,974	22,076	24,050
Consideration:			
Goodwill *(Note 7)*	16,504	80,611	97,115
	18,478	102,687	121,165

As a result of the acquisition, the group is expected to facilitate entry into and/or increase its presence in these developing markets which operate primary in third or fourth tier cities. It also expects to reduce costs through economies of scale. The goodwill of RMB97,115,000 is attributable to the acquired human resources, economies of scale and synergy expected from combining the operations of the Group and above subsidiaries and businesses acquired not under common control combination. High profitability is expected to gain from these acquired subsidiaries and businesses and this expectation is subsumed in goodwill. None of the goodwill recognised is expected to be deductible for income tax purposes.

The revenue included in the consolidated statements of comprehensive income since the respective acquisition dates contributed by the acquired subsidiaries and businesses was RMB6,488,000. The acquired subsidiaries and businesses also contributed profit of RMB866,000 over the same period.

Had the acquired subsidiaries and businesses been consolidated from 1 January 2013, the consolidated statements of comprehensive income for 2013 would show revenue of RMB1,523,677,000 and profit of RMB176,003,000.

30. RELATED-PARTY TRANSACTIONS

Related parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

The transactions with related parties are carried out on pricing and settlement terms agreed with counter parties in the ordinary course of business.

(a) Transaction with related parties:

(i) Continued transactions

	Year ended 31 December			Six months ended 30 June	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (Unaudited)**	**RMB'000**
Purchases of goods	55,752	60,502	100,842	51,391	72,381
Sale of goods	–	–	3,813	1,941	1,305

(ii) Discontinued transactions

	Year ended 31 December			Six months ended 30 June	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (Unaudited)**	**RMB'000**
Payments of staff bonus by related party on behalf of the Group and deemed as contribution on the Group	180	575	945	470	–
Purchases of advertising services	5,198	–	–	–	–
Expense for lease of property, plant and equipment	500	–	–	–	–
Interest from a related party	2,425	–	–	–	–
Shareholder's loan	–	672,989	–	–	21,759
Repayment of loan from a related party	33,750	–	–	–	–
Repayment of shareholder's loan	–	–	40,764	5,754	–
Equipment lease to a related party	549	–	–	–	–
Disposal of equipment to related parties	817	–	–	–	–

(b) Balances with related parties:

	As at 31 December			As at 30 June
	2010	**2011**	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Trade receivables	–	–	1,269	387
Prepayment	–	17,931	17,469	4,083
Other receivables	2,563	673	423	423
Trade payables	1,981	1,408	17,962	1,874
Other payables	123	676,184	640,742	663,301

Other than the trade receivables, prepayment, trade payables and shareholder's loan, the balances with related parties are settled in full subsequent to Relevant Periods pursuant to the written agreements as described in Note 31(d).

(c) Key management compensation

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Salaries, wages and bonuses	439	810	1,234	611	792
Contributions to pension plan	28	32	39	19	30
	467	842	1,273	630	822

31. SUBSEQUENT EVENTS

(a) In November 2013, HKHCI has undertaken to Jintian Century to acquire, and Jintian Century has agreed to sell, the 4.99% equity interest of Jintian Aixin by the end of August 2014 (the "Acquisition"). The consideration for the Acquisition will be determined based on the latest net asset value of Jintian Aixin available at the time of the Acquisition. HKHCI and Jintian Aixin have agreed that the actual consideration for the Acquisition shall be the lower of (i) 4.99% of the latest net asset value of Jintian Aixin available at the time of the Acquisition and (ii) RMB 85 million. The Controlling Shareholder has undertaken to transfer an amount equal to the consideration for the Acquisition to the Group as soon as practicable after the completion of the Acquisition.

(b) In November 2013, the Group declared dividends to be distributed prior to listing. Such dividends amounted to RMB85.8 million, representing 70% of the net profit from 1 January 2010 to 31 December 2010 of the Original Operating Companies, for which the recipients are the ultimate shareholders of the Original Operating Companies during the year 2010. The dividends were paid in full on 26 November 2013.

(c) Pursuant to the written agreement signed by the Company and its shareholders in November 2013, the Company will issue 1,599,998,999 shares at par value to its shareholders immediately before the listing (such Shares being credited as fully paid by applying and capitalising US$1,599,998.999 standing to the credit of the Company's share premium account).

(d) In November 2013, Asia Health, through entering into various assignment and transfer agreements, transferred non-trade balances in an aggregate amount of approximately RMB10,936,000 to the Company at nil consideration.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited consolidated financial statements have been prepared for the Company and its subsidiaries in respect of any period subsequent to 30 June 2013 and up to the date of this report.

Same as disclosed elsewhere in this report, no dividend or distribution has been declared, made or paid by the Company or any of its subsidiaries in respect of any period subsequent to 30 June 2013.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong