



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

2013
Interim Report

Contents

Corporate Information	2
Financial Highlights	3
Report on Review of Condensed Consolidated Financial Statements	4-5
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	6
Condensed Consolidated Statement of Financial Position	7-8
Condensed Consolidated Statement of Changes in Equity	9-10
Condensed Consolidated Statement of Cash Flows	11
Notes to the Condensed Consolidated Financial Statements	12-28
Management Discussion and Analysis	29-35
Other Information	36-46

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. Xu Hua Feng
Mr. Chan Kee Ming

AUDIT COMMITTEE

Dr. Wong Lung Tak Patrick, BBS, J.P.
(Chairman)
Dr. Fong Chi Wah
Mr. Xu Hua Feng

REMUNERATION COMMITTEE

Dr. Fong Chi Wah *(Chairman)*
Mr. Wang Fucai
Dr. Wong Lung Tak Patrick, BBS, J.P.
Mr. Xu Hua Feng

NOMINATION COMMITTEE

Mr. Wang Fucai *(Chairman)*
Dr. Wong Lung Tak Patrick, BBS, J.P.
Dr. Fong Chi Wah
Mr. Xu Hua Feng
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

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

	2013 RMB'000	2012 RMB'000	Change %
Turnover	1,000,603	968,810	(3.3%)
Gross profit	686,736	699,991	(1.9%)
Profit attributable to owners of the Company	284,503	295,042	(3.6%)
Basic earnings per share (cents)	25.3	26.3	(3.8%)
Declared interim dividend (HK cents)	2.5	2.2	13.6%

Report on Review of Condensed Consolidated Financial Statements

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF REAL NUTRICEUTICAL GROUP LIMITED
(incorporated in the 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 28, which comprise the condensed consolidated statement of financial position as of 30 June 2013 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated 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

28 August 2013

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2013

	Notes	Six months ended 30 June	
		2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)
Turnover		1,000,603	968,810
Cost of goods sold		(313,867)	(268,819)
Gross profit		686,736	699,991
Other income		19,173	23,548
Selling and distribution costs		(241,790)	(248,451)
Administrative expenses		(52,566)	(42,431)
Interest on bank borrowings wholly repayable within five years		(11,892)	(12,798)
Profit before taxation	4	399,661	419,859
Taxation	5	(115,158)	(124,817)
Profit for the period		284,503	295,042
Other comprehensive income for the period — exchange differences arising on translation of foreign operations which may be subsequently reclassified to profit or loss		623	(182)
Total comprehensive income for the period		285,126	294,860
Earnings per share — Basic	7	25.3 cents	26.3 cents

Condensed Consolidated Statement of Financial Position

At 30 June 2013

	Notes	At 30 June 2013 RMB'000 (unaudited)	At 31 December 2012 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	8	1,337,526	1,090,733
Land use rights	8	383,073	276,483
Intangible assets		72,877	74,887
Deposits made on acquisition of property, plant and equipment		44,530	16,369
Advance payments for acquisition of technical knowhow		160,655	162,059
Deferred tax assets		1,213	2,180
		1,999,874	1,622,711
Current assets			
Inventories	9	77,622	66,830
Trade and other receivables	10	878,658	648,735
Bank balances and cash		1,197,639	1,329,295
		2,153,919	2,044,860
Current liabilities			
Trade and other payables	11	114,445	122,732
Taxation		54,747	39,457
Short-term bank loans	12	415,000	195,000
		584,192	357,189
Net current assets		1,569,727	1,687,671

Condensed Consolidated Statement of Financial Position

At 30 June 2013

<i>Notes</i>	At 30 June 2013 RMB'000 (unaudited)	At 31 December 2012 RMB'000 (audited)
Total assets less current liabilities	3,569,601	3,310,382
Non-current liabilities		
Deferred tax liabilities	16,501	14,686
Net assets	3,553,100	3,295,696
Capital and reserves		
Share capital	9,858	9,858
Reserves	3,543,242	3,285,838
Total equity	3,553,100	3,295,696

The condensed consolidated financial statements on pages 6 to 28 were approved and authorised for issue by the Board of Directors on 28 August 2013 and are 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 2013

	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 2013	9,858	1,213,108	459,745	71	14,764	2,116	(20,055)	219,124	1,396,965	3,295,696
Exchange differences arising on translation of foreign operations which may be subsequently reclassified to profit or loss	-	-	-	-	-	623	-	-	-	623
Profit for the period	-	-	-	-	-	-	-	-	284,503	284,503
Total comprehensive income for the period	-	-	-	-	-	623	-	-	284,503	285,126
Recognition of equity-settled share based payments	-	-	-	-	16	-	887	-	-	903
Expiry of share option	-	-	-	-	(14,780)	-	-	-	14,780	-
Dividends	-	-	-	-	-	-	-	-	(28,625)	(28,625)
	-	-	-	-	(14,764)	-	887	-	(13,845)	(27,722)
At 30 June 2013 (unaudited)	9,858	1,213,108	459,745	71	-	2,739	(19,168)	219,214	1,667,623	3,553,100
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 which may be subsequently reclassified to profit or loss	-	-	-	-	-	(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

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013

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 Co., 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 prior to 2009;
 - (ii) deemed distributions to the controlling shareholder in respect of the acquisition of a subsidiary in 2009;
 - (iii) deemed distributions to the shareholders in respect of the listing expenses borne by the Company in 2010; 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 in 2010 of which the exercisable period is further extended to 31 December 2013 during the current period with details set out in note 13.
- (d) As stipulated by the relevant laws and regulations for foreign investment enterprises in Mainland China (the "PRC"), the Company's PRC subsidiaries are 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 subsidiaries while the amounts and allocation basis are based on the requirements of relevant laws and regulation in the PRC. 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 2013

	Six months ended 30 June	
	2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)
Net cash from operating activities	113,016	317,802
Investing activities		
Interest received	17,625	21,587
Purchase of property, plant and equipment	(282,672)	(130,585)
Purchase of land use rights	(110,000)	–
Purchase of intangible assets	(5,000)	–
Deposits paid on acquisition of property, plant and equipment	(44,530)	(17,545)
Advance payments paid for acquisition of technical knowhow	(96)	(16,450)
Net cash used in investing activities	(424,673)	(142,993)
Financing activities		
Interest paid	(11,892)	(12,798)
Dividends paid	(28,625)	(27,399)
Payment on repurchase of shares	–	(1,893)
Bank loans raised	298,000	393,000
Repayment of bank loans	(78,000)	(357,000)
Net cash from (used in) financing activities	179,483	(6,090)
Net (decrease) increase in cash and cash equivalents	(132,174)	168,719
Cash and cash equivalents at 1 January	1,329,295	1,384,327
Effect on foreign exchange rate changes	518	(182)
Cash and cash equivalents at 30 June	1,197,639	1,552,864
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	1,197,639	1,552,864

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

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.

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.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2012.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK(SIC)–Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 changes the definition of control such that an investor has control over an investee when (a) it has power over the investee, (b) it is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee. After the assessment carried out by the directors of the Company, it is considered that the application of HKFRS 10 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income (continued)

Except as described above, the application of the other new or revised HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

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 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.

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 2013

3. SEGMENT INFORMATION (CONTINUED)

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

	Turnover		Results	
	Six months ended 30 June		Six months ended 30 June	
	2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)	2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)
Health and nutritional supplements	755,315	731,732	588,083	585,178
Health drinks	188,615	178,776	62,846	69,138
Pharmaceutical products	56,673	58,302	35,807	45,675
Segment revenue	1,000,603	968,810		
Segment results			686,736	699,991
Advertising and promotional expenses			(170,925)	(189,852)
Other operating expenses			(123,431)	(101,030)
Other income			1,548	1,961
Interest income			17,625	21,587
Interest expenses			(11,892)	(12,798)
Profit before taxation			399,661	419,859

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 measures reported to the Chief Executive Officer for the purpose of resource allocation and assessment of segment performance. No operating segments identified by the Chief Executive Officer have been aggregated in arriving at the reportable segments of the Group.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

3. SEGMENT INFORMATION (CONTINUED)

	At 30 June 2013 RMB'000 (unaudited)	At 31 December 2012 RMB'000 (audited)
Assets		
Segment assets		
– health and nutritional supplements	1,892,181	1,407,649
– health drinks	572,426	566,418
– pharmaceutical products	490,334	362,029
	2,954,941	2,336,096
Deferred tax assets	1,213	2,180
Unallocated corporate assets (note a)	1,197,639	1,329,295
Consolidated total assets	4,153,793	3,667,571
Liabilities		
Segment liabilities		
– health and nutritional supplements	71,471	77,917
– health drinks	19,029	20,827
– pharmaceutical products	23,945	23,988
	114,445	122,732
Taxation	54,747	39,457
Deferred tax liabilities	16,501	14,686
Unallocated corporate liabilities (note b)	415,000	195,000
Consolidated total liabilities	600,693	371,875

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 2013

4. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)
Profit before taxation has been arrived at after charging:		
Amortisation of intangible assets included in		
— costs of goods sold	3,374	3,375
— administrative expenses	5,136	3,710
	8,510	7,085
Advertising and promotional expenses	170,925	189,852
Cost of inventories recognised as expenses	310,493	265,444
Depreciation of property, plant and equipment	54,235	28,483
Operating lease rentals in respect of land use rights	1,853	1,853

5. TAXATION

	Six months ended 30 June	
	2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)
The charge comprises:		
Current tax:		
PRC Enterprise Income Tax	(110,080)	(117,052)
PRC withholding tax	(2,296)	(1,637)
Deferred taxation	(2,782)	(6,128)
	(115,158)	(124,817)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

5. TAXATION (CONTINUED)

Mainland China (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.

6. DIVIDENDS

	Six months ended 30 June	
	2013 RMB’000 (unaudited)	2012 RMB’000 (unaudited)
Dividends		
— 2012 final dividend of HK3.2 cents (2012: 2011 final dividend of HK3.0 cents) per share paid	28,625	27,399
— 2013 proposed interim dividend of HK2.5 cents (2012: 2012 interim dividend of HK2.2 cents) per share	22,321	20,178

The interim dividend of HK2.5 cents per share, which was recommended 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 interim report.

7. EARNINGS PER SHARE

The calculation of basic earnings per share for the period is based on the profit for the period attributable to owners of the Company of RMB284,503,000 (2012: RMB295,042,000) and on the weighted average number of shares in issue of 1,123,036,000 (2012: 1,123,895,000).

No diluted earnings per share was presented for the six months ended 30 June 2013 and 30 June 2012 as the Company 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 for both periods.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND LAND USE RIGHTS

During the period, the Group incurred RMB6,048,000 (2012: RMB18,472,000) on machinery and equipment, RMB295,070,000 (2012: RMB146,515,000) on construction in progress and RMB110,000,000 (2012: Nil) on land use rights for the expansion of production facilities. The formal titles of the land use rights purchased in current period have not been granted from the relevant government authorities.

9. INVENTORIES

	At 30 June 2013 RMB'000 (unaudited)	At 31 December 2012 RMB'000 (audited)
Raw materials	17,815	28,296
Work in progress	11,679	9,127
Finished goods	24,039	12,556
Merchandise for resale	6,488	734
Packaging materials	17,601	16,117
	77,622	66,830

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

10. TRADE AND OTHER RECEIVABLES

	At 30 June 2013 RMB'000 (unaudited)	At 31 December 2012 RMB'000 (audited)
Trade receivables	715,359	504,769
Bills receivables	850	2,121
	716,209	506,890
Prepayments to suppliers	31,069	16,990
Property rental deposits	18,558	12,233
Prepayments for research and development	1,400	1,400
Prepayments for media airtime	59,776	69,673
Other receivables, prepayments and deposits	51,646	41,549
	878,658	648,735

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 bills receivables based on invoice date at the end of the reporting period, which approximated the respective revenue recognition dates.

	At 30 June 2013 RMB'000 (unaudited)	At 31 December 2012 RMB'000 (audited)
0–90 days	481,927	395,545
91–180 days	222,435	109,535
181–365 days	11,639	1,810
Over 1 year	208	–
	716,209	506,890

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

11. TRADE AND OTHER PAYABLES

	At 30 June 2013 RMB'000 (unaudited)	At 31 December 2012 RMB'000 (audited)
Trade payables	15,681	35,141
Customers' deposits	17,356	16,034
Payroll and welfare payables	12,610	12,505
Other tax payables	45,824	35,422
Construction payables	7,327	4,293
Other payables	12,344	13,664
Advertising accruals	2,723	1,749
Other accruals	580	3,924
	114,445	122,732

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

	At 30 June 2013 RMB'000 (unaudited)	At 31 December 2012 RMB'000 (audited)
0–90 days	10,824	29,110
91–180 days	3,396	3,257
181–365 days	1,261	2,467
Over 1 year	200	307
	15,681	35,141

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

12. SHORT-TERM BANK LOANS

	At 30 June 2013 RMB'000 (unaudited)	At 31 December 2012 RMB'000 (audited)
Short-term bank loans		
— secured	100,000	45,000
— unsecured	315,000	150,000
	415,000	195,000
The Group's bank loan carry interest at		
— variable rate	233,000	73,000
— fixed rate	182,000	122,000
	415,000	195,000

All the variable rate bank loans carry interests at the prime rate offered by the People's Bank of China which were repriced monthly to every three months. At the end of the reporting period, the Group has variable rate bank loans carrying interest at 5.5% to 6.6% (2012: 6.0% to 6.9%) per annum and fixed rate bank loans carrying interest at 6.0% (2012: 6.0% to 6.6%) per annum.

As at 30 June 2013, the secured bank loans are secured by the Group's land use right with an aggregate carrying value of approximately RMB98,432,000 (2012: RMB41,444,000).

At the end of the reporting period, the Group has unutilised available credit facilities amounting to RMB135,000,000 (2012: RMB55,000,000).

All the short-term bank loans are denominated in RMB.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

13. SHARE OPTIONS

(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 expired 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. 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 listing date.

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.

On 18 February 2013, the exercisable period of the abovementioned share option schemes expired. On 5 March 2013, Strong Ally extended the expiry date of the options to purchase shares of the Company to 31 December 2013.

The table below discloses the movement of the Company’s share options held by the Group’s employees:

	Number of share options
Outstanding as at 1 January 2013	34,961,359
Exercised during the period	(9,504,697)
Expired during the period	(25,691,089)
Extended during the period	<u>7,278,089</u>
Outstanding as at 30 June 2013	<u>7,043,662</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

13. SHARE OPTIONS (CONTINUED)

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

All of the share options exercised during the period were related to the share options granted by Strong Ally.

The closing price of the Company's shares immediately before 5 March 2013, the date of extension, was HK\$2.04.

The fair values of the options determined at the date of extension using the Binomial model and recognised immediately in profit or loss was HK\$1,092,000 (equivalent to RMB870,000).

The following assumptions were used to calculate the fair values of share options:

	5 March 2013
Grant date share price	HK\$2.04
Exercise price	HK\$3.00
Expected life	0.8 years
Expected volatility	57%
Dividend yield	2.2%
Risk-free interest rate	0.136%

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

The Group recognised the total expenses of RMB903,000 for the six months ended 30 June 2013 (2012: RMB1,598,000) in relation to the Pre-IPO Share Option Schemes.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

13. SHARE OPTIONS (CONTINUED)

(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 six months ended 30 June 2013, no options have been granted or agreed to be granted under the Share Option Scheme.

14. CAPITAL COMMITMENTS

	At 30 June 2013 RMB'000 (unaudited)	At 31 December 2012 RMB'000 (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of the acquisition of		
— property, plant and equipment	230,587	148,899
— technical knowhow	56,154	56,250
	286,741	205,149

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

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	
	2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)
Salaries and other benefits	4,939	5,234
Equity-settled share based payments	346	268
Retirement benefits scheme contributions	69	66
	5,354	5,568

16. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 28 May 2013, an independent third party, Newport Consulting Ltd. (the "Subscriber") has entered into a subscription agreement with the Company, pursuant to which the subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to issue a first tranche convertible bond in the principal amount of HK\$200,000,000 on the first completion date, a second tranche convertible bond in the principal amount of HK\$400,000,000 together with warrants that can be convertible into 20,000,000 ordinary share of the Company on the second completion date subject to the terms and conditions of the subscription agreement. The Subscriber is a company incorporated in Seychelles and is a wholly-owned subsidiary of CITIC Merchant Co., Limited. The net proceeds from issuing the convertible bonds will be utilised by the Group as its general working capital, as funds for future development of the existing business of the Group and as funds for the Group's future acquisition in healthcare sector in the PRC.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

16. EVENTS AFTER THE END OF THE REPORTING PERIOD (CONTINUED)

The Company issued HK\$200,000,000, 6% first tranche convertible bonds to the Subscriber on 22 July 2013. The convertible bonds are secured by 40% of the registered capital of Wuxi Ruinian Industry & Commerce Co., Limited, a wholly-owned subsidiary of the Company established in the PRC.

The convertible bonds entitle the holders to convert them into ordinary shares of the Company at any time between the date of issue of the bonds and their settlement date on 22 July 2015 at a conversion price of HK\$3 per convertible share. If the bonds have not been converted, they will be redeemed on 22 July 2015 at the principal amount outstanding plus accrued interest. The Company shall have the right at any time after the first anniversary of the date of issue of the first tranche convertible bonds but prior to the maturity date of 22 July 2015 to redeem the whole or any principal amount of the first tranche convertible bonds outstanding at face value thereof with the accrued interest.

The convertible bonds contain three components: liability component, conversion option derivative and early redemption derivative. The liability component of the convertible bond is carried at amortised cost using the effective interest method. The conversion option derivative and early redemption derivative are measured at fair value with changes in fair value recognised in profit or loss. At the issuance date of 22 July 2013, the fair value of liability component and the derivative component including conversion option derivative and early redemption derivative amounted to HK\$177,314,000 and HK\$22,686,000 respectively.

The second tranche convertible bonds and warrants has not been issued up to the date of this interim report.

Management Discussion and Analysis

BUSINESS REVIEW

In the first half of 2013, the Group's turnover increased slightly to RMB1,000.6 million and net profit decreased slightly to RMB284.5 million representing a slight growth of 3.3% and a slight decline of 3.6% respectively. The overall gross profit margin decreased slightly from 72.3% in the first half of 2012 to 68.6% in the first half of 2013, mainly due to the change in sales mixes and slight increase in production costs. The drop in net profit was mainly attributable to the increase in general and administrative expenses accompanying larger capital investment and a bigger workforce for administration and production.

During the period, sales of health and nutritional supplement products increased slightly by 3.2% on a year-on-year basis to RMB755.3 million as a result of the launches of several new products and considerable sales growth from other health supplement products. Health drinks products reported sales of RMB188.6 million in the period with a year-on-year increase of 5.5%. The Group's pharmaceutical products reported sales of RMB56.7 million in the period, representing a year-on-year decrease of 2.8%.

The Group's retail network expanded at a steady pace. As at 30 June 2013, the Group's nutritional and health supplement products were sold through approximately 68,000 retail outlets in China, up from approximately 65,000 retail points as at the end of 2012. These retail points included certain newly developed channels like Wuxi Shanhe Health Stores Chain of the Sinopharm Group, Changzhou XT Supermarket Chain and Zhejiang Jiaxin Pharmaceutical Stores Chain. The Group's health drink products were sold through a number of retail outlets including certain newly developed channels during the period, for instance, the China Resources Suguo Supermarket Chain, Changzhou Xinyihua Supermarket Chain, and Jiangsu RT-Mart Hypermarket Chain. The pharmaceutical products of the Group were sold through over 350 hospitals in China.

For other sales channels, the Group actively developed the network of Real Nutri Health Stores in order to further penetrate local markets. As at 30 June 2013, the number of Real Nutri Health Store exceeded 170 with sales of RMB60.4 million for the period. The Group provided a range of health activities for our club members through the Real Nutri Health Stores to reinforce their trust and loyalty to our products. During the period, the Group held about 200 club member activities including regimen programs in spring and summer, health tours and company visits. There were about 210,000 registered Real Nutri Health Club members. In addition, the Group posted satisfactory internet sales of its products, generating RMB26.5 million of revenue from online sales during the period.

BUSINESS REVIEW (CONTINUED)

In conjunction to the development of the sales network expansion, the Group adopts long-term systematic market promotion programs to further strengthen its corporate image and enhance the brand awareness through various promotional campaigns. During the period, the Group ran various television commercials in broadcast channels of CCTV, satellite TV, local TV and public transport TV, covering regions including Shanghai, Jiangsu, Zhejiang, Guangdong, Shandong, Anhui and Hubei. The Group also held various promotional activities and participated in certain major domestic and international exhibitions and conferences, including Tourism & Leisure Industry Expo of Yangtse Delta 2013, 2013 China (Guiyang) Fair of Famous, Special and Quality Products of Wuxi, the Annual General Meeting of International Council on Amino Acid Science in Germany. In addition, with the growing popularity of the use of internet and mobile internet services in China, the Group also leveraged on these multimedia platforms to promote its products and brand awareness. During the period, the Group organised promotional activities through popular portals and online shopping websites, such as Tencent, Sohu, Sina, Taobao, Yihaodian and JD.com, and regularly uploaded the Group's latest news and healthcare information through our official blog and the newly established Real Nutri Wechat platform in order to provide more value-added services to our club members and internet users. As at the end of June 2013, the number of the Real Nutri official blog's fans was over 200,000.

Although competition in the beverage market of China is very keen, given that beverage products are fast-moving consumer goods and have great exposure to the mass consumers, the development of the beverage business is the medium to long term synergistic strategy of the Group with an aim to popularise the daily consumption of amino acids. During the period, the Group's health drinks brand "Shun" was recognised as "Wuxi Well Known Trademark" by the Wuxi Municipal Industry and Commerce Administration, reflecting a strong recognition of the brand by the local government and consumers. The Group held over 800 health drinks promotional activities in the first half of the year for health drinks business, including complimentary drinks at shopping malls and supermarkets, roadshows, thematic promotional activities, etc. The Group also sponsored a number of large-scales events, including the 6th Changzhou Tang Tang Health.com Family Game and Ganzhou Miss World Tourism Pageant.

BUSINESS REVIEW (CONTINUED)

For the pharmaceutical business, the Group held over 500 academic promotions and attended a number of major medical conferences during the period, including the 2nd Central China Lung Cancer Forum of Chinese Society of Clinical Oncology (“CSCO”), the 3rd Chinese Conference on Lung Cancer Personalized Therapy, etc. In addition, the production lines for anti-cancer drug hard capsules and one-time eye drops vials at the Group’s Nanjing pharmaceutical manufacturing plant passed the certification process under the new Good Manufacture Practice of Drugs (“GMP”) this year. We were amongst the first group of manufacturers to get the new version of GMP-certified on one-time eye drops vials in China.

The Group highly emphasises on product quality and monitors closely each production step to ensure stringent quality control for all products and compliance with national safety standards. At the same time, the Group regards product development as being very crucial. By adopting the principle of blending proprietary innovation and joint collaboration development, the Group constantly upgrades research and development standards and efficiencies. As such, the Group continued to make capital investment in expanding new production base and improving production environment. During the period, the capital investment mainly covered the following three areas: (1) construction of the purification system and plant supporting facilities of new health and nutritional supplements production base in Wuxi, (2) construction of plant building and purification system of Nanjing pharmaceutical production base as well as construction of joint laboratory in Nanjing with the Peaking University Health Science Center, and (3) purchase of land and construction of plant for new generation polypeptide products’ production and research and development base in Suqian. Construction of the new plant building and infrastructural system of the Group’s new health and nutritional supplements production base in Wuxi was completed. The Group started to install the production facilities for amino acids liquid products and commenced the first phase preliminary work for the purification system for capsules and solid dosage products. In addition, by introducing advanced technology facilities and knowhow, as well as close collaboration with domestic expert research teams, the Group developed more health and nutritional supplements of high quality and efficacies for the mass-market consumers. During the period, the Group continually obtained nutritional supplement certification of the State Food and Drug Administration (“SFDA”) for the new products including Calcium, Iron, Zinc, Selenium and Vitamins Tablets. The Group will continue to identify product titles or technological know-how of great potential as merger and acquisition targets, so as to broaden the product portfolio. With the next generation amino acids technology as the core, the Group will offer a one-stop total nutritional health supplements solution to the Chinese consumers.

BUSINESS REVIEW (CONTINUED)

During the period, the Group introduced CITIC Merchant Co., Limited (“CITIC Merchant”), a member of the CITIC Group, as a strategic investor and further diversified the shareholder base of the Group. The Group also signed a strategic co-operation framework agreement with CITIC Merchant Co., Ltd. for the engagement of its consultation services to the Group on strategic management, investor relations, marketing strategies and corporate financing. It will also act as the exclusive consultant to the Group in the search of outstanding healthcare enterprises for business co-operation or acquisition purposes. CITIC Merchant will assist the Group to develop the maga healthcare business, assisting the Group to secure a pivotal position in the huge China’s maga healthcare industry.

Corporate social responsibility

The Group is committed to fulfil its corporate social responsibilities while expanding its business. During the period, the Group donated medical diagnostic equipment and emergency medicines to earthquake stricken areas in Ya’an, Sichuan, participated in voluntary work in the Annual Elder Gymnasium Athletics Meet 2013 organised by the Aberdeen Kai-fong Welfare Association and joined the donation activities of The Community Chest Green Day 2013.

FINANCIAL REVIEW

For the six months ended 30 June 2013, the turnover of the Group was RMB1,000.6 million, representing an increase of approximately 3.3% over the same period last year. Profit attributable to owners of the Company for the period has decreased to RMB284.5 million by approximately 3.6% over the same period last year. The Company’s basic earnings per share has decreased to RMB25.3 cents per share by approximately 3.8% over the same period last year.

Liquidity and capital resources

As at 30 June 2013, the Group has current assets of RMB2,153.9 million (31 December 2012: RMB2,044.9 million) and current liabilities of RMB584.2 million (31 December 2012: RMB357.2 million). The current ratio was 3.7 as at 30 June 2013 (31 December 2012: 5.7).

FINANCIAL REVIEW (CONTINUED)

Liquidity and capital resources (continued)

As at 30 June 2013, the Group has bank loans in the amount of RMB415.0 million (31 December 2012: RMB195.0 million) and a gearing ratio of 10.0% (31 December 2012: 5.3%). The gearing ratio is calculated based on the Group's total interest-bearing borrowings over total assets. As at 30 June 2013, the Group has pledged the Group's land use rights in amount of RMB98.4 million for the bank borrowing (31 December 2012: RMB41.4 million).

Capital commitments and contingent liabilities

As at 30 June 2013, the Group's capital commitments were approximately RMB286.7 million (31 December 2012: RMB205.1 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 2013 (31 December 2012: nil).

Foreign exchange and treasury policies

As the Group's substantial business activities, assets and liabilities are denominated in Renminbi, the risk derived from the foreign exchange to the Group is not high. The treasury policy of the Group is to manage any risk of foreign exchange or interest rate (if any) only if it will potentially impose a significant impact on the Group. The Group continues to observe the foreign exchange and interest rate market, and may hedge against foreign currency risk with foreign exchange forward contracts and interest rate risk with interest rate swap contracts if necessary.

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 2013, net proceeds of accumulated approximately RMB941.8 million has been applied on market expansion, capital expenditures, product development and other working capital, and the remaining of the net proceeds RMB267.9 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.

PROSPECTS

The Group is cautiously optimistic about the prospects of China's health and nutritional supplements market in the second half of 2013. The Group will continue to expand the sales network to further penetrate the inherent Eastern and Southern China markets and strengthen the co-operation with distributors in order to develop new markets to drive sales growth. The Group will also actively develop other sales channels, including Real Nutri Health Stores and internet direct sales business. The Group plans to open at least 30 Real Nutri Health Stores in the second half of 2013 in major cities like Shanghai, Ningbo, Changzhou, Zhongshan, Nanjing, Nantong and Qingdao. By fulfilling the Group's corporate motto of "Professional Devotion To Health", Real Nutri Health Stores will continue to deliver club members and consumers a revolutionary and comprehensive healthcare regimen experience through Real Nutri's professional services and products. Consequently, the Group can forge systematic foundation work in local markets for developing the diversified development of the nutritional supplements business in the future. Regarding the internet direct sales business, report of China Internet Network Information Centre indicated China online shopping netizens size reached 271 million with online shopping penetration of 45.9% as at the end of June 2013, highlighting a huge potential of online shopping market. The Group therefore will continue to make investment in internet direct sales business for refining the customer service, logistics and payment system so as to provide health club members with higher quality internet direct sales services.

The Group will closely monitor the latest market development and consumers' preference regarding health and nutritional supplements for formulating more focused sales and promotion strategies so as to drive the sales growth of each business line, and will develop novel products to satisfy specific health needs of different consumers. The Group plans to launch several new health supplement products in the second half of 2013, including Chlorohemin Capsules, Collagen and Amino Acids Tablets and Chewable Multi-vitamin Tablets. For the health drinks business, the Group plans to launch various health drinks products including Vitamins Amino Acids Drink and Amino Acids Sports Drink. With respect to pharmaceutical business, the Group plans to develop and introduce more novel medical products to enrich its pharmaceutical product range.

PROSPECTS (CONTINUED)

From the medium and long term perspective, China's healthcare industry embraces gigantic business opportunities yet mixed with challenges and uncertainties. As the country's economy continues to grow consistently, China's nutritional and health supplements market demonstrates corresponding or even higher growth. The Group will continue to fully utilise its existing resources, networks and the synergies that can be brought by different strategic shareholders to calibrate the operational strategies based on the market conditions, and to expand the operation scale of Real Nutri by means of organic growth and merger and acquisitions. While placing better returns for our shareholders as the primary mission, the Group targets to contribute towards the great endeavours of developing China's healthcare industry and safeguarding the healthcare of the Chinese people.

HUMAN RESOURCES

As at 30 June 2013, the Group had a work force of 942 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 HK2.5 cents per share for the six months ended 30 June 2013 (2012: HK2.2 cents) to the shareholders whose names appear on the register of members of the Company on Friday, 27 September 2013. The interim dividend will be payable on Friday, 11 October 2013.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members will be closed by the Company from Wednesday, 25 September 2013 to Friday, 27 September 2013, 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, 24 September 2013.

Other Information

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

As at 30 June 2013, 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 in a controlled corporation	263,978,396 Shares (L)		23.51%
	short position	7,043,662 Shares (S)		0.63%
Mr. Yu Yan	beneficial owner		950,000 Shares (L)	0.08%
Mr. Li Lin	beneficial owner		80,000 Shares (L)	0.01%
Mr. Yi Lin	beneficial owner		450,000 Shares (L)	0.04%
Mr. Zhang Yan	beneficial owner		1,500,000 Shares (L)	0.13%
Dr. Wong Lung Tak Patrick, BBS, J.P.	beneficial owner	100,000 Shares (L)		0.01%

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 7,043,662 Shares held by Strong Ally Limited and the short position over 7,043,662 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 263,978,396 Shares held by Furui and Strong Ally Limited and the short position over 7,043,662 Shares as a result of grant of options by Strong Ally Limited under the Pre-IPO Share Option Scheme.

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 2013, 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 2013, 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. On 18 February 2013, both the above Pre-IPO Share Option Schemes expired. On 5 March 2013, Strong Ally Limited extended the expiry date of the options to purchase for shares of the Company to 31 December 2013.

Other Information

SHARE OPTIONS (CONTINUED)

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

Grantee	Number of options on 1 January 2013	Exercised during the period	Cancelled during the period	Lapsed during the period	Extended during the period	Number of Options Outstanding up to 30 June 2013
(1) Directors						
Yu Yan	1,450,000	500,000	–	950,000	950,000	950,000
Li Lin	920,000	840,000	–	80,000	80,000	80,000
Yi Lin	870,000	420,000	–	450,000	450,000	450,000
Zhang Yan	1,500,000	–	–	1,500,000	1,500,000	1,500,000
Au-yeung Kam	560,000	560,000	–	37,851	37,851	–
Ling Celeste						
(2) Employees and others	29,661,359	7,184,697	–	22,673,238	4,260,238	4,063,662

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 2013, 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	263,978,396	23.51%
	short position	7,043,662	0.63%
Qin Shifeng ⁽²⁾	interest of spouse	263,978,396	23.51%
	short position	7,043,662	0.63%
Newport Consulting Ltd. ⁽³⁾	interest in a controlled corporation	220,000,000	19.59%
CITIC Merchant Co., Limited ⁽³⁾	interest in a controlled corporation	276,152,500	24.59%
Asian Capital Partners Group Company Limited ⁽⁴⁾	interest in a controlled corporation	276,152,500	24.59%
CITIC International Assets Management Limited ⁽⁴⁾	interest in a controlled corporation	276,152,500	24.59%
CITIC International Financial Holdings Limited ⁽⁵⁾	interest in a controlled corporation	276,152,500	24.59%
China CITIC Bank Corporation Limited ⁽⁶⁾	interest in a controlled corporation	276,152,500	24.59%
CITIC Limited ⁽⁷⁾	interest in a controlled corporation	276,152,500	24.59%
CITIC Group Corporation ⁽⁸⁾	interest in a controlled corporation	276,152,500	24.59%
Radiant Assets Management Limited ⁽⁹⁾	interest in a controlled corporation	56,152,500	5.00%
Radiant Assets Limited ⁽⁹⁾	interest in a controlled corporation	56,152,500	5.00%
Concorde Asia Group Limited ⁽⁹⁾	interest in a controlled corporation	332,305,000	29.59%
Huang Bin ⁽¹⁰⁾	interest in a controlled corporation	332,305,000	29.59%
Pyrope Assets Limited ("PAL") ⁽¹¹⁾	interest in a controlled corporation	56,387,161	5.02%
CK Life Sciences Int'l., (Holdings) Inc ⁽¹¹⁾ ("CK Life")	interest in a controlled corporation	56,387,161	5.02%
Gold Rainbow Int'l Limited ("GRIL") ⁽¹²⁾	interest in a controlled corporation	56,387,161	5.02%
Gotak Limited ("GL") ⁽¹²⁾	interest in a controlled corporation	56,387,161	5.02%
Cheung Kong (Holdings) Limited ("CKHL") ⁽¹²⁾	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") ⁽¹³⁾	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") ⁽¹⁴⁾	interest in a controlled corporation	56,387,161	5.02%
Li Ka-Shing Unity Trustcorp Limited ("TDT2") as trustee of another discretionary trust ("DT2") ⁽¹⁴⁾	interest in a controlled corporation	56,387,161	5.02%
Li Ka-Shing ("Mr. Li") ⁽¹⁵⁾	interest in a controlled corporation	56,387,161	5.02%

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 7,043,662 Shares held by Strong Ally Limited and the short position over 7,043,662 Shares as a result of grant of options by Strong Ally Limited under the Pre-IPO Share Option Scheme.
- (2) Qin Shifeng is the spouse of Mr. Wang Fucui and will be deemed to be interested in the 263,978,396 Shares which Mr. WANG Fucui is interested in through Furui and Strong Ally Limited and the short position over 7,043,662 Shares as a result of grant of options by Strong Ally Limited under the Pre-IPO Share Option Scheme.
- (3) CITIC Merchant Co., Limited directly owns the entire issued share capital of Newport Consulting Ltd. and will be deemed to be interested in the 220,000,000 Shares held by Newport Consulting Ltd. CITIC Merchant Co., Limited directly holds 56,152,500 Shares of the Company.
- (4) CITIC International Assets Management Limited and Asian Capital Partners Group Company Limited hold one third or more of the issued share capital of CITIC Merchant Co., Limited separately and will be deemed to be interested in the 276,152,500 Shares held by CITIC Merchant Co., Limited. By virtue of the above, CITIC International Assets Management Limited and Asian Capital Partners Group Company Limited are 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 Newport Consulting Ltd. or CITIC Merchant Co., Limited is taken as interested as a substantial shareholder of the Company under the SFO.
- (5) CITIC International Financial Holdings Limited holds one third or more of the issued share capital of CITIC International Assets Management Limited and will be deemed to be interested in the 276,152,500 Shares held by CITIC International Assets Management Limited. By virtue of the above, CITIC International Financial Holdings Limited 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 Newport Consulting Ltd., CITIC Merchant Co., Limited or CITIC International Assets Management Limited is taken as interested as a substantial shareholder of the Company under the SFO.
- (6) China CITIC Bank Corporation Limited holds one third or more of the issued share capital of CITIC International Financial Holdings Limited and will be deemed to be interested in the 276,152,500 Shares held by CITIC International Financial Holdings Limited. By virtue of the above, China CITIC Bank Corporation Limited 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 Newport Consulting Ltd., CITIC Merchant Co., Limited, CITIC International Assets Management Limited or CITIC International Financial Holdings Limited is taken as interested as a substantial shareholder of the Company under the SFO.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS (CONTINUED)

Notes: (Continued)

- (7) CITIC Limited holds one third or more of the issued share capital of China CITIC Bank Corporation Limited and will be deemed to be interested in the 276,152,500 Shares held by China CITIC Bank Corporation Limited. By virtue of the above, CITIC Limited 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 Newport Consulting Ltd., CITIC Merchant Co., Limited, CITIC International Assets Management Limited, CITIC International Financial Holdings Limited or China CITIC Bank Corporation Limited is taken as interested as a substantial shareholder of the Company under the SFO.
- (8) CITIC Limited is wholly-owned by CITIC Group Corporation, CITIC Group Corporation is deemed to be interested in the same number of Shares in which CITIC Limited is interested under the SFO.
- (9) Concord Asia Group Limited directly owns the entire issued share capital of Asian Capital Partners Group Company Limited and will be deemed to be interested in the 276,152,500 Shares held by Asian Capital Partners Group Company Limited. Radian Assets Management Limited is wholly-owned by Radian Assets Limited. Radian Assets Limited is deemed to be interested in the same number of Shares in which Radian Assets Management Limited is interested under the SFO. Since Radian Assets Limited is wholly-owned by Concord Asia Group Limited, Concord Asia Group Limited is deemed to be interested in the same number of Shares in which Radian Assets Limited is interested under the SFO.
- (10) Concord Asia Group Limited is wholly-owned by Mr. Huang Bin, Mr. Hung Bin is deemed to be interested in the same number of Shares in which Concord Asia Group Limited is interested under the SFO.
- (11) 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.
- (12) 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.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS (CONTINUED)

Notes: (Continued)

- (13) 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.
- (14) 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.
- (15) 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.

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.

DIRECTORS' INTERESTS IN COMPETING BUSINESS (CONTINUED)

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. Xu Hua Feng.

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 2013. 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 2013 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 2013, neither the Company nor any of its subsidiaries has repurchased, sold or redeemed any of the Company's listed securities.

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 2013.

Other Information

CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions of the Corporate Governance Code and Corporate Governance Report (the “Code”). For the six months ended 30 June 2013, 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 2013.

On behalf of the Board

Wang Fucai

Chairman

Hong Kong, 28 August 2013