Wuyi Pharmaceutical

Wuyi International Pharmaceutical Company Limited

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1889

Interim Report 2013

BOARD OF DIRECTORS

Executive Directors
Mr. Lin Ou Wen *(Chairman)*
Mr. Lin Qing Ping
Mr. Xu Chao Hui

Non-executive Directors
Mr. Tang Bin
Mr. John Yang Wang

Independent Non-executive Directors
Mr. Liu Jun
Mr. Lam Yat Cheong
Mr. Du Jian

COMPANY SECRETARY

Mr. Kung Wai Chiu, Marco
FCPA (Practising), FCCA, FTIHK, ACIS, ACS and CTA (HK)

AUTHORIZED REPRESENTATIVES

Mr. Lin Ou Wen
Mr. Kung Wai Chiu, Marco
FCPA (Practising), FCCA, FTIHK, ACIS, ACS and CTA (HK)

AUDIT COMMITTEE

Mr. Lam Yat Cheong *(Chairman)*
Mr. Liu Jun
Mr. Du Jian

REMUNERATION COMMITTEE

Mr. Lam Yat Cheong *(Chairman)*
Mr. Lin Ou Wen
Mr. Liu Jun
Mr. Du Jian

NOMINATION COMMITTEE

Mr. Lin Ou Wen *(Chairman)*
Mr. Lin Qing Ping
Mr. Liu Jun
Mr. Lam Yat Cheong
Mr. Du Jian

AUDITOR

CCIF CPA Limited
Certified Public Accountants

SOLICITOR

Gallant Y. T. Ho & Co.

PRINCIPAL BANKER

Bank of Communications Co., Ltd.

REGISTERED OFFICE

Floor 4, Willow House
Cricket Square, P.O. Box 2804
Grand Cayman KY1-1112
Cayman Islands

PLACE OF BUSINESS

Room 2805, 28th Floor
Central Plaza
18 Harbour Road
Wanchai
Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICES

Principal share registrar and transfer office
Royal Bank of Canada Trust Company
(Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, Geroge Town
Grand Cayman KY1-1110
Cayman Islands

Hong Kong branch share registrar and transfer office
Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

STOCK CODE

1889

WEBSITE

www.wuyi-pharma.com

Report on Review of Interim Financial Statements

CCIF
CCIF CPA LIMITED
9/F Leighton Centre
77 Leighton Road
Causeway Bay Hong Kong

TO THE BOARD OF DIRECTORS OF
WUYI INTERNATIONAL PHARMACEUTICAL COMPANY LIMITED
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial statements of Wuyi International Pharmaceutical Company Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 3 to 15, which comprise the condensed consolidated statement of financial position as at 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 explanatory notes. The 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 (the "HKICPA"). The directors of the Company are responsible for the preparation and presentation of these interim financial statements in accordance with HKAS 34.

Our responsibility is to form a conclusion, based on our review, on these interim financial statements 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 the interim financial statements consists of making enquiries, 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.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements as at 30 June 2013 are not prepared, in all material respects, in accordance with HKAS 34.

CCIF CPA Limited
Certified Public Accountants
Hong Kong, 30 August 2013

Sze Chor Chun, Yvonne
Practising Certificate Number P05049

The board (the "Board") of directors (the "Directors") of Wuyi International Pharmaceutical Company Limited ("Wuyi Pharmaceutical" or the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to the "Group") for the six-month period ended 30 June 2013, together with the comparative figures for the corresponding period in 2012.

These interim financial statements have not been audited, but have been reviewed and agreed by the Company's audit committee and the Company's external auditor in accordance with the Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants (the" HKICPA").

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six-month period ended 30 June 2013

	Notes	Six months ended 30 June	
		2013 **RMB'000** **(Unaudited)**	2012 RMB'000 (Unaudited)
Turnover	5	**227,852**	273,803
Cost of sales		**(160,904)**	(177,126)
Gross profit		**66,948**	96,677
Other revenue and net income		**1,129**	1,896
Distribution costs		**(40,042)**	(34,135)
Administrative and other operating expenses		**(21,575)**	(22,500)
Profit before tax	6	**6,460**	41,938
Income tax	7	**(2,628)**	(11,426)
Profit for the period attributable to owners of the Company		**3,832**	30,512
Other comprehensive income for the period		**–**	–
Total comprehensive income for the period		**3,832**	30,512
Total comprehensive income for the period attributable to owners of the Company		**3,832**	30,512
Earnings per share – Basic and diluted	9	**RMB0.2 cents**	RMB1.8 cents

Condensed Consolidated Statement of Financial Position

As at 30 June 2013

	Notes	**30 June 2013 RMB'000 (Unaudited)**	31 December 2012 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	10	**840,921**	646,320
Land use rights		**64,411**	65,126
Intangible assets		**–**	–
Deposit for the acquisition of non-current assets	11	**–**	–
Deferred tax assets		**39,599**	36,245
		944,931	747,691
Current assets			
Inventories		**32,244**	28,902
Trade and other receivables	12	**83,636**	90,532
Cash and cash equivalents		**517,836**	725,141
		633,716	844,575
Current liabilities			
Trade and other payables	13	**67,121**	78,395
Current taxation		**2,180**	2,573
		69,301	80,968
Net current assets		**564,415**	763,607
Total assets less current liabilities		**1,509,346**	1,511,298
Non-current liabilities			
Deferred tax liabilities		**6,543**	6,327
Payable for acquisition of property, plant and equipment		**–**	6,000
		6,543	12,327
Net assets		**1,502,803**	1,498,971
Capital and reserves			
Share capital	14	**17,098**	17,098
Reserves		**1,485,705**	1,481,873
Total equity attributable to owners of the Company		**1,502,803**	1,498,971

Approved and authorised for issue by the board of directors on 30 August 2013 and signed on its behalf by:

Lin Ou Wen
Chairman and Chief Executive Officer

Lin Qing Ping
Executive Director, General Manager and Chief operating Officer

Condensed Consolidated Statement of Changes in Equity

For the six-month period ended 30 June 2013

	Attributable to owners of the Company							
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Non-distributable reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2012 (audited)	17,098	929,533	(124,106)	53,000	225,215	23,752	430,264	1,554,756
Profit and total comprehensive income for the period	–	–	–	–	–	–	30,512	30,512
Dividends approved in respect of the previous year (note 8)	–	–	–	–	–	–	(11,229)	(11,229)
At 30 June 2012 (unaudited)	17,098	929,533	(124,106)	53,000	225,215	23,752	449,547	1,574,039
At 1 January 2013 (audited)	**17,098**	**929,533**	**(124,106)**	**53,000**	**236,523**	**23,752**	**363,171**	**1,498,971**
Profit and total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**3,832**	**3,832**
At 30 June 2013 (unaudited)	**17,098**	**929,533**	**(124,106)**	**53,000**	**236,523**	**23,752**	**367,003**	**1,502,803**

Condensed Consolidated Statement of Cash Flows

For the six-month period ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cash generated from operations	**23,428**	47,901
Income tax paid – The People's Republic of China (the "PRC")	**(6,159)**	(12,103)
Net cash generated from operating activities	**17,269**	35,798
Net cash used in investing activities	**(224,574)**	(152,183)
Net decrease in cash and cash equivalents	**(207,305)**	(116,385)
Cash and cash equivalents at 1 January	**725,141**	815,814
Cash and cash equivalents at 30 June	**517,836**	699,429
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**517,836**	699,429

1. GENERAL

Wuyi International Pharmaceutical Company Limited (the "Company") was incorporated and registered as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and acts as an investment holding company. Its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 1 February 2007. The addresses of the registered office and principal place of business of the Company are 4/F., Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, Cayman Islands and Room 2805, 28/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong respectively. The principal activities of its principal subsidiaries are the development, manufacturing, marketing and sales of pharmaceutical products.

The unaudited interim financial statements are presented in Renminbi ("RMB") which is the same as the functional currency of the Company, rounded up to the nearest thousand, except for per share data.

2. BASIS OF PREPARATION

The unaudited interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. It was authorised for issue on 30 August 2013.

The unaudited interim financial statements has been prepared in accordance with the same accounting policies adopted in the 2012 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2013 annual financial statements. Details of these changes in accounting policies are set out in note 3.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates. The unaudited interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of the events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended 31 December 2012. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The financial information relating to the financial year ended 31 December 2012 that is included in the unaudited interim financial statements as being previously reported information does not constitute the Company's statutory financial statements for the financial year but is derived from those financial statements. The statutory financial statements for the year ended 31 December 2012 are available from the Company's registered office. The auditor has expressed an unqualified opinion on those financial statements in their report dated 25 March 2013.

3. CHANGE IN ACCOUNTING POLICIES

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*
- HKFRS 10, *Consolidated financial statements*
- HKFRS 11, *Joint arrangements*
- HKFRS 12, *Disclosure of interests in other entities*
- HKFRS 13, *Fair value measurement*
- Revised HKAS 19, *Employee benefits*
- Revised HKAS 27, *Separate financial statements*
- Revised HKAS 28, *Investments in associates and Joint ventures*
- HK (IFRIC)-INT 20, *Stripping costs in the production phase of a surface mine*
- Amendments to HKFRSs, *Annual Improvements to HKFRSs 2009-2011 Cycle*
- Amendments to HKFRS 7 – *Disclosures – Offsetting financial assets and financial liabilities*
- Amendments to HKFRS 10, HKFRS 11 and HKFRS 12, *Consolidated financial statements, Joint arrangements and Disclosure of interests in other entities: Transition Guidance*

The adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

4. ACCOUNTING JUDGEMENTS AND ESTIMATES

In preparing these unaudited interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2012, with the exception of changes made to the estimated useful lives of property, plant and equipment as described below.

During the six-month period ended 30 June 2013, the Group performed a review to reassess the useful lives of property, plant and equipment not fully depreciated in one of the factories in Jianyang City, Fujian Province, the PRC, based on the current expectation of the Group's operational management and the future economic benefits embodied in these assets. The reassessment has resulted in a change in the estimated useful lives of these assets. The Group considers this to be a change in accounting estimate and has therefore accounted for the changes prospectively from 1 January 2013.

The table below shows the details of estimated useful lives of property, plant and equipment mentioned above before and after the changes:

	Estimated useful lives (years)	
Category of property, plant and equipment	**Before change**	**After change**
Buildings	30	1.33
Furniture, fixtures and equipment	5-10	1.33
Plant and equipment	5-10	1.33

The changes in accounting estimate applied to the unaudited interim financial statements for the six-month period ended 30 June 2013 have increased the depreciation charge of property, plant and equipment for the period by approximately RMB8,580,000 and by approximately RMB17,160,000 for the year ending 31 December 2013.

5. SEGMENT INFORMATION

The Group determines its operating segments based on the internal reports reviewed by the Group's chief executive officer, being the chief operating decision maker, that are used to make strategic decisions.

The Group has only one single segment being the development, manufacturing, marketing and sales of pharmaceutical products. In addition, the Group's revenue from external customers is derived solely from its operations in the PRC and all material non-current assets of the Group are located in the PRC. Accordingly, no analysis by product and geographical information is provided.

During the six-month period ended 30 June 2013 and 2012, no revenue from transactions with a single external customer accounted for 10% or more of the Group's total revenue.

6. PROFIT BEFORE TAX

Profit before tax is arrived at after charging/(crediting):

	Six months ended 30 June	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
a) Staff costs *#		
Directors' and chief executive officer's emoluments	**1,532**	1,460
Other staff costs		
– Contributions to defined contribution retirement benefits scheme	**2,215**	1,776
– Salaries, wages and other benefits	**15,490**	14,512
	19,237	17,748
b) Other items		
Depreciation of property, plant and equipment *#	**23,150**	15,705
Amortisation of intangible assets	**–**	1,193
Amortisation of land use rights	**715**	715
Exchange loss/(gain), net	**28**	(28)
Operating lease payments in respect of rented premises	**613**	541
Research and development costs*	**1,090**	926
Cost of inventories#	**160,904**	177,126
Bank interest income	**(1,157)**	(1,868)

\# Cost of inventories includes RMB25,962,000 (six-month period ended 30 June 2012: RMB17,579,000) relating to staff costs and depreciation which amount is also included in the respective total amounts disclosed separately above.

* Research and development costs includes RMB1,040,000 (six-month period ended 30 June 2012: RMB901,000) relating to staff costs and depreciation which amount is also included in the respective total amounts disclosed separately above.

7. INCOME TAX

	Six months ended 30 June	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Current tax – PRC corporate income tax	**5,766**	12,273
Deferred tax	**(3,138)**	(847)
	2,628	11,426

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

Fujian Sanai Pharmaceutical Company Limited ("Fujian Sanai") and Fujian Sanai Pharmaceutical Trading Company Limited, PRC limited liability companies, were subject to PRC corporate income tax at a rate of 25% applicable to the companies on the assessable profits for the six-month period ended 30 June 2013 (six-month period ended 30 June 2012: 25%).

Fuzhou Sanai Pharmaceutical Company Limited ("Fuzhou Sanai"), a wholly-foreign-owned enterprise, was located at a specific economic development zone and was entitled to a preferential PRC corporate income tax rate of 15%. Pursuant to the State Council Circular on the Implementation of the Transitional Concession Policies for Corporate Income Tax (Guo Fa [2007] no. 39), enterprises eligible for preferential tax treatment shall gradually be subject to the new tax rate over a five-year transitional period until 31 December 2012. Fuzhou Sanai was subject to corporate income tax rate of 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012. In addition, Fuzhou Sanai was exempted from PRC corporate income tax for two years starting from the first year of profitable operations after offsetting prior year losses, followed by a 50% reduction for the next three years. The first year of profitable operation is the year ended 31 December 2008. Commencing from 1 January 2010, the profit generated from Fuzhou Sanai was subject to income tax rate of 11% in 2010, 12% in 2011 and 12.5% in 2012, being half of the corporate income tax rate applicable. Such tax exemption expired on 31 December 2012.

b) No provision for Hong Kong profits tax has been made as the Group had no assessable profits in Hong Kong for the six-month period ended 30 June 2013 (six-month period ended 30 June 2012: Nil).

c) The Group had no significant unprovided deferred tax assets or liabilities at 30 June 2013 and 2012.

8. DIVIDENDS

Dividends payable to owners of the Company attributable to the previous financial year, approved and paid during the interim period:

	Six months ended 30 June	
	2013 HK$'000 (Unaudited)	2012 HK$'000 (Unaudited)
Final dividend in respect of the previous financial year, approved and paid during the interim period, of nil (six-month period ended 30 June 2012: HK0.8 cents per share)	**–**	13,678
	RMB'000	RMB'000
Approximately equivalent to	**–**	11,229

The directors do not recommend payment of an interim dividend for the six-month period ended 30 June 2013 (six-month period ended 30 June 2012: Nil).

9. EARNINGS PER SHARE

a) Basic earnings per share

The calculation of basic earnings per share is based on the profit for the period attributable to owners of the Company of approximately RMB3,832,000 (six-month period ended 30 June 2012: RMB30,512,000) and the weighted average number of 1,709,772,500 ordinary shares (six-month period ended 30 June 2012: 1,709,772,500 ordinary shares) in issue during the period.

b) Diluted earnings per share

Diluted earnings per share equals to basic earnings per share as there were no dilutive potential ordinary shares outstanding during both six-month periods ended 30 June 2013 and 2012.

10. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the six-month period ended 30 June 2013, the Group has additions of property, plant and equipment of approximately RMB217,751,000 (six-month period ended 30 June 2012: RMB279,651,000, including a transfer of the deposits for the acquisition of non-current assets to construction in progress of RMB154,500,000). There is no transfer of deposits for acquisition of non-current assets to construction in progress during the six-month period ended 30 June 2013.

11. DEPOSITS FOR THE ACQUISITION OF NON-CURRENT ASSETS

	Construction in progress RMB'000
At 1 January 2012	154,500
Transfer to property, plant and equipment	(154,500)
At 31 December 2012, 1 January 2013 and 30 June 2013	–

The deposits represent amount prepaid to independent third parties for the construction of factory located at Fujian Province for own use in the Group's ordinary and usual course of business. For the year ended 31 December 2012, deposits amounted to RMB154,500,000 were transferred to construction in progress under property, plant and equipment.

12. TRADE AND OTHER RECEIVABLES

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Trade receivables	**83,417**	90,268
Loan and receivables	**83,417**	90,268
Deposits	**219**	264
	83,636	90,532

The Group normally grants credit terms of 60 days to its customers. The ageing analysis of trade receivables, based on the invoice date, is as follows:

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Age		
0 to 30 days	**43,135**	44,661
31 to 60 days	**40,282**	45,607
	83,417	90,268

Management closely monitors the credit quality of trade receivables and considers the trade receivables that are neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default. The Group does not hold any collateral over these balances.

There is no trade and other receivables that are past due or impaired as at 30 June 2013 and 31 December 2012.

13. TRADE AND OTHER PAYABLES

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Trade payables		
– a related company*	**661**	605
– others	**39,078**	42,935
	39,739	43,540
Payroll and welfare payables	**1,449**	6,443
Payable for acquisition of property, plant and equipment	**9,394**	11,374
Accrued charges	**4,078**	4,687
Other payables	**5,779**	5,478
Financial liabilities measured at amortised cost	**60,439**	71,522
Other PRC tax payables	**6,682**	6,873
	67,121	78,395

* The related company is 福州宏宇包裝工業有限公司 (Fuzhou Hongyu Packing Co., Limited) ("Fuzhou Hongyu"), a company controlled by Mr. Lin Ou Wen who is a director and shareholder of the Company.

The ageing analysis of trade payables, based on invoice date, is as follows:

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Age		
0 to 30 days	**20,012**	33,440
31 to 60 days	**19,727**	10,100
	39,739	43,540

14. SHARE CAPITAL

	Number of shares	**Amount** HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2012, 31 December 2012, 1 January 2013 and 30 June 2013	3,200,000,000	32,000
Issued and fully paid:		
At 1 January 2012, 31 December 2012, 1 January 2013 and 30 June 2013	1,709,772,500	17,098

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Shown in the condensed consolidated statement of financial position as at 30 June 2013 and 31 December 2012	**17,098**	17,098

15. CAPITAL COMMITMENTS

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Capital expenditure contracted for but not provided for in the financial statements in respect of the acquisition of		
– intangible assets	**8,100**	8,100
– property, plant and equipment	**28,910**	–
	37,010	8,100

16. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following significant related party transactions, and had balances due to related parties in trade and other payables as at the end of the reporting period.

a)

			Transactions for the six-month period ended 30 June (unaudited)		**Balance as at 30 June 2013 (unaudited)**		Balance as at 31 December 2012 (audited)	
Name of related party	**Relationship with related party**	**Nature of transaction**	**2013 RMB'000**	2012 RMB'000	**Trade payables RMB'000**	**Other payables RMB'000**	Trade payables RMB'000	Other payables RMB'000
Fuzhou Hongyu	A company controlled by Mr. Lin Ou Wen*	Purchase of packaging materials	**2,386**	2,997	**661**	**-**	605	–
Mr. Lin Qin Xiang	Brother of Mr. Lin Ou Wen and Mr. Lin Qing Ping*	Property rentals paid	**204**	204	**-**	**204**	–	–

* Messrs. Lin Ou Wen and Lin Qing Ping are directors and shareholders of the Company.

b) The details of remuneration of key management personnel represent amounts paid to the directors of the Company during the six-month period which are set out as follows:

	30 June 2013 RMB'000 (Unaudited)	30 June 2012 RMB'000 (Unaudited)
Short-term employee benefits	**1,459**	1,402
Post-employment benefits	**73**	58
	1,532	1,460

BUSINESS REVIEW

The economic development and urbanization process of China facilitate the national changing lifestyles; coupled with the growing trend of aging population of China, greater demand for good healthcare is expected by more and more people. In view of this, the Government launched healthcare reform since 2009, and committed to provide a higher quality of medical and health protection. The introduction of "The planning and implementation scheme to deepen the pharmaceutical and healthcare systems reform during the period of the Twelfth Five-Year Plan" ("Twelfth Five-Year Plan for Pharmaceutical Planning") has also brought more opportunities and investments for medical industry.

Since the first half of 2013, following the development trend of 2012, the development of China's medical industry maintained a good pace. However, owing to the fact that the domestic products prices continued to rise, and the costs of production and sales such as pharmaceutical raw materials costs, packaging costs, advertising costs and labor costs also increased continuously; which made China's medical industry remained facing a difficult challenge, and the profitability of pharmaceutical enterprises will unavoidably be affected. Under the complex market environment, the Group analyzed deeply the market situation, actively developed the scope of sales, strived to contact the relevant departments and seriously developed research works; by the established policy of "consolidating its existing business and market; and strengthening the research and development of new drugs", continued to enhance operation efficiency and maintained its market share.

In the first half of 2013, the Group continued to comply with the requirement of the Administrative Measures Governing the Production Quality of Pharmaceutical Products (2010 Revision) (the "New GMP"), according to the plan, and completed the relevant capital expenditure for the new GMP certification on the manufacturing facilities located in the new factory in Haixi Commercial Trading Development Zone, Jianyang City, Fujian Province. The Company planned to invest RMB300.0 million and currently has invested approximately RMB214.7 million, representing 71.6% of the planned investment. The new factory will be put into operation in the near future. The Group believed that new factory and the new manufacturing facilities will enable the Group to be even more competitive in the market, thus the Board remains optimistic to the long-term prospects of the Group.

For the six-month period ended 30 June 2013, owing to the factors including the influence of the market demand, the failure of new product launch to market under the national medical reform policies, and fierce market competition, the Group achieved a turnover of approximately RMB227.9 million, representing a decrease of approximately 16.8% as compared with the corresponding period of last year (30 June 2012: approximately RMB273.8 million). The overall gross profit was approximately RMB67.0 million, representing a decrease of approximately 30.7% as compared with the corresponding period of last year and the gross profit margin was approximately 29.4%, representing a decrease of approximately 5.9 percentage points from the same period of last year. During the period under review, though facing the multiple challenges arisen from the State policies, market pressure and operation environment, the Group has not lowered the prices of its products, to ensure the orderly conduct of business.

The Group believed that, in the fierce market competition, enterprises should strengthen the protection of the quality of their products to meet the needs of customers; and should enter the rural market with even more outstanding marketing strategies. The Group is full of confidence in the future development, and the overall financial position remains healthy. The Group will adopt even more focusing marketing campaigns to control costs at all levels.

1. Development of Major Products

i. Perilla Oil Capsule

Perilla Oil Capsule is the key product of the Group and can effectively control hyperlipidemia. Further to Perilla Oil Capsule listed in the medical insurance directory of Fujian Province of the PRC in 2009 and obtained approval from the authorities in Shanxi Province, Inner Mongolia and Xinjiang for listing in their medical insurance directory in 2010. The Group is actively seeking opportunity to promote Perilla Oil Capsule to be listed in the national medical insurance directory. The Company expected that the demand of Perilla Oil Capsule will increase, and the Company will increase steadily its production to meet market demand. For the six months ended 30 June 2013, the product has realized turnover of approximately RMB20.7 million, representing a decrease of approximately 10.0% compared with the same period of last year, or approximately 9.1% of the total turnover of the Group during the period (30 June 2012: approximately RMB23.0 million, representing approximately 8.4% of the total turnover).

ii. Omeprazole Enteric-Coated Capsules

Omeprazole Enteric-Coated Capsules is specifically for inhibiting gastric acid secretion and helicobacter pylori reflux. Owing to the good efficacy of that product, it was much welcomed by customers. For the six months ended 30 June 2013, turnover of the product was approximately RMB6.1 million, representing a decrease of approximately 9.0% compared with the same period of last year, accounting for approximately 2.7% of the Group's total turnover during the period (30 June 2012: approximately RMB6.7 million, representing approximately 2.4% of the total turnover).

iii. N(2)-L Alanyl-L Glutamine Injectible

Though the market competition of N(2)-L Alanyl-L Glutamine Injectible was still fierce, the sales performance of the products basically stable and its sales volume maintained relatively a high level. For the six months ended 30 June 2013, turnover of the product was approximately RMB24.9 million, accounting for approximately 10.9% of the Group's total turnover during the period (30 June 2012: approximately RMB34.4 million, representing approximately 12.6% of the total turnover).

iv. Other Products

The efficacy of other products of the Group including Xiangdan Injectible, Erythromycin Enteric-coated Capsules and Netilmicin Sulfate and Glucose Injectible is so outstanding and much welcomed by consumers. Xiangdan Injectible is specifically for cardiovascular and cerebrovascular diseases. The product is of relatively low price and is widely extended to the rural market. During the period under review, turnover of 2-ml and 10-ml Xiangdan Injectible was approximately RMB4.3 million and RMB13.1 million respectively.

Erythromycin Enteric-coated Capsules is mainly used in the treatment of inflammation and various types of infection. The sales performance of the product was stable during the period under review. Turnover of the product reached approximately RMB4.1 million and the gross profit margin amounted to 32.0%.

v. Development of New Medicines

During the period under review, the Group continued to prompt the research and development of new drugs. The Group continued to promote actively the project for the new efficacy studies of Perilla Oil Capsule with Fujian Medical University's Faculty of Medicine, and currently conducting clinical application study on fatty liver and expected to achieve breakthrough. The Group and Fujian Sanai pharmaceutical Co., Ltd., a whollyowned subsidiary of the Group, will continue to work with Peking University's Faculty of Medicine to conduct ongoing research for new drugs, of which, the co-developed new anti-hepatitis Compound Drug Liver & Gall Bladder Tablets have entered into the stage of efficacy testing. Another new product of the Company, Pazufl oxacin Mesilate Injectible, was still undergoing approval procedures in the period.

In addition, the Company is also actively looking for the appropriate new drugs under preclinical stage, with aim at joining the development of the new drugs and promoting the new products as soon as possible.

vi. Sales agency for drugs

Fujian Sanai Pharmaceutical Trading Co., Limited ("Sanai Pharmaceutical Trading") was the agency of seven types of drugs mainly sold in the five provinces and cities of Fujian, Jiangsu, Zhejiang, Liaoning and Beijing during the period. Sales revenue amounted to approximately RMB6.3 million during the period, which was the same as that of last year, accounting for approximately 2.8% of the Group's total turnover in the first half of 2013.

2. Sales Network and Marketing

The Group's sales network covers 21 key provinces, cities, autonomous regions and municipalities around the country, mainly covering the more affluent coastal cities and provinces of the eastern region and the northeastern region of China. Currently, the number of distributors for the Group amounted to 61 during the year. The Group also continued to aggressively exploit the product distribution and delivery in rural markets, generating sale revenue of approximately RMB24.9 million from rural market during the period, which represented a year-on-year decrease of approximately 8.1% of our total turnover, compared with the same as that of last year. The Company plans to focus on promoting low-price drugs in rural markets and follow closely the progress of promoting social security of rural markets.

During the period under review, the Group has paid close attention to the promotion of new type of rural cooperative medical care ("New Rural Cooperation") and social security of rural markets over the country. Given the popularity of Chaihu Zhusheye, the drug for the treatment of colds, influenza and malaria symptoms such as fever, the Group currently plans to promote that product actively to the rural markets, so as to increase the diversity of product portfolio of the Group and further explore the potential of rural markets.

The Group continued to promote its brand image and product quality through television advertisements during the period. However, given the rise in advertising costs, the Group will invest in advertising more selectively to reduce the related expenses appropriately, and strive for achieving the maximum efficiency by minimum costs. Meanwhile, the Group also continued to introduce the unique curativeness of the products via academic and new medicine promotion seminars as well as medicine fairs.

Meanwhile, the Group will continue to strengthen its internal control, to eliminate "gray marketing"; adopt healthy, safe and transparent communications strategy; consistently support against the corruption of medical industry of China; while reducing costs and improving effectiveness, and strive for enhancing the awareness of the Group's products.

OUTLOOKS AND FUTURE DEVELOPMENT

Looking forward to the second half of 2013, with a more in-depth implementation of the New GMP and the promotion of "Twelfth Five-Year Plan for Pharmaceutical Planning", together with reform and promotion of drug tendering, pharmaceutical market of China will be expanded in high speed and the competition will gradually be intensified.

With the approaching deadline of the implementation of the New GMP, the concentration and standardization of pharmaceutical industry will gradually increase, some small, family-type pharmaceutical manufacturers will be weeded out or acquired, the overall production capacity of pharmaceutical enterprises will then be raised.

"Twelfth Five-Year Plan for Pharmaceutical Planning" was comprehensively promoted in the aspects of the establishment of universal basic medical insurance, basic drugs system and reforms in public hospitals. Under this plan, consolidating the basic drugs system, improving the National Essential Drugs List, facilitating the pharmaceutical production and distribution, getting rid of "Supporting medical industry by pharmaceutical business", strengthening the public welfare of the public hospitals and improving the drug procurement process will become inevitable, which will be beneficial for expanding the sales channel of drugs and facilitating the products sales of pharmaceutical enterprises. Basic medical insurance of covering a population of 1.3 billion, the expanded Essential Drugs List and the cancellation of the reforms of drug tendering in public hospitals will facilitate greatly the growth of pharmaceutical market in China and form it a huge potential.

"Separation of Prescribing & Dispensing" is the highlight of the medical reform of this year. In respect of drug tendering, the National Development and Reform Commission issued a series of measures and ways to standardize the production and distribution order of drugs. The innovated mechanism of drug procurement program and the focus of the combined effect of drug quality and price, will expect to change gradually to drug tendering model of Bid Winning at Lowest Price, which is favorable for long-term healthy development of the pharmaceutical enterprises and even the entire industry.

In view of this, the Group will continue to adopt a steady development strategy while actively expanding sales channels, grasping development opportunities of primary medical services and sustaining the in-depth exploration of markets of rural areas and small communities in cities so as to alleviate the impact of the industrial policies and other objective factors on the development of the Group. In addition, the Group will adopt more cost-effective advertising and marketing strategies which is committed to enhance the brand and products awareness, so as to maintain the Group's overall competitiveness in the market.

1. **Actively establish new factory to match up with New GMP implementation**

   The Group will actively implement the construction of the new factory in Fujian Haixi Commercial Trading Development Zone. The new factory matches up with the new requirements in respect of medicine production of the New GMP of the State, and will enhance the Group's maximum production capacity and overall competitiveness in the future. The construction of an integrated building in the new factory with the functions of quality examination, research and development of new formula and office operation was completed earlier. It is expected that purchase and installation of equipment will be completed by early 2014. The Group continues to facilitate the construction of supporting facilities and plans to apply for GMP certification in 2013, with full confidence in getting the approval of the relevant certification.

2. **Deepen sales network to collaborate and enhance sales**

   The Group will continue to make use of the nationwide distribution network of Jointown Pharmaceutical Group Co., Ltd. to further deepen the sales pipelines in more detailed and in-depth. The Group will also continue with the promotion of its key products, Perilla Oil Capsule, to be listed in the national medical insurance directory, to further increase the brand awareness and acquire more market share of the product.

   At the same time, the Group plans to launch large infusion products to urban markets in the year 2013 to 2014, mainly for hospitals nearby, which is helpful for collaborating the sales with the Group's other products.

3. **Increase market penetration and deepen rural markets**

   The Group's existing sales network has extensively covered the rural market, to distribute products in rural communities in a dozen of southern provinces in China. The Group was listed in the medical insurance directory of New Rural Cooperation of Fujian Province, and increased the penetration in community and rural markets by following with the latest trend of national medical reform and New Rural Cooperation, and strived to cover the 2A and 2B grade county hospitals, health centers in villages and towns and rural markets with delivery channels.

   In the second half of 2013, the Group will continue to actively deepen the rural market, plan to launch Chaihu Zhusheye to rural markets appropriately.

   The Group will cope with the challenges actively and accurately grasp the development direction of the market, promoting the existing products and persist in research and development of new drugs, so as to maintain sustainable and optimal development of the enterprise while striving for maximum return for the shareholders.

FINANCIAL REVIEW

1. Turnover

During the period under review, the Group did not reduce the prices of its products and ensured the businesses to be operated in an orderly manner. However, as disclosed in the profit warning announcement dated 2 August 2013, as a number of related measures, guidelines and quality related requirements have been promulgated by the Chinese government, new products are yet to be rolled out. Under the severe market competitions and numerous challenges ahead, the business environment remained difficult which resulted in the drop of sales volume as a whole. The Group recorded turnover of approximately RMB227.9 million (30 June 2012: approximately RMB273.8 million), representing a decrease of approximately 16.8% over the same period of last year.

Turnover for the first half of the year was still dominated by Western medicines, with a turnover of approximately RMB117.0 million, or approximately 51.3% of the overall turnover, representing a decrease of approximately17.6% over the same period of last year (30 June 2012: approximately RMB142.0 million, representing approximately 51.9% of the overall turnover). Turnover of the Modern Chinese medicines amounted to approximately RMB104.6 million, representing approximately 45.9% of the overall turnover, representing a decrease of approximately16.7% over the same period of last year (30 June 2012: approximately RMB125.5 million, representing approximately 45.8% of the overall turnover). The difference in percentage of the turnover of Western medicines and Modern Chinese medicines were comparable with last year. The pharmaceutical trading revenue recorded a turnover of approximately RMB6.3 million, representing approximately 2.8% of total turnover (30 June 2012: approximately RMB6.3 million, representing approximately 2.3% of the overall turnover), which were the same compared with the same period of the previous year.

Although our key product, Perilla Oil Capsule, has obtained approval from authorities in Fujian, Shanxi, Inner Mongolia and Xinjiang for listing in the medical insurance directory and it is still in the monitoring period, it is yet to be listed in the national medical insurance directory and hence, its sales were affected to some extent. During the period under review, the sales of this product amounted to approximately RMB20.7 million, representing approximately 9.1% of the overall turnover, a decrease of approximately 10.0% over the same period of last year (30 June 2012: approximately RMB23.0 million, representing approximately 8.4% of the overall turnover).

During the period under review, the highest sales volume was again achieved by Western medicine, N(2)-L Alanyl-L Glutamine Injectible, with a turnover of approximately RMB24.9 million, representing approximately 10.9% of the overall turnover (30 June 2012: approximately RMB34.4 million, representing approximately 12.6% of the overall turnover). Sales of the five top selling medicines amounted to approximately RMB82.9 million, representing approximately 36.4% of the overall turnover (30 June 2012: approximately RMB105.3 million, representing approximately 38.5% of the overall turnover).

2. Gross profit and Gross Profit Margin

During the period under review, gross profit of the Group decreased to approximately RMB67.0 million, representing a decrease of approximately 30.7% over the same period of last year (30 June 2012: approximately RMB96.7 million). Gross profit margin decreased by approximately 5.9 percentage points to approximately 29.4% (30 June 2012: approximately 35.3%). The main reasons for the decrease were in three aspects as follows:

1) Cost of sales: The overall prices of raw materials and packaging materials rose continuously, in particular for the direct labor cost, and increased to approximately RMB4.2 million or approximately 61.5% (30 June 2012: approximately RMB2.6 million) over the same period of last year. The emerging costs pressure led to the increase in production costs; and

2) Increase in depreciation expenses in cost of sales: Since part of our large volume injectible, small volume injectible and tablet plants and certain production facilities had to be re-formulated to meet the requirements of the new GMP certification (Administrative Measures Governing the Production Quality of Pharmaceutical Products) implemented by State Food and Drug Adminstration ("SFDA"), the Group has increased capital expenditure for construction and development of plants and new production facilities since 2010. Besides, impairment loss of approximately RMB108.1 million was made to some of the manufacturing equipment such as property, plant and equipment after profitability assessment was performed in 2012. During the period, management has re-estimated the useful lives of such manufacturing equipment in accordance with the Group's accounting policies. Further explanation on this re-estimate is included in the "Accounting Judgement and Estimates" of note 4 at the Interim Financial Statements. Therefore, the decrease in useful lives resulted in increase in depreciation expense. Depreciation charges for the period increased significantly to approximately RMB21.7 million, representing 13.5% (30 June 2012: approximately RMB14.7 million, representing approximately 8.3%) of the overall cost, an increase of approximately 47.6% over the same period of last year.

3) Turnover: As a number of related measures, guidelines and quality related requirements have been promulgated by the Chinese government, new products are yet to be rolled out. Under the severe market competitions and as a result of numerous challenges, the business environment remained difficult which resulted in the drop of sales volume as a whole.

The proportion of other costs of sales, including raw materials, packaging materials, energy and fuel costs, and direct labor cost remained essentially the same compared with the same period of last year, except that the related amounts decreased with the drop in sales.

3. Profit for the period

During the period under review, profit amounted to approximately RMB3.8 million, representing a decrease of approximately 87.5% from the corresponding period in 2012 (30 June 2012: approximately RMB30.5 million). Although the Group did not reduce the prices of its products, the supervision and regulations imposed on the domestic pharmaceutical industry have been tightened due to a number of related measures, guidelines and quality requirements promulgated by the Chinese government as mentioned above. Further, the price inflation in Mainland China resulted in the increase in costs of raw materials, packaging materials, salary expenses and depreciation charges, hence the profits of pharmaceutical enterprises were inevitably affected by the costs pressure.

In addition, distribution costs of the Group increased approximately 17.3% to approximately RMB40.0 million (30 June 2012: approximately RMB34.1 million). Under the increasingly intensified market competitions and numerous challenges, the business environment remained difficult. As such, in the second half of 2012, our three wholly-owned subsidiaries in the PRC increased the advertising and marketing expenses to enhance the brand and product awareness. The management believes that these marketing strategies would maintain our competitiveness in market sales. During the period under review, the relevant advertising and marketing expenses totaled approximately RMB30.0 million (30 June 2012: approximately RMB22.8 million), representing an increase of approximately 31.6% as compared with that of last year. The main reasons for maintaining the advertising and marketing expenses were to increase the brand and product awareness of "Sanai" and achieve a wide recognition of our products by the public and patients. Advertising also helped in exploring new rural market and product promotion.

During the period under review, administrative and other operating expenses amounted to approximately RMB21.6 million (30 June 2012: approximately RMB22.5 million), representing a slight decrease of approximately 4.0% compared to the same period of last year. The expenses were comparable with last year.

Finally, one of our wholly-owned subsidiaries in the PRC, Fuzhou Sanai, has enjoyed a two years exemption and three years 50% reduction preferential tax arrangement of the Corporate Income Tax rate in the PRC since 2008, which continued until the end of 2012. During the period under review, Fuzhou Sanai ceased to enjoy such preferential tax arrangement. Tax expenses of the Group were approximately RMB2.7 million (30 June 2012: approximately RMB11.4 million) in total and the effective tax rate was approximately 40.7% (30 June 2012: approximately 27.2%). It included withholding deferred income tax for the provision of undistributed profits for the three wholly-owned subsidiaries in the PRC and the deferred tax credit amounted to approximately RMB3.1 million (30 June 2012: deferred tax expense approximately RMB0.5 million).

4. Liquidity, Financial Resources and Capital Structure

As at 30 June 2013, the Group had cash and cash equivalents of approximately RMB517.8 million (31 December 2012: approximately RMB725.1 million). The Group continued to maintain a stable financial position with low gearing and healthy cash flows. The Group generated a net cash inflow from operating activities of approximately RMB17.3 million (for the period ended 30 June 2012: approximately RMB35.8 million). During the period under review, the Group did not use any financial instruments for hedging purpose.

The Group reviewed the capital structure by using a gearing ratio. The gearing ratio representing the total debt, which includes trade and other payables and payable for acquisition of property, plant and equipment of the Group divided by total equity of the Group. The debt-to-equity ratio of the Group was approximately 4.5% as at 30 June 2013 (31 December 2012: approximately 5.6%).

5. Exposure to Fluctuation in Exchange Rates

During the period under review, the Group conducted its business transactions principally in Renminbi. The Group has not experienced any material difficulties or negative impacts on its operations as a result of fluctuations in currency exchange rates. Although the Group has certain bank balances denominated in Hong Kong dollars, the Group adopts a conservative financial policy and most of its bank deposits are in Renminbi and Hong Kong dollars. As at 30 June 2013, the Group did not have any bank liabilities, foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purpose. Therefore, the Group was not exposed to any material interest and exchange risks.

6. Significant Acquisitions and Disposal of Investments

During the period under review, the Group did not have any significant acquisition and disposal of investment.

7. The Number and Remuneration of Employees

As at 30 June 2013, the Group employed approximately 438 employees (31 December 2012: 441 employees). The Group determines staff remuneration in accordance with prevailing market salary scales, individual qualifications and performance. Remuneration packages including performance bonuses and entitlements to share options are reviewed on regular basis.

8. Charge on Group Assets

As at 30 June 2013, the Group had no charges on Group assets. (31 December 2012: Nil).

9. Contingent Liabilities

As at 30 June 2013, the Group did not have any contingent liabilities (31 December 2012: Nil).

10. Capital Expenditure

During the period under review, capital expenditure and deposits prepaid of the Group for adding property, plant and equipment and for the construction and development of new factory located at Fujian Province for its own use in the ordinary and usual course of business amounted to approximately RMB217.8 million and RMB Nil respectively (30 June 2012: approximately RMB279.7 million and RMB28.9 million respectively).

11. Capital Commitments

As at 30 June 2013, the Group had capital expenditure contracted but not provided for in the financial statements amounted to approximately RMB37.0 million (31 December 2012: approximately RMB8.1 million).

12. Use of Proceeds

The net proceeds raised from the initial public offering after deducting relevant share issue expenses and the general working capital amounted to approximately RMB683.0 million.

For the year ended 31 December 2007, the Company applied approximately RMB230.0 million and approximately RMB114.7 million to the capital injection in our two major subsidiaries in the PRC, Fujian Sanai and Fuzhou Sanai, respectively in the PRC. The capital injected to these two subsidiaries was intended to be used in the construction and expansion of new plants and production lines in Fuzhou and Jianyang. An amount of approximately HK$62.0 million had been used for repayment of an interest-free shareholder's loan for the acquisition of a 40% interest in Fuzhou Sanai from Mr. Lin Ou Wen.

For the year ended 31 December 2008, the Group spent approximately RMB37.0 million for promotion of our brand through advertisement in some major national TV channels in the PRC. In addition, approximately RMB113.1 million had been utilized in the construction and acquisition of manufacturing equipment in Jiangyang factory.

For the year ended 31 December 2009, the Group spent approximately RMB60.7 million for promotion of our brand through advertisement in some major national TV channels in the PRC. In addition, approximately RMB41.4 million had been utilized in the construction and acquisition of manufacturing equipment in Jiangyang factory.

For the year ended 31 December 2010, the Group spent approximately RMB1.3 million for the promotion of our brand through advertisement in some major national TV channels in the PRC. In addition, approximately RMB2.2 million had been utilized in the construction and acquisition of manufacturing equipment in Jiangyang factory. In addition, approximately RMB2.2 million has been utilized for research and development.

For the year ended 31 December 2011, the Group spent approximately RMB3.5 million for research and development.

For the year ended 31 December 2012, the Group spent approximately RMB926,000 for research and development. In addition, as announced by the Company on 3 December 2012, the Board resolved to change the intended application of the remaining net proceeds of approximately RMB360.0 million, representing approximately 53.0% of the net proceeds from the global offering, the Board believed that such change will facilitate efficient allocation of financial resources of the Company and strengthen the future development of the Group and is fair and reasonable and in the interests of the Company and its shareholders as a whole.

For the six months ended 30 June 2013, the Group has spent approximately RMB214.7 million as capital expenditure for the new GMP certification manufacturing facilities in the self using new factory in the ordinary and usual course of business. In addition, approximately RMB30.0 million had been spent for promotion of our brand through advertisement in some major national TV channels in the PRC.

The remaining balance of proceeds was placed in short term deposits with licensed commercial banks in the PRC.

INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2013. Accordingly, no closure of the Register of Members of the Company is proposed.

SHARE OPTION SCHEME

The Company's share option scheme was adopted on 8 January 2007 by the way of passing resolutions by all the shareholders of the Company. For the six months ended 30 June 2013, no share option had been granted or exercised under the share option scheme.

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

As at 30 June 2013, the interests or short positions of the Directors and Chief Executives in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules were as follows:

Name of Directors	Company/name of associated corporation	Capacity	Number of Shares (Note 1)	Approximate percentage of shareholding
Mr. Lin Ou Wen	The Company	Interest of controlled corporation (Note 2)	447,202,900 (L) 447,202,900 (S)	26.16% 26.16%
		Interest of spouse (Note 3)	42,687,627 (L) 42,687,627 (S)	2.5% 2.5%
Mr. Ling Qing Ping	The Company	Interest of controlled corporation (Note 4)	280,352,000 (L) 280,352,000 (S)	16.4% 16.4%

Note:

1. The letters "L" and "S" denote long position and short position in the Shares respectively.

2. These Shares are registered in the name of Thousand Space Holdings Limited, which is wholly owned by Mr. Lin Ou Wen who is deemed to be interested in all the Shares in which Thousand Space Holdings Limited is interested by virtue of the SFO.

3. 136,951,000 Shares are registered in the name of Orient Day Management Limited, which is owned as to 23.38%, 45.45% and 31.17% by Mr. Lin Qing Mei, Mr. Liu Dao Hua and Ms. Xue Mei respectively. Mr. Lin Ou Wen is deemed to be interested in all the Shares in which Ms. Xue Mei, his spouse, is interested by virtue of the SFO.

4. These Shares are registered in the name of Bright Elite Management Limited, which is wholly owned by Mr. Lin Qing Ping, our Executive Director, who is deemed to be interested in all the Shares in which Bright Elite Management Limited is interested by virtue of the SFO.

Save as disclosed above, none of the Directors or Chief Executive of the Company is aware of any other Director or Chief Executive of the Company who has any interests or short positions in any shares and underlying shares in, and debentures of the Company or any associated corporation as at 30 June 2013.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2013, the interests and short positions of the following shareholders, other than a Director or Chief Executive of the Company, in the shares or underlying shares or debentures of the Company which would have to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO are as follows:

Name of Shareholder	Company/name of subsidiary	Capacity	Number of Shares (Note 1)	Approximate percentage of shareholding
Bright Elite Management Limited	The Company	Beneficial owner	280,352,000 (L) 280,352,000 (S)	16.4% 16.4%
Mr. Lin Qing Ping	The Company	Interest of controlled corporation (Note 2)	280,352,000 (L) 280,352,000 (S)	16.4% 16.4%
Thousand Space Holdings Limited	The Company	Beneficial owner	447,202,900 (L) 447,202,900 (S)	26.16% 26.16%
Mr. Lin Ou Wen	The Company	Interest of controlled corporation (Note 3)	447,202,900 (L) 447,202,900 (S)	26.16% 26.16%
		Interest of spouse (Note 4)	42,687,627 (L) 42,687,627 (S)	2.5% 2.5%
Ms. Xue Mei	The Company	Interest of spouse (Note 4)	447,202,900 (L) 447,202,900 (S)	26.16% 26.16%
		Interest of controlled corporation (Note 4)	42,687, 627 (L) 42,687,627 (S)	2.5% 2.5%
Orient Day Management Limited	The Company	Beneficial owner	136,951,000 (L) 136,951,000 (S)	8.01% 8.01%
Mr. Liu Dao Hua	The Company	Interest of controlled corporation (Note 4)	136,951,000 (L) 136,951,000 (S)	8.01% 8.01%
Pope Investments LLC	The Company	Beneficial owner (Note 5)	84,973,000 (L)	4.97%
Pope Asset Management, LLC	The Company	Interest of controlled corporation (Note 5)	84,973,000 (L)	4.97%
Wells William P.	The Company	Interest of controlled corporation (Note 5)	84,973,000 (L)	4.97%
Credit Suisse (Hong Kong) Limited	The Company	Beneficial owner (Note 6)	133,545,000 (L) 66,772,500(S)	7.81% 3.90%
Credit Suisse (International) Holding AG	The Company	Interest of controlled corporation (Note 6 & 7)	133,545,000 (L) 66,772,500(S)	7.81% 3.90%

Name of Shareholder	Company/name of subsidiary	Capacity	Number of Shares (Note 1)	Approximate percentage of shareholding
Credit Suisse	The Company	Interest of controlled corporation (Note 6 & 7)	133,545,000 (L) 66,772,500 (S)	7.81% 3.90%
CCB Financial Holdings Limited	The Company	Interest of controlled corporation (Note 8)	885,097,000(L)	51.77%
CCB International (Holdings) Limited	The Company	Interest of controlled corporation (Note 8)	885,097,000(L)	51.77%
CCB International Asset Management Limited	The Company	Interest of controlled corporation (Note 8)	885,097,000(L)	51.77%
CCB International Asset Management (Cayman) Limited	The Company	Interest of controlled corporation (Note 8)	885,097,000(L)	51.77%
CCB International Group Holdings Limited	The Company	Interest of controlled corporation (Note 8)	885,097,000(L)	51.77%
Central Huijin Investment Ltd.	The Company	Interest of controlled corporation (Note 8)	885,097,000(L)	51.77%
China Construction Bank Corporation	The Company	Interest of controlled corporation (Note 8)	885,097,000(L)	51.77%
Huifu Holdings Limited	The Company	Person having a security interest in shares (Note 8)	885,097,000(L)	51.77%

Notes:

(1) The letters "L" and "S" denote long position and short position in the Shares respectively.

(2) These Shares are registered in the name of Bright Elite Management Limited, which is wholly owned by Mr. Lin Qing Ping who is deemed to be interested in all the Shares in which Bright Elite Management Limited is interested in for the purpose of the SFO.

(3) These Shares are registered in the name of Thousand Space Holdings Limited, which is wholly owned by Mr. Lin Ou Wen who is deemed to be interested in all the Shares in which Thousand Space Holdings Limited is interested for the purpose of the SFO.

(4) These Shares are registered in the name of Orient Day Management Limited, which is owned as to 23.38%, 45.45% and 31.17% of its entire share capital by Mr. Lin Qing Mei, Mr. Liu Dao Hua and Ms. Xue Mei, spouse of Mr. Lin Ou Wen, respectively, therefore Mr. Liu Dao Hua is deemed to be interested in all the Shares in which Orient Day Management Limited is interested for the purpose of the SFO. Ms. Xue Mei is the spouse of Mr. Lin Ou Wen, therefore, she is deemed to be interested in all the Shares in which Mr. Lin Ou Wen is deemed to be interested in for the purpose of the SFO and vice versa.

(5) These Shares are registered in the name of Pope Investments LLC, which is controlled by Pope Asset Management, LLC, which is in turn controlled by Wells William P. based on the last notice for disclosure of interests filed on 26 June 2013.

(6) These Shares are registered in the name of Credit Suisse (Hong Kong) Limited, which is owned as to 94.75% by Credit Suisse (International) Holding AG, which is in turn wholly owned by Credit Suisse. Therefore, Credit Suisse (Hong Kong) Limited, Credit Suisse (International) Holding AG and Credit Suisse are deemed to be interested in all the Shares in which Credit Suisse (Hong Kong) Limited is interested for the purpose of the SFO.

(7) These Shares are registered in the name of Credit Suisse (Hong Kong) Limited, which is owned as to 94.75% by Credit Suisse (International) Holding AG, which is in turn wholly owned by Credit Suisse. Therefore, Credit Suisse (Hong Kong) Limited, Credit Suisse (International) Holding AG and Credit Suisse are deemed to hold or hold a short position of 66,772,500 Shares as defined under Part XV of the SFO.

(8) Huifu Holdings Limited is interested in these Shares due to its security interest. Huifu Holdings Limited is wholly owned by CCB International Asset Management Limited, which is in turn wholly owned by CCB International Assets Management (Cayman) Limited, which is in turn wholly owned by CCB International (Holdings) Limited, which is in turn wholly owned by CCB Financial Holdings Limited, which is in turn wholly owned by CCB International Group Holdings Limited, which is in turn wholly owned by China Construction Bank Corporation, which is in turn owned as to 57.1% by Central Huijin Investment Ltd.

Save for the disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company which would have to be disclosed to the Company and the Stock Exchange pursuant to Division 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under 336 by the SFO as at 30 June 2013.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its listed shares during the six months ended 30 June 2013.

COMPLIANCE OF THE CORPORATE GOVERNANCE CODE

The Company is committed to achieving a high standard of corporate governance practice, such that the interests of our shareholders, customers, employees as well as the long term development of the Company can be safeguarded.

The Company has complied with the Code Provisions as set out in the Corporate Governance Code (the "Code") contained in Appendix 14 of the Listing Rules during the six months ended 30 June 2013 ensuring that the Company is up to the requirements as being diligent, accountable and professional.

In the opinion of the Board, the Company has complied with the Code during the period under review except for deviation from provision A.2.1 in respect of the roles of chairman and chief executive officer ("CEO") of the Company. The Board considered that vesting the roles of Chairman and the CEO in the same person facilitates the execution of the Company's business strategies and maximizes effectiveness of its operations. The Board shall nevertheless review the structure from time to time and shall consider the appropriate adjustment should suitable circumstance arise. There are three independent non-executive Directors in the Board, all of them possess adequate independence and therefore the Board considers that the Company has achieved balance of and provided sufficient protection to its interests.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("the Listing Rules") as the Company's own code for securities transactions by its Directors. In addition, the Company has made specific enquiries of all Directors and each Director confirms that during the six months ended 30 June 2013, they have fully complied with the required standards as set out in the Model Code.

At no time during the first six months of 2013 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; nor was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, their respective spouses or minor children to acquire such rights in any other body corporate.

The Company has complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules and appointed three independent non-executive Directors including one with financial management expertise, details of their biographies were set out in the 2012 Annual Report of the Company.

AUDIT COMMITTEE

The Company has established an audit committee in compliance with the Rule 3.21 of the Listing Rules. The audit committee, comprising three Independent Non-executive Directors, has reviewed the accounting principles and practices adopted by the Company as well as auditing, internal control and financial reporting matters, including the review of the unaudited interim results for the six months ended 30 June 2013. The financial statements of the Company for the period ended 30 June 2013 have been reviewed and approved by the audit committee, who are of the opinion that such statements comply with the applicable accounting standards, and the Listing Rules and legal requirements, and that adequate disclosures have been made. On 26 August 2013, a meeting of the audit committee was held and the unaudited interim results for the six months ended 30 June 2013 were reviewed, and with recommendation to the Board for further approval at such meeting.

REMUNERATION COMMITTEE

The remuneration committee comprises three Independent Non-executive Directors and one Executive Director, and is responsible for reviewing and determining the appropriate remuneration polices of the Directors and senior management and making recommendations to the Board from time to time.

NOMINATION COMMITTEE

The nomination committee comprises three Independent Non-executive Directors and two Executive Directors, and is responsible for determining the criteria for identifying candidates suitably qualified, reviewing nominations for the appointment of Directors to the Board and making recommendations to the Board regarding any proposed changes.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The 2013 interim report will be dispatched to Shareholders as well as made available on our Company's website at www.wuyi-pharma.com and the Stock Exchange's website www.hkexnews.hk.

ACKNOWLEDGEMENT

I would like to offer the Board's sincere gratitude to the management team and all other employees for their hard work and dedication. Their excellence and commitment are of vital importance in enhancing the Company's sustainability.

Finally, I would like to take this opportunity to thank our shareholders and all other stakeholders for their continuous support and confidence in us.

On behalf of the Board
LIN OU WEN
Chairman

Hong Kong, 30 August, 2013

As at the date of this report, the Board comprises 3 Executive Directors, namely Mr. Lin Ou Wen (Chairman), Mr. Lin Qing Ping and Mr. Xu Chao Hui, 2 Non-executive Directors, namely Mr. Tang Bin and Mr. John Yang Wang, and 3 Independent Non-executive Directors, namely Mr. Liu Jun, Mr. Lam Yat Cheong and Mr. Du Jian.