



**瑞年國際**  
Real Nutraceutical

**瑞年國際有限公司**  
**REAL NUTRICEUTICAL GROUP LIMITED**

(formerly known as "Ruinian International Limited 瑞年國際有限公司")  
(Incorporated in the Cayman Islands with limited liability)  
Stock Code: 2010

INTERIM REPORT 2011

PROFESSIONAL  
PROVIDER  
OF HEALTH





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# Corporate Information

## DIRECTORS

### Executive Directors

Mr. Wang Fucai

*(Chairman and Chief Executive Officer)*

Mr. Yu Yan

Mr. Li Lin

Mr. Yi Lin

Mr. Zhang Yan

Ms. Au-yeung Kam Ling Celeste

### Non-executive Directors

Mr. Ip Tak Chuen, Edmond

Mr. Tsang Sze Wai, Claudius

### Independent Non-executive Directors

Dr. Wong Lung Tak Patrick, BBS, J.P.

Dr. Fong Chi Wah

Mr. Bernard Ban-yew Yaw

Mr. Chan Kee Ming

### AUDIT COMMITTEE

Dr. Wong Lung Tak Patrick, BBS, J.P. *(Chairman)*

Dr. Fong Chi Wah

Mr. Bernard Ban-yew Yaw

### REMUNERATION COMMITTEE

Dr. Fong Chi Wah *(Chairman)*

Mr. Wang Fucai

Dr. Wong Lung Tak Patrick, BBS, J.P.

Mr. Bernard Ban-yew Yaw

### QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Mr. Poon Yick Pang, Philip

## AUTHORISED REPRESENTATIVES

Ms. Au-yeung Kam Ling Celeste

Mr. Poon Yick Pang, Philip

## AUDITOR

Deloitte Touche Tohmatsu

Certified Public Accountants

35/F One Pacific Place

88 Queensway

Hong Kong

## COMPLIANCE ADVISOR

SinoPac Securities (Asia) Limited

21/F One Peking

1 Peking Road

Tsim Sha Tsui

Kowloon, Hong Kong

## REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit A, 10th Floor

China Overseas Building

No.139 Hennessy Road and

No.138 Lockhart Road

Wan Chai, Hong Kong

# Financial Highlights

	For the six months ended 30 June		
	2011 RMB'000	2010 RMB'000	Change %
Turnover	842,156	612,762	37.4%
Gross profit	624,143	449,967	38.7%
Profit attributable to owners of the Company	257,885	177,597	45.2%
Basic earnings per share (cents)	22.8	18.5	23.2%
Declared interim dividend (HK cents)	2.0	2.0	0%



# Report on Review of Interim Financial Information

**Deloitte.**  
德勤

## **TO THE BOARD OF DIRECTORS OF REAL NUTRICEUTICAL GROUP LIMITED**

(incorporated in Cayman Islands with limited liability)

### **INTRODUCTION**

We have reviewed the interim financial information set out on pages 6 to 28, which comprises the condensed consolidated statement of financial position of Real Nutraceutical Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as of 30 June 2011 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### **SCOPE OF REVIEW**

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of interim 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 Hong Kong 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.

# Report on Review of Interim Financial Information

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

### **Deloitte Touche Tohmatsu**

Certified Public Accountants

Hong Kong

17 August 2011



# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011

	Notes	Six months ended 30 June	
		2011 RMB'000 (unaudited)	2010 RMB'000 (unaudited)
Turnover		<b>842,156</b>	612,762
Cost of goods sold		<b>(218,013)</b>	(162,795)
Gross profit		<b>624,143</b>	449,967
Other income		<b>9,296</b>	1,322
Selling and distribution costs		<b>(220,198)</b>	(140,984)
Administrative expenses		<b>(33,866)</b>	(35,886)
Equity-settled share based payment		<b>(4,547)</b>	(11,877)
Interest on bank and other borrowings wholly repayable within five years		<b>(6,350)</b>	(5,687)
Profit before taxation	5	<b>368,478</b>	256,855
Taxation	6	<b>(110,593)</b>	(79,258)
Profit for the period		<b>257,885</b>	177,597
Other comprehensive income			
— exchange differences arising on translation of foreign operations		<b>587</b>	141
Total comprehensive income for the period		<b>258,472</b>	177,738
Earnings per share	8		
— Basic		<b>22.8 cents</b>	18.5 cents
— Diluted		<b>22.6 cents</b>	18.4 cents

# Condensed Consolidated Statement of Financial Position

At 30 June 2011

	Notes	At 30 June 2011 RMB'000 (unaudited)	At 31 December 2010 RMB'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	9	656,172	496,052
Land use rights		169,755	171,601
Intangible assets		45,189	49,859
Deposits made on acquisition of property, plant and equipment		37,950	31,442
Advance payments for acquisition of technical knowhow		112,399	66,059
Deferred tax assets		3,104	4,363
		<b>1,024,569</b>	819,376
<b>Current assets</b>			
Inventories		81,383	18,819
Trade and other receivables	10	589,101	383,089
Pledged bank deposits		—	1,500
Bank balances and cash		1,275,169	1,462,045
		<b>1,945,653</b>	1,865,453
<b>Current liabilities</b>			
Trade and other payables	11	133,021	173,962
Taxation		40,102	54,869
Short-term bank loans		180,000	65,000
		<b>353,123</b>	293,831
<b>Net current assets</b>		<b>1,592,530</b>	1,571,622



# Condensed Consolidated Statement of Financial Position

At 30 June 2011

	Notes	At 30 June 2011 RMB'000 (unaudited)	At 31 December 2010 RMB'000 (audited)
Total assets less current liabilities		<b>2,617,099</b>	2,390,998
Non-current liabilities			
Deferred tax liabilities		<b>8,831</b>	10,039
Net assets		<b>2,608,268</b>	2,380,959
Capital and reserves			
Share capital	12	<b>9,891</b>	9,929
Reserves		<b>2,598,377</b>	2,371,030
Total equity		<b>2,608,268</b>	2,380,959

The condensed consolidated financial information on pages 6 to 28 were approved and authorised for issue by the Board of Directors on 17 August 2011 and is signed on its behalf by:

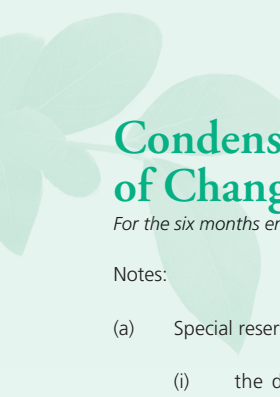
**Wang Fucai**  
*Chairman and  
Chief Executive Officer*

**Au-Yeung Kam Ling Celeste**  
*Director*

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011

	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (Note a)	Capital redemption reserve RMB'000 (Note b)	Share option reserve RMB'000	Translation reserve RMB'000	Non-distributable reserve RMB'000 (Note c)	Statutory surplus reserve fund RMB'000 (Note d)	Retained profits RMB'000	Total RMB'000
At 1 January 2011	9,929	1,241,844	459,745	—	9,915	798	(24,890)	106,672	576,946	2,380,959
Exchange differences arising on translation of foreign operations	—	—	—	—	—	587	—	—	—	587
Profit for the year	—	—	—	—	—	—	—	—	257,885	257,885
Total comprehensive income for the period	—	—	—	—	—	587	—	—	257,885	258,472
Shares repurchased	(38)	(16,595)	—	38	—	—	—	—	(38)	(16,633)
Recognition of equity-settled share based payments	—	—	—	—	2,278	—	2,269	—	—	4,547
Dividends	—	—	—	—	—	—	—	—	(19,077)	(19,077)
	(38)	(16,595)	—	38	2,278	—	2,269	—	(19,115)	(31,163)
At 30 June 2011 (unaudited)	9,891	1,225,249	459,745	38	12,193	1,385	(22,621)	106,672	815,716	2,608,268
At 1 January 2010	13	331,543	134,782	—	—	186	(23,266)	71,287	278,299	792,844
Exchange differences arising on translation of foreign operations	—	—	—	—	—	141	—	—	—	141
Profit for the year	—	—	—	—	—	—	—	—	177,597	177,597
Total comprehensive income for the period	—	—	—	—	—	141	—	—	177,597	177,738
Arising from group reorganisation	6,580	(331,543)	324,963	—	—	—	—	—	—	—
Issue of shares	2,593	775,494	—	—	—	—	—	—	—	778,087
Deemed distributions to shareholders	—	—	—	—	—	—	(11,440)	—	—	(11,440)
Expenses incurred in connection with the issue of shares	—	(61,668)	—	—	—	—	—	—	—	(61,668)
Recognition of equity-settled share based payments	—	—	—	—	5,973	—	5,904	—	—	11,877
	9,173	382,283	324,963	—	5,973	—	(5,536)	—	—	716,856
At 30 June 2010 (unaudited)	9,186	713,826	459,745	—	5,973	327	(28,802)	71,287	455,896	1,687,438



# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011

Notes:

- (a) Special reserve represents the aggregate of:
  - (i) the difference between the considerations paid by Jet Bright International Holdings Limited, a wholly owned subsidiary of the Company, for the acquisition of the entire interest in 無錫瑞年實業有限公司 (Wuxi Ruinian Industry & Commerce Company Limited) (“Ruinian Industry”) and the nominal value of the paid-in capital of Ruinian Industry in August 2006;
  - (ii) the difference between the nominal value of paid-in capital of 無錫瑞年營銷有限公司 (Wuxi Ruinian Sales Co., Ltd.) (“Ruinian Sales”) and the distribution of Ruinian Sales’ net assets upon its dissolution in October 2007; and
  - (iii) the difference between the nominal amount of the shares issued by the Company and the aggregate amount of share capital and share premium of the Group’s former holding company, Tongrui Holdings Limited, acquired pursuant to a group reorganisation in preparation for the listing of the Company’s share in 2010.
- (b) Capital redemption reserve arose from repurchase of shares. The amounts represent the nominal amount of the shares repurchased.
- (c) Non-distributable reserve represents the aggregate of:
  - (i) capital contributions from and distributions to the beneficial controlling shareholder of the Company, Mr. Wang Fucai, in respect of the interest on trade finance arrangement with related companies;
  - (ii) deemed distributions to the controlling shareholder in respect of the acquisition of a subsidiary;
  - (iii) deemed distributions to the shareholders in respect of the listing expenses borne by the Company; and
  - (iv) capital contributions from Strong Ally Limited (“Strong Ally”), a wholly-owned subsidiary of the former ultimate holding company, in relation to share options granted by Strong Ally to qualifying participants of the Group.
- (d) As stipulated by the relevant laws and regulations for foreign investment enterprises in Mainland China (the “PRC”), the Company’s PRC subsidiary is required to maintain a statutory surplus reserve fund. Appropriation to such reserve is made out of net profit after taxation as reflected in the statutory financial information of the PRC subsidiary while the amounts and allocation basis are decided by its board of directors annually. The statutory surplus reserve fund can be used to make up prior year losses, if any, and can be applied in conversion into capital by means of capitalisation issue.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011 RMB'000 (unaudited)	2010 RMB'000 (unaudited)
Net cash (used in) from operating activities	<b>(35,977)</b>	139,136
Investing activities		
Interest received	<b>3,112</b>	1,023
Purchase of property, plant and equipment	<b>(144,748)</b>	(75,816)
Deposits paid on acquisition of property, plant and equipment	<b>(37,950)</b>	(15,735)
Prepayment for acquisition of technical knowhow	<b>(46,340)</b>	(2,000)
Decrease (increase) in pledged bank deposits	<b>1,500</b>	(3,932)
Net cash used in investing activities	<b>(224,426)</b>	(96,460)
Financing activities		
Interest paid	<b>(6,350)</b>	(5,687)
Dividends paid	<b>(19,077)</b>	—
Proceeds from issue of shares	—	778,087
Payment on repurchase of shares	<b>(16,633)</b>	—
Expenses paid in connection with the sales of shares held by certain shareholders	—	(11,440)
Expenses incurred in connection with issue of shares	—	(37,732)
Repayment to former ultimate holding company	—	(51,728)
Bank loans raised	<b>365,000</b>	128,000
Repayment of bank loans	<b>(250,000)</b>	(266,000)
Net cash from financing activities	<b>72,940</b>	533,500
Net (decrease) increase in cash and cash equivalents	<b>(187,463)</b>	576,176
Cash and cash equivalents at 1 January	<b>1,462,045</b>	215,216
Effect on foreign exchange rate changes	<b>587</b>	144
Cash and cash equivalents at 30 June	<b>1,275,169</b>	791,536
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	<b>1,275,169</b>	834,383
Bank overdraft	—	(42,847)
	<b>1,275,169</b>	791,536



# Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2011

## 1. GENERAL

The Company was incorporated in the Cayman Islands and registered as an exempted company with limited liability. Its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 19 February 2010.

The name of the Company was changed from Ruinian International Limited to Real Nutraceutical Group Limited on 6 May 2011.

The condensed consolidated financial information has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34 (“HKAS 34”) “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The Group’s interim financial information is presented in Renminbi (“RMB”), which is also the functional currency of the Company.

## 2. GROUP REORGANISATION AND BASIS OF PRESENTATION OF THE COMBINED FINANCIAL INFORMATION

In preparation for the listing of the Company’s shares on the Stock Exchange, the Company underwent the group reorganisation (the “Group Reorganisation”) which include the following steps:

- (a) Prior to 11 August 2006, the businesses of the Group carried out by 無錫瑞年實業有限公司 (Wuxi Ruinian Industry & Commerce Co., Ltd.) (“Ruinian Industry”) and Wuxi Ruinian Sales Company Limited were owned and controlled by the controlling shareholder of the Company, Mr. Wang Fucai (“the Controlling Shareholder”). Subsequent to this date, Tongrui Holdings Limited (“Tongrui”) was incorporated in the British Virgin Islands and controlled by the Controlling Shareholder and Jet Bright International Holdings Limited (“Jet Bright”) was incorporated in Hong Kong as a subsidiary of Tongrui.
- (b) Pursuant to a sales and purchase agreement dated 22 August 2006, Jet Bright acquired the entire interests in Ruinian Industry from companies controlled by the Controlling Shareholder for a cash consideration of RMB20,220,000 and the issue of 1 share of Jet Bright which was subsequently transferred to Tongrui at nil consideration.

# Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2011

## 2. GROUP REORGANISATION AND BASIS OF PRESENTATION OF THE COMBINED FINANCIAL INFORMATION (CONTINUED)

- (c) Pursuant to a sales and purchase agreement dated 1 February 2010, the Company acquired the entire interests in Tongrui by issuing and allotting 749,999,900 shares of HK\$0.01 each to the Controlling Shareholder and other shareholders of Tongrui. Thereafter, the Company has become the holding company of the Group since 1 February 2010.

The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the condensed combined statements of comprehensive income and cash flows for the six months ended 30 June 2010 include the results and cash flows of the companies now comprising the Group which have been prepared by applying the principles of merger accounting, as if the group structure upon the completion of the Group Reorganisation had been in existence throughout the six months ended 30 June 2010, or since their respective dates of incorporation/establishment where this is a shorter period.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial information have been prepared on the historical cost basis.

The accounting policies and methods of computation used in the condensed consolidated financial information for the six months ended 30 June 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010.

In the current interim period, the Group has applied, for the first time, a number of new or revised standards and interpretations ("new or revised HKFRSs") that are effective for accounting periods beginning on 1 January 2011 issued by the HKICPA.

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

The Group has not early applied new or revised standards and amendments that have been issued but are not yet effective.

# Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2011

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

HKFRS 7 (Amendments)	Disclosures — Transfers of financial assets <sup>1</sup>
HKFRS 9	Financial instruments <sup>4</sup>
HKFRS 10	Consolidated financial statements <sup>4</sup>
HKFRS 11	Joint arrangements <sup>4</sup>
HKFRS 12	Disclosures of interests in other entities <sup>4</sup>
HKFRS 13	Fair value measurement <sup>4</sup>
HKAS 1 (Revised in 2011)	Presentation of financial statements — Presentation of items of other comprehensive income <sup>3</sup>
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets <sup>2</sup>
HKAS 19 (Revised in 2011)	Employee benefits <sup>4</sup>
HKAS 27 (Revised in 2011)	Separate financial statements <sup>4</sup>
HKAS 28 (Revised in 2011)	Investments in associates and joint ventures <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2011.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2012.

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2012.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2013.

HKFRS 10 replaces the parts of HKAS 27 “Consolidated and separate financial statements” that deal with consolidated financial statements. Under HKFRS 10, there is only one basis for consolidation, that is control. In addition HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor’s returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios. Overall, the application of HKFRS 10 requires a lot of judgement. The application of HKFRS 10 might result in the Group and consolidating investees that were not previously consolidated.

# Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2011

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

HKFRS 9 “Financial instruments” introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 “Financial instruments: Recognition and measurement” to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows, and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. The application of HKFRS 9 might affect the classification and measurement of the Group’s financial assets.

The directors of the Company are in the process of assessing the impact on application of HKFRSs 9 and 10.

The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

## 4. SEGMENT INFORMATION

Segment information has been identified on the basis of internal management reports which are reviewed by the Chief Executive Officer in order to allocate resources to the reportable segments and to assess their performance.

The Group’s reportable segments under HKFRS 8 are as follows:

Health and nutritional supplements	—	manufacture and sales of health and nutritional supplements
Health drinks	—	manufacture and sales of health drinks
Pharmaceutical products	—	manufacture and sales of pharmaceutical products

Each reportable segment derives its turnover from the sales of the products. They are managed separately because each product requires different production and marketing strategies.



# Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2011

## 4. SEGMENT INFORMATION (CONTINUED)

Turnover represents the fair value of the consideration received or receivable for goods sold to outside customers during the period.

Segment results represent the gross profits earned by each segment.

The information of segment results are as follows:

	Health and nutritional supplements RMB'000	Health drinks RMB'000	Pharmaceutical products RMB'000	Total RMB'000
<u>For the six months ended 30 June 2011 (unaudited)</u>				
Revenue from external customers	644,065	144,675	53,416	842,156
Cost of goods sold	(122,355)	(89,130)	(6,528)	(218,013)
Gross profit	521,710	55,545	46,888	624,143
<u>For the six months ended 30 June 2010 (unaudited)</u>				
Revenue from external customers	434,859	137,539	40,364	612,762
Cost of goods sold	(79,490)	(79,804)	(3,501)	(162,795)
Gross profit	355,369	57,735	36,863	449,967

# Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2011

## 4. SEGMENT INFORMATION (CONTINUED)

	Six months ended 30 June	
	2011 RMB'000 (unaudited)	2010 RMB'000 (unaudited)
Total turnover per segment reporting and total combined turnover, as reported	842,156	612,762
Total cost of goods sold, as reported	(218,013)	(162,795)
Total gross profit, as reported	624,143	449,967
Advertising and promotional expenses	(180,548)	(122,234)
Other operating expenses	(78,063)	(66,513)
Other income	409	299
Interest income	8,887	1,023
Interest expenses	(6,350)	(5,687)
Profit before taxation	368,478	256,855

Information of segment assets and segment liabilities are as follows:

Segment assets represent property, plant and equipment, land use rights, intangible assets, deposits made on acquisition of property, plant and equipment, advance payments for acquisition of technical knowhow, inventories and trade and other receivables which are directly attributable to the relevant reportable segment. Segment liabilities represent trade and other payables which are directly attributable to the relevant reportable segment. These are the measure reported to the Chief Executive Officer for the purpose of resource allocation and assessment of segment performance.

# Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2011

## 4. SEGMENT INFORMATION (CONTINUED)

	At 30 June 2011 RMB'000 (unaudited)	At 31 December 2010 RMB'000 (audited)
Assets		
Segment assets		
— health and nutritional supplements	1,073,853	796,372
— health drinks	326,272	199,240
— pharmaceutical products	286,860	212,878
	<b>1,686,985</b>	1,208,490
Deferred tax assets	3,104	4,363
Unallocated corporate assets (note a)	1,280,133	1,471,976
Combined total assets	<b>2,970,222</b>	2,684,829
Liabilities		
Segment liabilities		
— health and nutritional supplements	107,217	125,295
— health drinks	16,239	38,175
— pharmaceutical products	7,433	8,035
	<b>130,889</b>	171,505
Taxation	40,102	54,869
Deferred tax liabilities	8,831	10,039
Unallocated corporate liabilities (note b)	182,132	67,457
Combined total liabilities	<b>361,954</b>	303,870

# Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2011

## 4. SEGMENT INFORMATION (CONTINUED)

Notes:

- (a) Unallocated corporate assets represent bank balances and cash and other prepayments and deposits.
- (b) Unallocated corporate liabilities represent short-term bank loans, other accruals and other payables.

## 5. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2011 RMB'000 (unaudited)	2010 RMB'000 (unaudited)
Profit before taxation has been arrived at after charging:		
Amortisation of intangible assets included in		
— costs of goods sold	3,374	1,438
— administrative expenses	1,296	3,176
	4,670	4,614
Advertising and promotional expenses	180,548	122,234
Cost of inventories recognised as expenses	214,639	161,357
Depreciation of property, plant and equipment	16,069	10,277



# Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2011

## 6. TAXATION

	<b>Six months ended 30 June</b>	
	<b>2011</b> <b>RMB'000</b> <b>(unaudited)</b>	2010 RMB'000 (unaudited)
The charge comprises:		
PRC income tax	<b>(105,233)</b>	(74,651)
Deferred taxation	<b>(5,360)</b>	(4,607)
	<b>(110,593)</b>	(79,258)

The PRC income tax is calculated at the applicable rates in accordance with the relevant laws and regulations in the PRC.

No provision for Hong Kong Profits Tax has been made in the financial information as the Group's operations in Hong Kong had no assessable profit for the year.

## 7. DIVIDENDS

	<b>Six months ended 30 June</b>	
	<b>2011</b> <b>RMB'000</b> <b>(unaudited)</b>	2010 RMB'000 (unaudited)
Dividends		
— 2010 final dividend of HK2.0 cents (2009: Nil) per share paid	<b>19,077</b>	—
— 2011 proposed interim dividend of HK2.0 cents (2010: HK2.0 cents) per share	<b>18,465</b>	18,233

The interim dividend of HK2.0 cents per share, which was proposed by the directors of the Company for the period is calculated on the basis of 1,124,122,000 shares in issue as at the date of this announcement.

# Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2011

## 8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	<b>Six months ended 30 June</b>	
	<b>2011</b>	2010
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Earnings:		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	<b>257,885</b>	177,597
	<b>2011</b>	2010
	<b>'000</b>	'000
	<b>(unaudited)</b>	(unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share on the assumption that the Group Reorganisation has been effective on 1 January 2010	<b>1,131,473</b>	960,444
Effect of dilutive potential ordinary shares on share options	<b>9,122</b>	6,465
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>1,140,595</b>	966,909

## 9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred RMB7,062,000 (2010: RMB480,000) on machinery and equipment and RMB169,128,000 (2010: RMB69,819,000) on construction in progress for the expansion of production facilities.

# Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2011

## 10. TRADE AND OTHER RECEIVABLES

	At 30 June 2011 RMB'000 (unaudited)	At 31 December 2010 RMB'000 (audited)
Trade receivables	491,282	322,959
Bills receivables	427	136
	<b>491,709</b>	323,095
Deposits paid to suppliers	29,249	15,122
Property rental deposits	6,748	6,303
Prepayments for research and development	3,700	3,700
Prepayments for media airtime	43,434	18,082
Other receivables, prepayments and deposits	14,261	16,787
	<b>589,101</b>	383,089

Payment terms with customers are mainly on credit. Invoices are normally payable 90 days from date of issuance. The following is an aged analysis of trade and bill receivables based on invoice date at the end of the reporting period:

	At 30 June 2011 RMB'000 (unaudited)	At 31 December 2010 RMB'000 (audited)
0–90 days	371,196	316,704
91–180 days	120,506	3,752
181–365 days	7	2,639
	<b>491,709</b>	323,095

# Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2011

## 11. TRADE AND OTHER PAYABLES

	At 30 June 2011 RMB'000 (unaudited)	At 31 December 2010 RMB'000 (audited)
Trade payables	29,846	75,277
Bills payables	—	2,028
	<b>29,846</b>	77,305
Customers' deposits	17,209	6,894
Payroll and welfare payables	11,747	11,863
Other tax payables	34,398	38,416
Construction payables	3,606	5,177
Other payables	9,355	3,204
Advertising accruals	15,657	26,088
Other accruals	11,203	5,015
	<b>133,021</b>	173,962

The Group normally receives credit terms of 90 days from its suppliers. The following is an aged analysis of trade and bills payables based on the invoice date at the end of the reporting period.

	At 30 June 2011 RMB'000 (unaudited)	At 31 December 2010 RMB'000 (audited)
0–90 days	27,953	74,974
91–180 days	1,476	1,293
181–365 days	385	1,022
Over 1 year	32	16
	<b>29,846</b>	77,305



# Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2011

## 12. SHARE CAPITAL

	Authorised		Issued and fully paid	
	Number of shares	Amount HK\$'000	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each				
— at 1 January 2010	35,000,000	350	100	—
— increase in authorised share capital	1,965,000,000	19,650	—	—
— issue pursuant to Group Reorganisation	—	—	749,999,900	7,500
— issue of shares on global offering	—	—	250,000,000	2,500
— exercise of over-allotment option	—	—	45,000,000	450
— exercise of Pre-IPO Share Option	—	—	1,587,000	16
— issue of new shares	—	—	85,000,000	850
— at 31 December 2010 (audited)	2,000,000,000	20,000	1,131,587,000	11,316
— shares repurchased and cancelled	—	—	(4,509,000)	(45)
— at 30 June 2011 (unaudited)	2,000,000,000	20,000	1,127,078,000	11,271
				RMB'000
Shown in the condensed consolidated statement of financial position				
— at 30 June 2011 as (unaudited)				9,891
— at 31 December 2010 as (audited)				9,929

# Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2011

## 12. SHARE CAPITAL (CONTINUED)

During the period, the Company repurchased its own shares on the Stock Exchange as follows:

Month of repurchase	Number of ordinary shares	Highest price per share HK\$	Lowest price per share HK\$	Aggregate price paid HK\$'000	Equivalent aggregate price paid RMB'000
June 2011	4,509,000	4.66	4.13	19,956	16,633

The shares repurchased by the Company during the period ended 30 June 2011 were cancelled.

## 13. SHARE OPTION SCHEMES

### (a) Pre-IPO Share Option Schemes

According to an ordinary resolution passed on 29 January 2010, the Company adopted two share option schemes (the "Pre-IPO Share Option Schemes"), which will expire on 18 February 2013. Options to subscribe for an aggregate of 20,000,000 shares of the Company, and options to purchase for an aggregate of 20,000,000 shares of the Company had been granted by Strong Ally Limited ("Strong Ally"), a wholly owned subsidiary of the former ultimate holding company. A nominal consideration of HK\$1 is payable on acceptance of the grant of options. The maximum number of shares in respect of which options may be granted under the Pre-IPO Share Option Schemes may not exceed 4% of the issued number of share capital of the Company at the date of listing.

On 3 February 2010, a total of 40,000,000 share options were granted to 104 qualified participants, including the directors of the Company, at an exercise price of HK\$3 per share option under the terms of the Pre-IPO Share Option Schemes. Total consideration received from the participants for taking up the options granted by the Company was insignificant.

# Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2011

## 13. SHARE OPTION SCHEMES (CONTINUED)

### (a) Pre-IPO Share Option Schemes (Continued)

At 30 June 2011, the number of shares in respect of which options had been granted and remained outstanding under the Pre-IPO Share Option Schemes was 34,999,364 (31 December 2010: 35,607,664), representing approximately 3.1% (31 December 2010: 3.1%) of the shares of the Company in issue at that date.

A summary of the movements of the outstanding options during the period ended 30 June 2011 under the Pre-IPO Share Option Schemes is as follows:

Type of participants	Date of grant	Vesting period	Exercisable period*	Exercisable price per share HK\$	Number of share options		
					Outstanding at 1.1.2011	Exercised during the year	Outstanding at 30.6.2011
Directors	3.2.2010	3.2.2010– 19.8.2010	20.8.2010– 18.2.2013	3	1,201,667	(355,000)	846,667
	3.2.2010	3.2.2010– 31.1.2013	3.1.2011– 18.2.2013	3	4,473,333	—	4,473,333
Employees	3.2.2010	3.2.2010– 19.8.2010	20.8.2010– 18.2.2013	3	2,294,999	(71,001)	2,223,998
	3.2.2010	3.2.2010– 31.1.2013	3.1.2011– 18.2.2013	3	8,419,333	—	8,419,333
Others <sup>#</sup>	3.2.2010	3.2.2010– 19.8.2010	20.8.2010– 18.2.2013	3	5,444,332	(182,299)	5,262,033
	3.2.2010	3.2.2010– 31.1.2013	3.1.2011– 18.2.2013	3	13,774,000	—	13,774,000
					35,607,664	(608,300)	34,999,364

\* One-third of the options granted are exercisable six months after the listing date and 1/36th of the options are exercisable at one year after the listing date in 24 tranches until the expiry date.

# The Company's share options granted to other participants are measured by reference to the fair value of options granted to directors/employees of the Group since the fair value of the services provided by such other participants to the Group cannot be estimated accurately.

# Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2011

## 13. SHARE OPTION SCHEMES (CONTINUED)

### (a) Pre-IPO Share Option Schemes (Continued)

During the period, no share options were exercised to subscribe for shares of the Company. The number of share options exercised during the period represent the options to purchase for shares that had been granted by Strong Ally.

The Group recognised the total expenses of RMB4,547,000 for the period ended 30 June 2011 (2010: RMB11,877,000) in relation to the Pre-IPO Share Option Schemes.

### (b) Share Option Scheme

Pursuant to the written resolutions passed by the then sole shareholder on 1 February 2010, the Company adopted the share option scheme (the "Share Option Scheme") to provide incentive for qualified participants as defined in the Share Option Scheme to subscribe the shares in the Company. A nominal consideration of HK\$1 is payable on acceptance of the grant of options. The maximum number of shares in respect of which options may be granted under the Share Option Scheme may not exceed 10% of the issued number of share capital of the Company at the listing date. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time.

During the period, no options have been granted or agreed to be granted under the Share Option Scheme.

# Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2011

## 14. CAPITAL COMMITMENTS

	At 30 June 2011 RMB'000 (unaudited)	At 31 December 2010 RMB'000 (audited)
Capital expenditure contracted for but not provided in the financial information in respect of the acquisition of:		
— Property, plant and equipment	248,780	185,799
— Technical knowhow	128,350	47,650
	<b>377,130</b>	<b>233,449</b>

## 15. RELATED PARTY TRANSACTIONS

### Compensation of key management personnel

During the period, the remuneration of directors and other members of key management was as follows:

	Six months ended 30 June	
	2011 RMB'000 (unaudited)	2010 RMB'000 (unaudited)
Salaries and other benefits	6,491	5,002
Equity-settled share based payments	1,745	3,670
Retirement benefits scheme contributions	55	47
	<b>8,291</b>	<b>8,719</b>

# Management Discussion and Analysis

## BUSINESS REVIEW

Through decades of development, China's health supplement products has evolved to a fast growing sizable market. China has a long tradition of nurturing health for longevity, and its social and economic advancement, improved information access, have created increasingly strong demand for high quality health supplement products produced with professional and scientific methodology as well as huge business opportunities in the amino acids health supplement market in China. Although competition has been intensive in the general health supplement market, the Group rode on its inherent solid advantages to achieve a sound business growth in the first half of 2011. We reported turnover of RMB842.2 million and net profit of RMB257.9 million with a year over year growth of 37.4% and 45.2% respectively for the six months ended 30 June 2011. The overall gross profit margin increased from 72.6% in 2010 to 74.1% in the first half of 2011, mainly due to the increase in sales mix for higher gross profit margin products.

During the first half of 2011, sales of health and nutritional supplement products grew sharply by 48.1% to RMB644.1 million, mainly attributable to the surge in sales of amino acids tablet and liquid products driven by the sales channel expansion. Other health supplement products have also reported significant sales growth, amongst which sales of Osteoid Sachet Powder (a bone density enhancing supplement) has reached RMB49.4 million, with a year over year growth of 65.2%. The Group anticipated strong market potential for this product due to the aging population in China. Nonetheless, health drinks have reached a sale of RMB144.7 million, with a year over year growth of 5.2% which is in line with the sales target. During the period, the Group integrated the sales channels and sales team particularly for health drinks to cope with the upcoming large scale market expansion when the health drinks production base launches operation in the second half of 2011. During the period, the Group's pharmaceutical products reported sales of RMB53.4 million, with a year over year growth of 32.3% which is in line with the sales target.



# Management Discussion and Analysis

## **BUSINESS REVIEW (CONTINUED)**

As at 30 June 2011, the Group's products were sold through over 56,000 retail outlets in China, which has expanded from approximately 50,000 retail points as at the end of the year 2010. These retail points include certain newly developed channels of large chain stores, including Beijing Tong Ren Tang Yantai Pharmacy, Hubei Shiyan City Shoukan Yongle, Nanjing Guosheng Pharmacy, Sanjiang Shopping Club, and Zhejiang Tantaway Supermarket. The Group's health drink products were sold through over 100,000 retail outlets, including Carrefour in Yunnan and Ningbo, Sanjiang Shopping Club in Ningbo, Suguo Supermarkets in Nanjing, Wuxi Sunny Group, Jingzhou Haolinju Plaza in Hubei, Trust-Mart and Jincheng Hypermarket in Jingmen. To implement a prolonged and systematic local expansion programme, the Group has placed advertisement through traditional media such as national and provincial television channels, radio, newspapers and magazines, but also advertised in the national transportation systems. Furthermore, the Group has selected representative retail points and set up advertising billboards in places like major shopping malls, supermarkets, hypermarkets and retail pharmacies in different regions in order to execute a long lasting localized promotion, further penetrating the local markets. During the period, the Group hosted over 400 sales promotion events, participated in 4 large scale products conferences and exhibitions, set up over 300 new advertising billboards and advertised in about 40 television and radio channels for more than 600 hours commercial airtime. For in depth public education, the Group has sponsored a series of health magazines and a book "The Golden Key to Healthy Centenarians — Amino Acids Revolution" to explain the functions of amino acids.

As at 30 June 2011, the Group has set up over 60 Real Nutri Health Stores in major cities in Eastern and Southern China. The stores have brought in sales of RMB27.5 million in the period. While the Real Nutri Health Stores open up new sales channels for the Group, they have built up a closer relationship with the ultimate consumers, nurturing a loyalty consumer base for the Group's products in local communities. Apart from such, these stores have also served as club member service centers for Real Nutri Health Club providing various services to its members and consumers including basic health consultation by physicians, free body check and health seminars. In addition, these stores will serve as local delivery centers supporting the internet direct sales in the future. The Group has made good progress for internet direct sales which has generated the targeted sales of RMB17.8 million during the period with the number of registered members for Real Nutri Health Club reaching 60,000.

# Management Discussion and Analysis

## **BUSINESS REVIEW (CONTINUED)**

Product safety and quality assurance have long been the top priorities for the Group. The Group conducts regular tests on both the raw materials and the end products in accordance with the Good Manufacturing Practice (“GMP”) stipulated by the State Food and Drug Administration (“SFDA”). Samples of the Group’s products are sent to SFDA designated laboratories for periodic testing. Since the recent incidents in relation to plasticizers found in food and drugs in Taiwan and China, the Group has taken immediate action by voluntarily sending our products to SGS, an international reputable independent laboratory for testing of plasticizer content. The test results proved the Group’s products are free from plasticizers, greatly strengthening consumers’ and investors’ confidence in the Group. The Group’s medium term policy is to conduct the production of the core health supplement products in-house whereby the Group can exercise full quality control over its products. Construction of the factory building of the health drinks production base had been completed and the health drinks production line (Herbal Tea and Amino Acids Drinks) is expected to operate in the second half of 2011.

## **Investor Relations**

The Group is very attentive to investor relations. During the period, we have participated in 7 major investment conferences and a number of roadshows in New York, Boston, London, Hong Kong, Tianjin, Beijing, Taipei, Singapore and Kuala Lumpur. In addition, we held over 170 investor meetings, communicated with over 450 fund managers and analysts through meetings and conference calls, and hosted over 10 plant visits in Wuxi. We will continue to actively participate in various investment conferences organized by the major securities firms and keep close dialogues with investors.







# Management Discussion and Analysis

## FINANCIAL REVIEW

For the six months ended 30 June 2011, the turnover of the Group was RMB842.2 million, representing an increase of approximately 37.4% over the same period last year. Profit attributable to owners of the Company for the period has increased to RMB257.9 million by approximately 45.2% over the same period last year. The Company's basic earnings per share reached RMB22.8 cents per share by approximately 23.2% over the same period last year.

## Liquidity and capital resources

As at 30 June 2011, the Group has current assets of RMB1,945.7 million (31 December 2010: RMB1,865.5 million) and current liabilities of RMB353.1 million (31 December 2010: RMB293.8 million). The current ratio was 5.5 as at 30 June 2011 (31 December 2010: 6.3).

As at 30 June 2011, the Group has short-term bank loans in the amount of RMB180.0 million and a gearing ratio of 6.1% (31 December 2010: 2.4%). The gearing ratio is calculated based on the Group's total interest-bearing borrowings over total assets.

## Capital commitments and contingent liabilities

As at 30 June 2011, the Group's capital commitments were approximately RMB377.1 million (31 December 2010: RMB233.4 million), all of which were related to property, plant and equipment and technical knowhow. The Group has no material contingent liabilities as at 30 June 2011 (31 December 2010: nil).

## Use of net proceeds from the Company's initial public offering and placing

The total net proceeds from the Company's initial public offering after the issue of the over-allotment shares amounted to approximately HK\$806.6 million (RMB692.6 million) and the total net proceeds from placing in October 2010 amounted to approximately HK\$597.2 million (RMB517.1 million). Net proceeds of approximately RMB602.2 million has been applied in 2010 and approximately RMB158.3 million has been applied on market expansion and other working capital for the six months ended 30 June 2011, and the remaining of the net proceeds RMB449.2 million has been deposited into banks and qualified financial institution, which are intended to be applied in accordance with the proposed application as set out in the "Use of proceeds" section in the Prospectus and in the announcement dated 28 October 2010.

# Management Discussion and Analysis

## PROSPECTS

Riding on the good market sentiment and the massive resources devoted to market development in the first half of 2011, the Group has completed the strategic preparation for rapid business expansion in the second half of the year. The Group is very confident to accomplish the annual sales growth targets and expects to report net operating cash inflow for the full year 2011. The Group will endeavor to promote its health supplement products, in particular to boost its amino acids products for market penetration and regional expansion in China. The sales growth momentum of Amino Acids Tablets and Liquid Amino Acids will continue, especially in the Eastern and Southern China where good sales growth is expected in the second half of 2011. When the health drinks production base launches operation in the second half of 2011, the business of Shun-branded Herbal Tea and Amino Acids Drinks will come to a new milestone. The Group has integrated the operation of health drinks in the first half of 2011 to meet the expected surge in demand for health drinks in summer and following the launch of health drinks production base in the second half of 2011. The Group expects the annual sales growth for health drinks will be higher than the overall Group's sales growth.

The Group will speed up the development of new sales channels in the second half of 2011 by way of local expansion with Real Nutri Health Stores as one of core means. The Group targets to open over 100 Real Nutri Health Stores by the end of 2011, of which at least 50 new stores are expected to be opened in over 30 cities covering Hangzhou, Qingdao, Wuhan, Kunming, Zhongshan, Huizhou and other cities in 8 provinces of Zhejiang, Jiangsu, Guangdong, Shandong, Hubei, Yunnan and Liaoning. Meanwhile, the Group will accelerate the internet direct sales in the second half of 2011, targeting to enroll at least 200,000 Real Nutri Health Club members by the end of 2011. The digitalized Real Nutri Health Club membership system and customer service call centre, together with effective management of the membership database will allow the Group to derive valuable sales analysis data by tracking and evaluating the health supplement product consumption pattern of ultimate consumers. Therefore, the Group can formulate more focused strategies on product development and promotion. Leveraging on the above, the Group will secure its first mover's advantage in China enormous health supplement internet sales market which offers infinite business potential.



# Management Discussion and Analysis

## PROSPECTS (CONTINUED)

To meet the expected sales demand for the next two to three years, the Group has started the infrastructure construction for expanding the production capacity for health supplement products in Wuxi. The first phase factory fundamental construction works will be completed in the second half of 2011. The Group's target is to at least double the existing production capacity for health supplement products within 2 years.

For the new product development, the Group plans to launch E-jiao Gelatin with Heme Iron Capsules, Collagen Complex Polypeptide Tablets, Hemin Capsules, Collagen Drinks and Handy Amino Acids Tonics in order to provide a variety of high quality products for consumers, and to fulfill the specific needs of consumers of different ages, physical conditions and life styles for regulating and improving health. For medicine products, the Group plans to launch new packages and specification for Proparacaine Hydrochloride Eye Drops to better serve the market needs.

The Group will continue to promote the high quality Real Nutraceutical health supplement products to overseas markets in the second half of 2011. The Group has made good progress in developing the Hong Kong market. The Group will launch a new series of television commercials with famous actress Ms. Esther Kwan as spokesperson later this year to strengthen the Real Nutraceutical brand in Hong Kong. Furthermore, the Group will cooperate with well-known listed enterprises like SaSa International, Bonjour to sell the Group's international products through their internet sales platform. Since these Hong Kong business partners possess a comprehensive overseas Chinese membership database, they can help the Group in preparing for development of the overseas Chinese market. In addition, pending the Taiwan authorities' approval for importing Real Nutraceutical products, the Group's products will have a good chance in entering the Taiwan market in the second half of 2011.

The Group will continue to utilize the advantage offered by current market and its own competitive edges to implement the future development strategies in a proactive yet pragmatic approach. By accomplishing the Group's middle to long term goals, the Group is steadily moving forward to become one of the leading enterprises in China nutraceutical industry.

# Management Discussion and Analysis

## HUMAN RESOURCES

As at 30 June 2011, the Group had a work force of 874 people. The Group offers competitive remuneration packages commensurate with industry practice and provides various fringe benefits to all employees in Hong Kong and the PRC. The Group reviews its human resources and remuneration policies periodically to ensure they are in line with market practice and regulatory requirement.





## Other Information

### **INTERIM DIVIDEND**

The Board has resolved to declare the payment of an interim dividend of HK2.0 cents per share for the six months ended 30 June 2011 (2010: HK2.0 cents) to the shareholders whose names appear on the register of members of the Company on Friday, 9 September 2011. The interim dividend will be payable on Friday, 30 September 2011.

### **CLOSURE OF THE REGISTER OF MEMBERS**

The register of members will be closed by the Company from Wednesday, 7 September 2011 to Friday, 9 September 2011, both days inclusive. During such period, no transfer of shares of the Company will be registered. In order to qualify for the interim dividend, all completed transfer forms accomplished by the relevant shares certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 6 September 2011.

## Other Information

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 June 2011, the interests and short positions of the Directors and the chief executive of the Company in the share capital, underlying shares and debentures of the Company (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules, are set out below:

Name of Director	Capacity	Number and class of securities	Number of Shares subject to options granted under the Pre-IPO Share Option Scheme <sup>(1)</sup>	Approximate shareholding percentage (%)
Mr. Wang Fucai <sup>(2)</sup>	interest of a controlled corporation	389,316,098 Shares (L)		34.54%
	short position	16,586,364 Shares (S)		1.47%
Mr. Yu Yan	beneficial owner		1,450,000 Shares (L)	0.13%
Mr. Li Lin	beneficial owner		920,000 Shares (L)	0.08%
Mr. Yi Lin	beneficial owner		890,000 Shares (L)	0.08%
Mr. Zhang Yan	beneficial owner		1,500,000 Shares (L)	0.13%
Ms. Au-yeung Kam Ling Celeste	beneficial owner		560,000 Shares (L)	0.05%

Notes:

- (1) The letter "L" denotes the Director's long position in such securities and the letter "S" denotes the Director's short position in such securities.
- (2) Furui Investments Limited ("Furui") owns the entire issued share capital of Strong Ally Limited and will be deemed to be interested in the 16,586,364 Shares held by Strong Ally Limited and the short position over 16,586,364 Shares as a result of grant of options by Strong Ally Limited under the Pre-IPO Share Option Scheme, and Mr. Wang Fucai owns the entire issued share capital of Furui and will be deemed to be interested in the 389,316,098 Shares held by Furui and Strong Ally Limited and the short position over 16,586,364 Shares as a result of grant of options by Strong Ally Limited under the Pre-IPO Share Option Scheme.



## Other Information

### **DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY (CONTINUED)**

Save as disclosed herein, as at 30 June 2011, none of the Directors and chief executives of the Company, or any of their sponsor, or children under eighteen years of age, has any interests or short positions in the shares, underlying shares and debentures of the Company, recorded in the register required to be kept under section 352 of SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

### **SHARE OPTIONS**

Each of the Company and Strong Ally Limited has conditionally adopted a Pre-IPO Share Option Scheme on 29 January 2010 and the Company has conditionally adopted a Share Option Scheme on 1 February 2010.

As at 30 June 2011, no options have been granted or agreed to be granted under the Share Option Scheme.

As at 3 February 2010, options to subscribe for an aggregate of 20,000,000 Shares had been granted by the Company, and options to purchase for an aggregate of 20,000,000 Shares had been granted by Strong Ally Limited, to a total of 104 Qualified Participants under the Pre-IPO Share Option Schemes.

## Other Information

### SHARE OPTIONS (CONTINUED)

Set out below are details of the outstanding options granted under the Pre-IPO Share Option Scheme:

Grantee	Number of options on 1 January 2011	Exercised during the period	Cancelled during the period	Lapsed during the period	Number of Options Outstanding up to 30 June 2011
(1) Directors					
Yu Yan	1,500,000	50,000	—	—	1,450,000
Li Lin	1,000,000	80,000	—	—	920,000
Yi Lin	1,115,000	225,000	—	—	890,000
Zhang Yan	1,500,000	—	—	—	1,500,000
Au-yeung Kam Ling Celeste	560,000	—	—	—	560,000
(2) Employees and others	29,932,664	253,300	—	—	29,697,364

Notes:

- (1) All options under the Pre-IPO Share Option Schemes were granted on 3 February 2010 at an exercise price of HK\$3.0 per share.
- (2) All holders of options granted under the Pre-IPO Share Option Schemes may only exercise their options in the following manner:

During the period between the expiry of six months after the Listing Date and the expiry date of the Pre-IPO Share Option Period, one-third of the options granted under our Pre-IPO Share Option Schemes may be exercised; and 1/36th of the options granted under our Pre-IPO Share Option Schemes will become exercisable at the end of each calendar month beginning 12 months after the Listing Date until the expiry date of the Pre-IPO Share Option Period in 24 tranches. The options granted under the Pre-IPO Share Option Schemes shall lapse on the date when a grantee ceases to be a Qualified Participant.



## Other Information

### RIGHTS TO PURCHASE SHARES OR DEBENTURES OF DIRECTORS AND CHIEF EXECUTIVES

Save as disclosed under the sections headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company", and "Share Options", at no time during the period was the Company or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18, was granted any right to subscribe for the equity or debt securities of the Company or any other body corporate nor had exercised any such right.

### INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to the Company, as at 30 June 2011, as recorded in the register required to be kept by the Company under section 336 of the SFO, the following person, other than any Director or the chief executive of the Company, was the substantial shareholders (within the meaning of the Listing Rules) of the Company and had the following interests and short positions in the shares and underlying shares of the Company:

Shareholders	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding
Furui <sup>(1)</sup>	beneficial owner and interest in a controlled corporation	389,316,098	34.54%
	short position	16,586,364	1.47%
Qin Shifeng (秦士豐) <sup>(2)</sup>	interest of spouse	389,316,098	34.54%
	short position	16,586,364	1.47%
State Street Corporation	interest in a controlled corporation	79,553,879	7.06%
Capital Research and Management Company	interest in a controlled corporation	70,886,000	6.29%
TIAA-CREF Investment Management, LLC ("TCIM")	interest in a controlled corporation	64,470,900	5.72%
J O Hambro Capital Management Limited	interest in controlled corporations	61,917,150	5.49%

# Other Information

## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS (CONTINUED)

Notes:

- (1) Furui owns the entire issued share capital of Strong Ally Limited and will be deemed to be interested in the 16,586,364 Shares held by Strong Ally Limited and the short position over 16,586,364 Shares as a result of grant of options by Strong Ally Limited under the Pre-IPO Share Option Scheme.
- (2) Qin Shifeng (秦士豐) is the spouse of Mr. Wang Fucui and will be deemed to be interested in the 389,316,098 Shares which Mr. WANG Fucui is interested in through Furui and Strong Ally Limited and the short position over 16,586,364 Shares as a result of grant of options by Strong Ally Limited under the Pre-IPO Share Option Scheme.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as disclosed in the Prospectus, none of the Directors and their respective associates (as defined in the Listing Rules) has an interest in any business which competes or may compete with the business in which the Group is engaged.

Mr. Wang Fucui who is the Director of the Company, has provided an annual confirmation in respect of the compliance with the non-competition undertaking given by him (as described in the Prospectus) (the "Non-competition Undertaking") and information regarding his investment and engagement in the pharmaceutical business (as disclosed in the Prospectus) and the nature of such investment and engagement.

The independent non-executive Directors have also reviewed the compliance by Mr. Wang Fucui with the Non-competition Undertaking and the information that they have provided regarding investment and engagement by him in the pharmaceutical business (as disclosed in the Prospectus), and the nature of such investment and engagement. The independent non-executive Directors have confirmed that, as far as they can ascertain, there is no breach of Mr. Wang Fucui of the Non-competition Undertaking given by him.



## Other Information

### AUDIT COMMITTEE

The audit committee currently comprises three independent non-executive Directors, namely Dr. Wong Lung Tak Patrick, BBS, J.P., Dr. Fong Chi Wah and Mr. Bernard Ban-yew Yaw.

The audit committee is primarily responsible for the review and supervision of the financial reporting process and internal control system. It has reviewed the accounting principles and practices adopted by the Company and the unaudited financial results of the Group for the six months ended 30 June 2011. The Company's external auditor, Deloitte Touche Tohmatsu, has conducted a review of the interim financial information of the Group for the six months ended 30 June 2011 in accordance with Hong Kong standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

For the six months ended 30 June 2011, the Company repurchased 4,509,000 issued ordinary shares on The Stock Exchange of Hong Kong Limited. These repurchased shares were cancelled immediately upon repurchase.

Month of repurchase	Number of shares repurchased	Highest price per share HK\$	Lowest price per share HK\$	Aggregate price paid HK\$'000	Equivalent aggregate price paid RMB'000
June 2011	4,509,000	4.66	4.13	19,956	16,633

Apart from the above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities for the six months ended 30 June 2011.

# Other Information

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as the code of conduct for Directors in their dealings in the Company’s securities. Having made specific enquiry to all the Directors of the Company, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code for the six months ended 30 June 2011.

## CODE OF CORPORATE GOVERNANCE PRACTICE

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the “Code”) contained in Appendix 14 to the Listing Rules. For the six months ended 30 June 2011, the Company has complied with all the applicable code provisions as set out in the Code, except for deviation of the provision A.2.1 of the Code as mention below.

Provision A.2.1 of the Code provides that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same person. The Company deviates from this provision because Mr. Wang Fucai has been performing both the roles of Chairman and Chief Executive Officer. Mr. Wang is the founder of the Group and has over 30 years of experience in the health care and pharmaceutical industry. Given the current stage of development of the Group, the Company believes that vesting the two roles in the same person provides the Company with strong and consistent leadership and facilitates the implementation and execution of the Group’s business strategies. The Group will nevertheless review the structure from time to time in light of the prevailing circumstances.





## Other Information

### SUFFICIENCY OF PUBLIC FLOAT

Based on the publicly available information and to the best of the Directors' knowledge, information and belief, the Company has maintained sufficient public float for the six months ended 30 June 2011.

On behalf of the Board

**Wang Fucai**

*Chairman*

Hong Kong, 17 August 2011