



瑞年國際

Real Nutraceutical

瑞年國際有限公司

REAL NUTRICEUTICAL GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2010

**PROFESSIONAL
DEVOTION
TO HEALTH**

2012 Interim Report

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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

NOMINATION COMMITTEE

Mr. Wang Fucai (*Chairman*)

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

Dr. Fong Chi Wah

Mr. Bernard Ban-yew Yaw

Mr. Chan Kee Ming

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

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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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		
	2012 RMB'000	2011 RMB'000	Change %
Turnover	968,810	842,156	15.0%
Gross profit	699,991	624,143	12.2%
Profit attributable to owners of the Company	295,042	257,885	14.4%
Basic earnings per share (cents)	26.3	22.8	15.4%
Declared interim dividend (HK cents)	2.2	2.0	10.0%

Report on Review of Condensed Consolidated Financial Statements

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 condensed consolidated financial statements of Real Nutraceutical Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 6 to 22, which comprises the condensed consolidated statement of financial position as of 30 June 2012 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 these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements 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 these condensed consolidated financial statements 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 Condensed Consolidated Financial Statements

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

22 August 2012

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012

	Notes	Six months ended 30 June	
		2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
Turnover		968,810	842,156
Cost of goods sold		(268,819)	(218,013)
Gross profit		699,991	624,143
Other income		23,548	9,296
Selling and distribution costs		(248,451)	(220,198)
Administrative expenses		(40,833)	(33,866)
Equity-settled share based payments		(1,598)	(4,547)
Interest on bank borrowings wholly repayable within five years		(12,798)	(6,350)
Profit before taxation	4	419,859	368,478
Taxation	5	(124,817)	(110,593)
Profit for the period		295,042	257,885
Other comprehensive income			
— exchange differences arising on translation of foreign operations		(182)	587
Total comprehensive income for the period		294,860	258,472
Earnings per share	7		
— Basic		26.3 cents	22.8 cents
— Diluted		26.3 cents	22.6 cents

Condensed Consolidated Statement of Financial Position

At 30 June 2012

	Notes	At 30 June 2012 RMB'000 (unaudited)	At 31 December 2011 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	8	960,520	824,017
Land use rights		182,256	184,268
Intangible assets		74,997	49,782
Deposits made on acquisition of property, plant and equipment		17,545	44,170
Advance payments for acquisition of technical knowhow		158,859	174,709
Deferred tax assets		3,696	5,200
		1,397,873	1,282,146
Current assets			
Inventories		67,560	59,116
Trade and other receivables	9	599,361	511,374
Bank balances and cash		1,552,864	1,384,327
		2,219,785	1,954,817
Current liabilities			
Trade and other payables	10	238,580	159,116
Taxation		57,861	62,783
Short-term bank loans		163,000	127,000
		459,441	348,899
Net current assets		1,760,344	1,605,918

Condensed Consolidated Statement of Financial Position

At 30 June 2012

	<i>Notes</i>	At 30 June 2012 RMB'000 (unaudited)	At 31 December 2011 RMB'000 (audited)
Total assets less current liabilities		3,158,217	2,888,064
Non-current liabilities			
Deferred tax liabilities		14,110	11,123
Net assets		3,144,107	2,876,941
Capital and reserves			
Share capital	<i>11</i>	9,858	9,867
Reserves		3,134,249	2,867,074
Total equity		3,144,107	2,876,941

The condensed consolidated financial statements on pages 6 to 22 were approved and authorised for issue by the Board of Directors on 22 August 2012 and is signed on its behalf by:

Wang Fucai
*Chairman and
Chief Executive Officer*

Au-Yeung Kam Ling Celeste
Executive Director

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012

	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 2012	9,867	1,214,992	459,745	62	13,657	2,124	(21,159)	158,639	1,039,014	2,876,941
Exchange differences arising on translation of foreign operations	—	—	—	—	—	(182)	—	—	—	(182)
Profit for the period	—	—	—	—	—	—	—	—	295,042	295,042
Total comprehensive income for the period	—	—	—	—	—	(182)	—	—	295,042	294,860
Shares repurchased	(9)	(1,884)	—	9	—	—	—	—	(9)	(1,893)
Recognition of equity-settled share based payments	—	—	—	—	800	—	798	—	—	1,598
Dividends	—	—	—	—	—	—	—	—	(27,399)	(27,399)
	(9)	(1,884)	—	9	800	—	798	—	(27,408)	(27,694)
At 30 June 2012 (unaudited)	9,858	1,213,108	459,745	71	14,457	1,942	(20,361)	158,639	1,306,648	3,144,107
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 period	—	—	—	—	—	—	—	—	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

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012

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 2012

	Six months ended 30 June	
	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
Net cash from (used in) operating activities	317,802	(35,977)
Investing activities		
Interest received	21,587	3,112
Purchase of property, plant and equipment	(130,585)	(144,748)
Deposits paid on acquisition of property, plant and equipment	(17,545)	(37,950)
Advance payments paid for acquisition of technical knowhow	(16,450)	(46,340)
Withdrawal of pledged bank deposits	—	1,500
Net cash used in investing activities	(142,993)	(224,426)
Financing activities		
Interest paid	(12,798)	(6,350)
Dividends paid	(27,399)	(19,077)
Payment on repurchase of shares	(1,893)	(16,633)
Bank loans raised	393,000	365,000
Repayment of bank loans	(357,000)	(250,000)
Net cash (used in) from financing activities	(6,090)	72,940
Net increase (decrease) in cash and cash equivalents	168,719	(187,463)
Cash and cash equivalents at 1 January	1,384,327	1,462,045
Effect on foreign exchange rate changes	(182)	587
Cash and cash equivalents at 30 June	1,552,864	1,275,169
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	1,552,864	1,275,169

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

1. GENERAL

The Company was incorporated in the Cayman Islands and registered as an exempted company with limited liability. Its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

The Group's condensed consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

In the current interim period, the Group has applied, for the first time, amendments to Hong Kong Financial Reporting Standard ("HKFRS") issued by the HKICPA that are mandatorily effective for current period beginning on 1 January 2012.

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

3. 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 and operating segments and to assess their performance.

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

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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

3. SEGMENT INFORMATION (CONTINUED)

The following is an analysis of the Group's revenue and results by reportable and operating segment:

	Turnover		Results	
	Six months ended 30 June		Six months ended 30 June	
	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
Health and nutritional supplements	731,732	644,065	585,178	521,710
Health drinks	178,776	144,675	69,138	55,545
Pharmaceutical products	58,302	53,416	45,675	46,888
Segment revenue	968,810	842,156		
Segment results			699,991	624,143
Advertising and promotional expense			(189,852)	(180,548)
Other operating expense			(101,030)	(78,063)
Other income			1,961	409
Interest income			21,587	8,887
Interest expense			(12,798)	(6,350)
Profit before taxation			419,859	368,478

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 and operating segment. Segment liabilities represent trade and other payables which are directly attributable to the relevant reportable and operating segment. These are the measures reported to the Chief Executive Officer for the purpose of resource allocation and assessment of segment performance.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

3. SEGMENT INFORMATION (CONTINUED)

	At 30 June 2012 RMB'000 (unaudited)	At 31 December 2011 RMB'000 (audited)
Assets		
Segment assets		
— health and nutritional supplements	1,177,835	1,156,829
— health drinks	551,306	403,148
— pharmaceutical products	331,957	287,459
	2,061,098	1,847,436
Deferred tax assets	3,696	5,200
Unallocated corporate assets (note a)	1,552,864	1,384,327
Consolidated total assets	3,617,658	3,236,963
Liabilities		
Segment liabilities		
— health and nutritional supplements	162,568	118,451
— health drinks	56,936	33,209
— pharmaceutical products	19,076	7,456
	238,580	159,116
Taxation	57,861	62,783
Deferred tax liabilities	14,110	11,123
Unallocated corporate liabilities (note b)	163,000	127,000
Consolidated total liabilities	473,551	360,022

Notes:

- (a) Unallocated corporate assets represent bank balances and cash.
- (b) Unallocated corporate liabilities represent short-term bank loans.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

4. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
Profit before taxation has been arrived at after charging:		
Amortisation of intangible assets included in		
— costs of goods sold	3,375	3,374
— administrative expenses	3,710	1,296
	7,085	4,670
Advertising and promotional expenses included in selling and distribution costs	189,852	180,548
Cost of inventories recognised as expenses	265,444	214,639
Depreciation of property, plant and equipment	28,483	16,069

5. TAXATION

	Six months ended 30 June	
	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
The charge comprises:		
PRC income tax	(118,689)	(105,233)
Deferred taxation	(6,128)	(5,360)
	(124,817)	(110,593)

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 statements as the Group's operations in Hong Kong had no assessable profit for the period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

6. DIVIDENDS

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Dividends		
— 2011 final dividend of HK3.0 cents (2011: 2010 final dividend of HK2.0 cents) per share paid	27,399	19,077
— 2012 proposed interim dividend of HK2.2 cents (2011: 2011 interim dividend of HK2.0 cents) per share	20,178	18,465

The interim dividend of HK2.2 cents per share, which was proposed by the directors of the Company for the period is calculated on the basis of 1,123,036,000 shares in issue as at the date of this announcement.

7. 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:

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Earnings:		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	295,042	257,885

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

7. EARNINGS PER SHARE (CONTINUED)

	2012 '000 (unaudited)	2011 '000 (unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,123,895	1,131,473
Effect of dilutive potential ordinary shares on share options	—	9,122
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,123,895	1,140,595

The computation of diluted earnings per share for the six months ended 30 June 2012 does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price of the shares.

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred RMB18,472,000 (2011: RMB7,062,000) on machinery and equipment and RMB146,515,000 (2011: RMB169,128,000) on construction in progress for the expansion of production facilities.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

9. TRADE AND OTHER RECEIVABLES

	At 30 June 2012 RMB'000 (unaudited)	At 31 December 2011 RMB'000 (audited)
Trade receivables	529,658	448,621
Bills receivables	1,000	380
	530,658	449,001
Deposits paid to suppliers	3,568	20,348
Property rental deposits	14,708	8,859
Prepayments for research and development	1,400	3,700
Prepayments for media airtime	18,132	5,683
Other receivables, prepayments and deposits	30,895	23,783
	599,361	511,374

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 2012 RMB'000 (unaudited)	At 31 December 2011 RMB'000 (audited)
0 – 90 days	491,160	440,392
91 – 180 days	39,498	8,517
181 – 365 days	—	23
Over 1 year	—	69
	530,658	449,001

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

10. TRADE AND OTHER PAYABLES

	At 30 June 2012 RMB'000 (unaudited)	At 31 December 2011 RMB'000 (audited)
Trade payables	99,935	52,599
Bills payables	—	205
	99,935	52,804
Customers' deposits	20,944	14,442
Payroll and welfare payables	11,980	12,243
Other tax payables	46,378	49,641
Construction payables	13,789	3,862
Other payables	11,122	3,383
Advertising accruals	21,379	11,993
Other accruals	13,053	10,748
	238,580	159,116

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 2012 RMB'000 (unaudited)	At 31 December 2011 RMB'000 (audited)
0 – 90 days	78,185	45,976
91 – 180 days	19,720	4,940
181 – 365 days	1,585	906
Over 1 year	445	982
	99,935	52,804

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

11. SHARE CAPITAL

	Authorised		Issued and fully paid	
	Number of	Amount	Number of	Amount
	shares		shares	
	'000	HK\$'000	'000	HK\$'000
Ordinary shares of HK\$0.01 each				
— at 1 January 2011	2,000,000	20,000	1,131,587	11,316
— shares repurchased and cancelled	—	—	(7,465)	(75)
— at 31 December 2011 (audited)	2,000,000	20,000	1,124,122	11,241
— shares repurchased and cancelled	—	—	(1,086)	(11)
— at 30 June 2012 (unaudited)	2,000,000	20,000	1,123,036	11,230
				RMB'000
Shown in the condensed consolidated statement of financial position				
— at 30 June 2012 as (unaudited)				9,858
— at 31 December 2011 as (audited)				9,867

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	Lowest price per share	Aggregate price paid	Equivalent aggregate price paid
		HK\$	HK\$	HK\$'000	RMB'000
May 2012	1,086,000	2.15	2.09	2,322	1,893

The shares repurchased by the Company during six months ended 30 June 2012 were cancelled.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

12. CAPITAL COMMITMENTS

	At 30 June 2012 RMB'000 (unaudited)	At 31 December 2011 RMB'000 (audited)
Capital expenditure contracted for but not provided in the financial statements in respect of the acquisition of		
— property, plant and equipment	80,184	167,741
— technical knowhow	50,350	54,500
	130,534	222,241

13. 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	
	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
Salaries and other benefits	5,234	6,491
Equity-settled share based payments	268	1,745
Retirement benefits scheme contributions	66	55
	5,568	8,291

Management Discussion and Analysis

BUSINESS REVIEW

The Group achieved stable business growth in the first half of 2012 with a turnover of RMB968.8 million and net profit of RMB295.0 million, representing year-on-year growth of 15.0% and 14.4% respectively. The overall gross profit margin decreased slightly from 74.1% in the first half of 2011 to 72.3% in the first half of 2012, mainly due to the change in sales mix and slight increase in production cost.

During the period, sales of health and nutritional supplement products grew by 13.6% to RMB731.7 million as a result of continuous sales channel expansion and brand promotion which led to the increase in sales of amino acids tablet products. Other health supplement products also reported considerable sales growth, amongst which sales of Osteoid Sachet Powder reached RMB55.6 million with year-on-year growth of 12.6%. Since the Group adopted a focused strategy to expand the health drinks regional business, resulting in good health drinks sales of RMB178.8 million in the period with year-on-year growth of 23.6%. The Group's pharmaceutical products reported sales of RMB58.3 million in the period, with year-on-year growth of 9.1%.

As at 30 June, 2012, the Group's health supplement products were sold through approximately 63,000 retail outlets in China, up from approximately 60,000 retail points as at the end of 2011. These retail points include certain newly developed channels like the chain stores of (State) Guangdong Baiyuantang Curative Catenation, Nanjing Guosheng Chain Drugstores of the Sinopharm Group, Shanghai For Me Yi Xing Pharmacy, Suzhou China Nepstar Chain Drugstores and Jinghua Jianfeng Chain Drugstores. The Group's health drink products were sold through over 200,000 retail outlets including Suzhou Le Qi Duo Supermarkets, Ningbo Carrefour Supermarkets and Ningbo Ja-Ja-La Supermarkets. The pharmaceutical products of the Group were sold through over 300 hospitals.

Management Discussion and Analysis

BUSINESS REVIEW (CONTINUED)

The Group continued to promote the brand to further penetrate the local markets by implementing long term systematic local expansion programs. The Group placed advertisements selectively in outstanding retail points including major shopping malls, supermarkets, hypermarkets and retail pharmacies in different regions, as well as public transport facilities. Meanwhile, the Group held different promotion events regularly, including about 200 sales promotion events for health supplement products in the period. The Group also participated in major conferences and exhibitions including 2012 China (Chengdu) Fair of Famous, Special and Quality Products of Wuxi, Hainan Boao Forum for Healthcare Industry 2012, Nanjing's 7th International Retailers' Sourcing Fair. The Group leveraged on the internet to promote the Real Nutri brand and posted advertisements and health news in over 100 popular websites and online forums such as Tencent, Sohu, Sina, People.cn, Cnfol.com, iFeng, Yahoo Forum, Baidu Forum, Xici Forum and Tianya Laiba. During the period, the Group provided Real Nutri Health Club members with latest information on the Group and member activities through the Group's official blogs and 6 blog events. On the public healthcare education, the Group organized regular events for Real Nutri Health Club members and hosted seminars on healthcare nutrition and regimen knowledge. The Group also cooperated with Healthtimes, a newspaper of the People's Daily group, to publish a special magazine on amino acids for free distribution to the public.

For the development of local markets, Real Nutri Health Stores and Real Nutri Flagship Stores continue to develop new sales points for the Group. In the first half of 2012, the Group set up 25 new Real Nutri Health Stores and 7 Real Nutri Flagship Stores in major cities like Hainan, Nantong, Changzhou, Zhongshan and Ningbo. The stores brought in sales of RMB40.0 million during the period. The Group provided various services to Real Nutri Health Club members and consumers through these direct sales stores in order to build a closer bond with the products' end users. The Group held over 400 club member events. Local distributors and retailers welcomed the Group to expand Real Nutri Health Stores as the setting up of Real Nutri Health Stores demonstrated the Group's dedication and commitment to develop the local markets. At the same time, the stores and the distributors can complement each other in the areas like after sales services, products range, logistics and promotion back up. In addition, the Group had good results on internet sales of its products with sales of RMB25.4 million and about 170,000 registered Real Nutri Health Club members in the period.

Management Discussion and Analysis

BUSINESS REVIEW (CONTINUED)

With respect to the development of overseas markets, the Group placed television commercials in the major television channels and sponsored various television programs including “Pleasure & Leisure” (“都市閒情”) and “Number Matters” (“700萬人的數字”) to further promote Real Nutri as an international brand through multi-faceted promotions in Hong Kong. Moreover, the amino acids tablet product, Amilok — Beauty 18 has been launched in Taiwan.

In the first half of 2012, the health drinks production base for Herbal Tea and Amino Acids Drinks commenced operation. During the period, the Group held over 2,000 health drinks promotion activities for health drinks business in Zhejiang, Jiangsu, Guangdong, Hubei, Hunan and Anhui, and put on a special television commercial series to promote the Shun Brand Health Drinks in the CSPN Channel during The 14th European Football Championship matches. The Group’s Shun Brand Health Drinks were also designated event drinks for The 8th China Hunan Miluojiang International Dragon Boat Festival.

To promote its pharmaceutical products, the Group held over 120 promotion events featuring pharmaceutical products during the period. The Group organized a China oncology expert group led by an academician of Chinese Academy of Sciences to participate in The 10th Asian Clinical Oncology Society (“ACOS”) in Korea in June 2012. The expert group exchanged ideas and discussed the future development of oral topotecan hydrochloride in the world with over one thousand representatives worldwide. The Group also joined The 6th Chinese Symposium On Medical Oncology (“CSMO”) and The 47th National New Special Drugs Commodities Fair.

The success of nutritional health supplements business is founded on the excellence of product quality and safety. Therefore, the Group places product quality control on top priority. In addition to selecting raw materials of the highest quality, the Group adopts a rigorous examination regime on the raw materials before they are put into production, and conducts tests frequently on both the semi-finished and finished products. Samples of the Group’s products are sent to the State Food and Drug Administration (“SFDA”) designated laboratories for periodic testing to ensure the product quality complies with the highest national safety standards.

Management Discussion and Analysis

BUSINESS REVIEW (CONTINUED)

During the period, the Group launched over 10 new nutritional supplement products including Tryptophan Amino Acids Tablets which help to improve insomnia and relieve anxiety, BCCA and Arginine Amino Acids Tablets which help to protect livers and joints. The new products help to meet the specific nutritional needs of different ages and classes. We launched Amino Acids Drinks of lime, peach and grape fruit flavors into the market.

Investor Relations

During the period, the Group participated in 4 major investment conferences and a number of roadshows in Singapore, Hong Kong, Beijing, Shanghai and Hangzhou, and held over 75 investor meetings, communicated with over 200 fund managers and analysts through meetings and conference calls and hosted over 10 plant visits in Wuxi.

Corporate Social Responsibility

The Group puts public health on top of its agenda and extends into fulfillment of social responsibility. The Group took part in social and charity events and encouraged its staff to participate in related activities in their spare time. The Group cooperated with Wuxi Municipal Education Bureau and Wuxi Civilization Office to conduct "A Hundred Charity Talks on The Confucius National Heritage" activities for primary and secondary schools and donated the moral education books to the students. The Group also sponsored a Wuxi primary school to hold an invitation match of the game of "go" "The Growth Gold — Lianyuan Cup". The Group participated in the volunteer work for fund raising in the Hong Kong Community Chest Green Day and continued to be a Caring Company accredited by the Hong Kong Council of Social Service.

Management Discussion and Analysis

FINANCIAL REVIEW

For the six months ended 30 June 2012, the turnover of the Group was RMB968.8 million, representing an increase of approximately 15.0% over the same period last year. Profit attributable to owners of the Company for the period has increased to RMB295.0 million by approximately 14.4% over the same period last year. The Company's basic earnings per share reached RMB26.3 cents per share by approximately 15.4% over the same period last year.

Liquidity and capital resources

As at 30 June 2011, the Group has current assets of RMB2,219.8 million (31 December 2011: RMB1,954.8 million) and current liabilities of RMB459.4 million (31 December 2011: RMB348.9 million). The current ratio was 4.8 as at 30 June 2012 (31 December 2011: 5.6).

As at 30 June 2012, the Group has short-term bank loans in the amount of RMB163.0 million (31 December 2011: RMB127.0 million) and a gearing ratio of 4.5% (31 December 2011: 3.9%). 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 2012, the Group's capital commitments were approximately RMB130.5 million (31 December 2011: RMB222.2 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 2012 (31 December 2011: 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 overallotment 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). As at 30 June 2012, net proceeds of accumulated approximately RMB852.9 million has been applied on market expansion, capital expenditures, product development and other working capital, and the remaining of the net proceeds RMB356.8 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

Uncertainties exist in both the Chinese and global economies and political environment in the second half of 2012, leading to a very challenging consumer market environment in China. The Group is conservatively optimistic to the business growth prospects in the second half of 2012. The Nation's 12th Five-Year Plan addresses the work to elevate the standards for nutritional supplements business and product quality. These efforts reflect the government's emphasis on the systematic development of the industry and its recognition on the important role of nutritional supplement industry in safeguarding and enhancing the national healthcare programme. In the long run, this will provide sizeable enterprises in the industry a sound business opportunity.

Despite the chance of facing domestic economic slowdown, the Group will drive sales growth by continuously expanding different sales channels in the second half of 2012. The Group will continue to reinforce market penetration in the original Eastern and Southern China markets by increasing the number of retail sales points. At the same time, the Group will develop new sales regions to expand the nationwide sales network. The Group will consolidate the local markets through Real Nutri Health Stores and Real Nutri Flagship Stores and plans to open new Real Nutri Health Stores in over 30 cities in 10 provinces including Guangdong, Jiangsu, Zhejiang, Shandong, Hubei, Hebei, Yunnan, Guangxi, Guizhou in the second half of 2012. By the end of 2012, the accumulated numbers of Real Nutri Health Stores and Real Nutri Flagship Stores will reach 200 and 12 respectively. This store program would further demonstrate the Group's commitment to invest in and develop the local markets. On the other hand, the rapid development of internet sales provides a new business opportunity for the Group. The Group targets to enroll at least 200,000 Real Nutri Health Club members by the end of 2012 and will actively refine the membership system, customer hotline telecom system and the internet direct sales platform to drive internet sales growth. In overseas market development, the Group will continue to develop the Taiwanese market and plans to promote the amino acid tablets product, Amilok — Beauty 18 in a television shopping program in the second half of 2012.

Management Discussion and Analysis

PROSPECTS (CONTINUED)

“Professional Devotion To Health” is the Group’s motto to provide high quality nutritional health supplements to the nation. In addition to continuously improving product quality, the Group will also launch diversified health supplement products of superb quality through in-house research and the acquisition of technological know-hows of strong potential. The Group plans to launch at least 10 new health supplement products including Collagen Amino Acids Tablets. Meanwhile, the Group will expand the health drinks business through strategic penetration to second and third tier cities in China and plans to launch various health drinks products including U- brand Amino Acids Drink, Icy Sugar Pear Flavor Amino Acids Drink and Peanut Protein Milk. With over 900 small and large scale promotion events to be held for health drinks products in Southern China, Eastern China and other cities, the Group aims to develop the Shun Brand into one of the most famous health drinks brands in China. For pharmaceutical business, the Group plans to launch a new series of medical diagnostic equipment to enrich the product range.

Although in the second half of 2012 considerable uncertainties exist in the market, the Group will develop the business with a conservative and pragmatic approach. The Group will make full use of its inherent competitive edge and new business opportunities to advance towards the goal of becoming one of the leading enterprises in China’s nutritional health supplement industry.

HUMAN RESOURCES

As at 30 June 2012, the Group had a work force of 971 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 HK2.2 cents per share for the six months ended 30 June 2012 (2011: HK2.0 cents) to the shareholders whose names appear on the register of members of the Company on Wednesday, 19 September 2012. The interim dividend will be payable on Wednesday, 10 October 2012.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members will be closed by the Company from Monday, 17 September 2012 to Wednesday, 19 September 2012, 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 Friday, 14 September 2012.

Other Information

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

As at 30 June 2012, 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	Approximate shareholding percentage (%)
			subject to options granted under the Pre-IPO Share Option Scheme ⁽¹⁾	
Mr. Wang Fucal ⁽²⁾	interest of a controlled corporation	383,788,093 Shares (L)		34.17%
	short position	16,548,359 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		870,000 Shares (L)	0.08%
Mr. Zhang Yan	beneficial owner		1,500,000 Shares (L)	0.13%
Ms. Au-yeung Kam	beneficial owner		560,000 Shares (L)	0.05%
Ling Celeste				

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 16,548,359 Shares held by Strong Ally Limited and the short position over 16,548,359 Shares as a result of grant of options by Strong Ally Limited under the Pre-IPO Share Option Scheme, and Mr. Wang Fucal owns the entire issued share capital of Furui and will be deemed to be interested in the 383,788,093 Shares held by Furui and Strong Ally Limited and the short position over 16,548,359 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 2012, 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 2012, 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 2012	Exercised during the period	Cancelled during the period	Lapsed during the period	Number of Options Outstanding up to 30 June 2012
(1) Directors					
Yu Yan	1,450,000	—	—	—	1,450,000
Li Lin	920,000	—	—	—	920,000
Yi Lin	880,000	10,000	—	—	870,000
Zhang Yan	1,500,000	—	—	—	1,500,000
Au-yeung Kam Ling Celeste	560,000	—	—	—	560,000
(2) Employees and others	29,662,359	1,000	—	—	29,661,359

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.

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.

Other Information

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to the Company, as at 30 June 2012, 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 ⁽¹⁾	beneficial owner and interest in a controlled corporation	383,788,093	34.17%
	short position	16,548,359	1.47%
Qin Shifeng (秦士豐) ⁽²⁾	interest of spouse	383,788,093	34.17%
	short position	16,548,359	1.47%
Pyrope Assets Limited ("PAL") ⁽³⁾	interest in a controlled corporation	56,387,161	5.02%
CK Life Sciences Int'l., (Holdings) Inc. ⁽³⁾ ("CK Life")	interest in a controlled corporation	56,387,161	5.02%
Gold Rainbow Int'l Limited ("GRIL") ⁽⁴⁾	interest in a controlled corporation	56,387,161	5.02%
Gotak Limited ("GL") ⁽⁴⁾	interest in a controlled corporation	56,387,161	5.02%
Cheung Kong (Holdings) Limited ("CKHL") ⁽⁴⁾	interest in a controlled corporation	56,387,161	5.02%
Li Ka-Shing Unity Trustee Company Limited ("TUT1") as trustee of The Li Ka-Shing Unity Trust ("UT1") ⁽⁵⁾	interest in a controlled corporation	56,387,161	5.02%
Li Ka-Shing Unity Trustee Corporation Limited ("TDT1") as trustee of The Li Ka-Shing Unity Discretionary Trust ("DT1") ⁽⁶⁾	interest in a controlled corporation	56,387,161	5.02%
Li Ka-Shing Unity Trustcorp Limited ("TDT2") as trustee of another discretionary trust ("DT2") ⁽⁶⁾	interest in a controlled corporation	56,387,161	5.02%
Li Ka-Shing ("Mr. Li") ⁽⁷⁾	interest in a controlled corporation	56,387,161	5.02%

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 16,548,359 Shares held by Strong Ally Limited and the short position over 16,548,359 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 383,788,093 Shares which Mr. Wang Fucui is interested in through Furui and Strong Ally Limited and the short position over 16,548,359 Shares as a result of grant of options by Strong Ally Limited under the Pre-IPO Share Option Scheme.
- (3) CK Life directly owns the entire issued share capital of PAL and will be deemed to be interested in the 56,387,161 Shares held by PAL.
- (4) GRIL holds one third or more of the issued share capital of CK Life and will be deemed to be interested in the 56,387,161 Shares held by CK Life. By virtue of the above, GRIL is therefore taken to have a duty of disclosure in relation to the interest in the relevant share capital of the Company held by or in which PAL or CK Life is taken as interested as a substantial shareholder of the Company under the SFO. Since GRIL is wholly-owned by GL, GL is deemed to be interested in the same number of Shares in which GRIL is interested under the SFO. Since GL is wholly-owned by CKHL, CKHL is deemed to be interested in the same number of Shares in which GL is interested under the SFO.
- (5) TUT1, as trustee of UT1, together with certain companies which TUT1 as trustee of UT1 was entitled to exercise or control the exercise of one third or more of the voting power at their general meetings ("related companies"), hold more than one third of the issued share capital of CKHL. By virtue of the above and the interest of TUT1 as trustee of UT1 and its related companies in the shares in CKHL, TUT1 as trustee of UT1 is therefore taken to have a duty of disclosure in relation to the interest in the relevant share capital of the Company held by or in which PAL, CK Life, GRIL, GL or CKHL will be taken as interested as a substantial shareholder of the Company under the SFO.
- (6) Each of TDT1 as trustee of DT1 and TDT2 as trustee of DT2 holds units in UT1. By virtue of the above and its interest of holding units in UT1, each of TDT1 as trustee of DT1 and TDT2 as trustee of DT2 is taken to have a duty of disclosure in relation to the interest in the relevant share capital of the Company held by or in which PAL, CK Life, GRIL, GL or CKHL will be taken as interested as a substantial shareholder of the Company under the SFO.
- (7) Mr. Li is the settlor of each of DT1 and DT2 and may be regarded as a founder of each of DT1 and DT2 for the purpose of the SFO. Mr. Li is also interested in one third of the entire issued share capital of a company owning the entire issued share capital of TUT1, TDT1 and TDT2. By virtue of the above and as a director of CKHL, Mr. Li is taken to have a duty of disclosure in relation to the interest in the relevant share capital of the Company held by or in which PAL, CK Life, GRIL, GL or CKHL will be taken as interested as a substantial shareholder of the Company under the SFO.

Other Information

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 Fucai 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 Fucai 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 Fucai of the Non-competition Undertaking given by him.

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 2012. 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 2012 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.

Other Information

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

For the six months ended 30 June 2012, the Company repurchased 1,086,000 issued ordinary shares on The Stock Exchange of Hong Kong Limited. These repurchased shares were cancelled immediately upon repurchase.

Month of repurchase	Number of Ordinary shares	Highest price per share HK\$	Lowest price per share HK\$	Aggregate price paid HK\$'000	Equivalent aggregate price paid RMB'000
May 2012	1,086,000	2.15	2.09	2,322	1,893

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 2012.

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 2012.

Other Information

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 2012, 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.

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 2012.

On behalf of the Board

Wang Fucai

Chairman

Hong Kong, 22 August 2012