澳优·海普诺凯
Ausnutria

AUSNUTRIA DAIRY CORPORATION LTD
澳 優 乳 業 股 份 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1717)

Milk

Love

Future

Interim Report 2012

Contents

	Pages
CORPORATE INFORMATION	2
MANAGEMENT DISCUSSION AND ANALYSIS	3
OTHER INFORMATION	23
UNAUDITED INTERIM FINANCIAL STATEMENTS	
CONDENSED CONSOLIDATED:	
Statement of comprehensive income	36
Statement of financial position	37
Statement of changes in equity	39
Statement of cash flows	41
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	42

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Yan Weibin (elected as Chairman on 7/6/2013)
Mr. Bartle van der Meer (appointed as Executive Director and Chief Executive Officer on 7/6/2013)
Ms. Ng Siu Hung

Independent Non-executive Directors

Mr. Qiu Weifa
Mr. Jason Wan
Mr. Chan Yuk Tong

COMPANY SECRETARY

Mr. Wong Wei Hua Derek (redesignated as Company Secretary on 3/12/2012)

AUTHORISED REPRESENTATIVES

Ms. Ng Siu Hung
Mr. Wong Wei Hua Derek

AUDIT COMMITTEE

Mr. Chan Yuk Tong *(Chairman)*
Mr. Qiu Weifa
Mr. Jason Wan

REMUNERATION COMMITTEE

Mr. Chan Yuk Tong *(Chairman)*
Mr. Yan Weibin (appointed on 7/6/2013)
Mr. Qiu Weifa
Mr. Jason Wan

NOMINATION COMMITTEE

Mr. Yan Weibin (appointed as Chairman on 7/6/2013)
Mr. Qiu Weifa
Mr. Jason Wan
Mr. Chan Yuk Tong

SPECIAL REVIEW COMMITTEE

(established on 29/3/2012)
Mr. Qiu Weifa
Mr. Chan Yuk Tong

AUDITORS

Ernst & Young
Certified Public Accountants

LEGAL ADVISER (As to Hong Kong law)

King & Wood Mallesons

COMPLIANCE ADVISER

Asian Capital (Corporate Finance) Limited (appointed on 3/5/2013)

REGISTERED OFFICE

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

PRINCIPAL PLACES OF BUSINESS

In Mainland China

8th Floor, XinDaXin Building A
No. 168 Huangxing Middle Road
Changsha City, Hunan Province, the PRC

In Hong Kong

Room 2101, Beautiful Group Tower
77 Connaught Road Central
Central, Hong Kong

In the Netherlands

Burgemeester Falkenaweg 58-1 (8442LE), Heerenveen, the Netherlands

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

PRINCIPAL BANKERS

Bank of China, Hunan Province branch, Changsha
China Construction Bank, Huangxing Road branch, Changsha
ABN AMRO Bank N.V.

STOCK CODE

1717

COMPANY'S WEBSITE

www.ausnutria.com.hk

Management Discussion and Analysis

UNRESOLVED ISSUES

During the course of the audit of the annual results (the "**2011 Annual Results**") of Ausnutria Dairy Corporation Ltd (the "**Company**") and its subsidiaries (the "**Group**") for the year ended 31 December 2011 (the "**Year 2011**"), Ernst & Young ("**EY**"), the auditors of the Company, reported to the board (the "**Board**") of directors (the "**Directors**") of the Company in respect of various unresolved issues (the "**Unresolved Issues**") relating to the amount of sales of Ausnutria Dairy (China) Co., Ltd. ("**Ausnutria China**", a major indirect wholly-owned subsidiary of the Company) for the Year 2011 (in particular for the month of December 2011), and accordingly, the inventories and trade receivables as at 31 December 2011 as set out in its letter (the "**EY Letter**") to the Board on 29 March 2012.

According to the EY Letter, EY were unable to carry out an effective audit work of the Group for the Year 2011 primarily in respect of the revenue, inventory and accounts receivable due to the failure of Ausnutria China to provide accurate sales and goods delivery information.

Unresolved Issues relating to Ausnutria China as identified by EY in the EY Letter mainly include the following:

i) the authenticity of delivery notes relating to certain sale transactions in December 2011;

ii) the integrity of the original sales order system and the barcode system; and

iii) the discrepancy in the quantity of goods sold and delivered during January to November 2011 between Ausnutria China's records and those provided by the independent logistic service provider engaged by Ausnutria China.

On 29 March 2012, in the interest of the Company and the shareholders of the Company (the "**Shareholders**") as a whole, the Company applied for the suspension of trading in the shares of the Company (the "**Shares**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 29 March 2012 (the "**Suspension**"). Details in relation to the Unresolved Issues are set out in the announcement of the Company dated 28 June 2013.

The major events relevant to the Unresolved Issues including, among others, the establishment of the special review committee (the "**SRC**"), the appointment of PricewaterhouseCoopers Limited ("**PwC**") to conduct the forensic review (the "**PwC Review**"), the appointment of PKF Consulting Inc. ("**PKF**") to assist the Company in the review of the internal control systems, the remedial actions taken by the Company to address the matters arising from the Unresolved Issues and the resumption conditions (the "**Resumption Conditions**") imposed by the Stock Exchange are set out in the announcement and the annual report of the Company for the Year 2011 (the "**2011 Annual Report**") dated 3 July 2012 and 5 December 2013, respectively.

Management Discussion and Analysis

RECONSTRUCTION OF RECORDS AND RESTATEMENT AND ADJUSTMENT OF FINANCIAL STATEMENTS

Based on the results of the works (as detailed in the 2011 Annual Report) performed by the management (the "**Management**") of the Company (which comprised the chief financial officer of the Company and several senior managers of Ausnutria China who were not associated in any way with the Unresolved Issues) in response to the findings of the PwC Review, the SRC and the Board consider that the errors relating to the early recognition of sales before delivery had occurred in Ausnutria China since October 2009 and extended into 2010 and 2011. The Company's previous published consolidated audited financial statements prior to 1 October 2009, including the financial information shown in the Company's prospectus dated 24 September 2009 (the "**Prospectus**") remained unaffected.

The SRC and the Board noted that each of the staff in the sales accounting department (營銷財務部) of Ausnutria China had kept an order book (the "**Order Books**") for the distributors, and for which that he/she had been responsible for since around 2005. The Order Books were prepared so as to keep track of the sales order status of and the cash receipts from Ausnutria China's distributors.

In view of the doubts over the completeness and accuracy of the aforementioned accounting records, as the Order Books were the best available alternative information that the SRC and the Board could reasonably rely on, the Management used the information maintained by the sales accounting department in the Order Books to summarise all the orders and cash receipt information and compared them to the financial statements of Ausnutria China from 1 January 2006 to 31 December 2011. Certain additional procedures were also carried out by the Management, including but not limited to, the confirmation and reconciliation of balances with the distributors as at 30 June 2013, certain roll-back procedures based on the confirmed balances of trade receivables and reconciling the cash receipts as set out in the Order Books with Ausnutria China's bank statements for the relevant years.

Based on the results of the PwC Review and the information available at the date of approval of the interim condensed consolidated financial statements of the Group, the Board and the SRC consider that the questionable transactions should have been excluded from the preparation of the interim condensed consolidated financial statements of the Group and all significant adjustments (the "**Adjustments**") in relation to the Unresolved Issues should have been put through to adjust the consolidated financial statements of the Group for the six-month period ended 31 December 2009 (and therefore for the year ended 31 December 2009 (the "**Year 2009**")) and for the years ended 31 December 2010 (the "**Year 2010**") and 2011 (the "**Year 2011**"), and for the six-month periods ended 30 June 2010 (the "**2010 Interim Period**"), 2011 (the "**2011 Interim Period**") and 2012 (the "**2012 Interim Period**"), so as to reflect the errors due to the early recognition of revenue which had occurred since October 2009. Details of the basis of preparation of the interim condensed consolidated financial statements of the Group for the 2012 Interim Period are set out in note 2 to the interim condensed consolidated financial statements of this report.

Management Discussion and Analysis

BUSINESS REVIEW

The global dairy market has continued to grow over the past few years, particularly in the People's Republic of China (the "**PRC**") which was driven by macro factors such as strong economic growth, increasing disposable income and rising rates of urbanisation, as well as industry-specific factors including rising health awareness and consumer preferences.

As one of the key components of the PRC dairy market, the paediatric milk formula market has been expanding rapidly as well. The increasing number of working mothers in the PRC, coupled with the convenience and comprehensive nutritional benefits offered by infant formula products, have resulted in growing popularity among mothers in the PRC to choose infant formulas for their children.

The 2012 Interim Period and the periods thereafter continue to be a complicated and challenging time for the Group which has resulted in a short term pressure in both the sales and profit for the first few months in 2014. While it is the Board's priority to deal with the Unresolved Issues and to seek for the resumption of trading in the Shares on the Stock Exchange (the "**Resumption**"), the Company has taken strategic moves to comply with the New Policies (as defined below) and at the same time to build the Group's upstream production and procurement capability in order to capture the growing markets in the PRC and other overseas markets.

During the 2012 Interim Period, the Group has continued to invest in New IT Systems (as defined below) so as to establish the full tracking systems for its production and distribution, which are now new mandatory requirements under the New Policies (as defined below) in the PRC. In addition, the Group has entered into an agreement with the Medical School of Beijing University to form a 10-year strategic cooperation for the joint research and development of paediatric milk formula for the PRC market. The Group believes that the cooperation with the Medical School of Beijing University will greatly enhance the future research and development capability of the Group by leveraging on the resources of the Medical School of Beijing University as well as the Group.

In addition, the Group has launched a series of new infant formula products which are targeted to penetrate into different sectors of the PRC markets as well as the establishment of joint ventures for the distribution of the Group's goat milk based infant formula in other countries during the 2012 Interim Period and subsequent to the date of the reporting period.

For the 2012 Interim Period, the Group recorded revenue of approximately RMB714.7 million, representing an increase of approximately RMB529.9 million, or approximately 286.7%, from RMB184.8 million (restated) for the 2011 Interim Period.

The Group's gross profit was approximately RMB209.2 million, representing an increase of approximately RMB119.2 million, or 132.4%, over approximately RMB90.0 million (restated) for the 2011 Interim Period. The Group's profit attributable to ordinary equity holders of the parent increased by approximately 102.6% to RMB65.2 million and the basic earnings per share was approximately RMB6.61 cents, representing an increase of approximately RMB3.42 cents (restated) over the 2011 Interim Period.

As for cash flow, net cash inflow from operating activities of the Group was approximately RMB35.3 million for the 2012 Interim Period as compared to the net cash inflow of approximately RMB61.5 million for the 2011 Interim Period.

Management Discussion and Analysis

As a result of the steps taken (as mentioned below) by the Group subsequent to the reporting period, both sales and operating performance of the Group (excluding Ausnutria Hyproca B.V. ("**Ausnutria Hyproca**") and its subsidiaries (the "**Ausnutria Hyproca Group**")) (the "**Ausnutria Group**") are gradually picking up and improving in 2013. On the other hand, the operating performance of the Ausnutria Hyproca Group is expected to be temporarily affected due to the constraints of its current production capacity and the temporary interruption caused by the implementation of the CAPEX Plan and certain quality issue with one of its raw material supplement.

Subsequent to the reporting period, in July 2012, the Ausnutria Hyproca Group suspended its production temporarily at the request by one of its supplement suppliers (the "**Supplier**") as one of the raw materials that was previously delivered by the Supplier might have been contaminated. As at the date of this report, based on all the lab test results conducted by the internal and external laboratories, no contamination has been found in the products supplied by the Ausnutria Hyproca Group. Besides, no cases indicating that the products sold by the Ausnutria Hyproca Group were contaminated have been reported by the customers since the occurrence of the incident.

As a result of this incidence, the Ausnutria Hyproca Group incurred a loss for the year ended 31 December 2012 (the "**Year 2012**") amounting to approximately RMB35.0 million (2011 Interim Period: Nil), comprising mainly the write-off of inventories. The net losses attributable to the owners of the Company after tax and deducting the non-controlling interests for the Year 2012 amounted to approximately RMB13.7 million (2011 Interim Period: Nil). The Ausnutria Hyproca Group has already commenced the legal actions against the Supplier to recover all the above losses as well as the interruption on its business and operations. The Company is of the view that, after taking into accounts the advices from the lawyers and the insurance company, the Ausnutria Hyproca Group has a very good chance to recover all the above losses from the Supplier ultimately. However, as no concrete settlement has been reached with the Supplier, the potentially recoverable amount has not been recorded in profit and loss.

OUTLOOK

Downstream business

In the Third Plenary Session of the 18th Central Committee of the Communist Party of the PRC, it was announced that the one-child policy which has been in existence for more than thirty years will be relaxed in the PRC where certain provinces and cities, including Beijing, have recently put the new policy into practice.

In early 2013, the PRC government launched a series of new policies (the "**New Policies**") to improve the national standard for the safety of dairy products which accelerates the consolidation of the paediatric milk powder industry and would eventually lead to the elimination of small and medium enterprises in this industry. In accordance with the circular issued by the China Food and Drug Administration in relation to the Promulgation of the General Principles (the "**General Principles**") for the Examination of Production Approval for Paediatric Milk Formula Powder (2013 version) (No. 49)（國家食品藥品監督管理總局發佈關於嬰幼兒配方乳粉生產許可審查細則（2013版）的公告（第49號））promulgated by the PRC government on 16 December 2013, the paediatric milk powder manufacturers in the PRC are required to complete the renewal review process of the production license by 31 May 2014. An application submitted by a manufacturer of paediatric milk formula powder for the renewal of its production license will now be subject to the General Principles which impose more stringent criteria for granting a production license.

Management Discussion and Analysis

The Company is pleased to announce that, on 14 March 2014, Ausnutria China has completed the renewal review process of its production license and has succeeded in obtaining the renewed production license in accordance with the General Principles for another three years up to 13 March 2017. Further details regarding the grant of the production license are set out in the announcement of the Company dated 24 March 2014.

Though the New Policies have created uncertainties and temporary interruption on the dairy industry in the PRC, including the Group, as distributors had been more conservative in placing orders during this period pending for further clarification and details regarding the execution of the New Policies. Although the above temporary interruption has resulted in a slowdown in sales and operating performance of the Group in the first few months of 2014, the Directors believes that the Group's operation has returned to normal and the above New Policies will lead to a boost in the demand for paediatric milk powder, benefiting the paediatric milk powder manufacturers, who can meet the national standard under the New Policies, including the Group, in the medium to long run.

Upstream business

Since 2011, the Company has taken strategic moves to build the Group's upstream production and procurement capability and to capture the growing markets in the PRC and globally by acquiring an aggregate of 51% equity interests in Ausnutria Hyproca in 2011 which has international presence (including the PRC, the Netherlands, Russia, the Middle East and the North America markets) and expertise in the international paediatric nutritional products. To facilitate the further integration of the business of the Ausnutria Hyproca Group into the Group and with an aim to strengthen the management of the Company with international perspectives, on 7 June 2013, the Group entered into a call option agreement (the "**COA**") with Dutch Dairy Investments B.V. ("**DDI**") under which Ausnutria Dairy (Dutch) Coöperatief U.A. ("**Ausnutria (Dutch)**"), an indirect wholly-owned subsidiary of the Company, was granted a call option by DDI and Ausnutria (Dutch) had the right to exercise at its sole discretion to acquire the remaining 49% equity interests in Ausnutria Hyproca to be settled by the issuance of 202,125,000 new Shares (the "**COA Shares**"), representing approximately 17% of the enlarged issued share capital of the Company. The call option has a life of 12 months from the date of the COA (the "**Initial Period**") which is extendable for a further 12-month period at the unilateral right of DDI. On the same date, Mr. Bartle van der Meer, one of the shareholders and directors of DDI with ample international experience in banking, investment and paediatric nutritional products, has been appointed as an executive Director and chief executive officer of the Company. Details of the COA and the change of Directors were set out in the announcement of the Company dated 7 June 2013.

Owing to the unavailability of the recent published annual report of the Company prior to the expiration of the Initial Period, the Company has not been able to proceed with the approval process of the COA. On 5 June 2014, DDI has exercised its right to extend the call option for another 12 months to 6 June 2015 in accordance with the terms of the COA as mentioned in the above. Further details regarding the extension of the call option are set out in the announcement of the Company dated 9 June 2014.

The Group believes that the acquisition of Ausnutria Hyproca not only broadens and secures the Group's long term milk supply sources, but also provides a very good platform for the globalisation of the Group's businesses in the long run.

Other policies

Pursuant to the Food Safety Law of the People's Republic of China（中華人民共和國食品安全法）firstly promulgated by the government of the PRC on 28 February 2009, in order to ensure food safety and protect public health, any enterprises engaged in the food related activities (including food processing plants) in the territories of the PRC shall abide this law with effect from 1 June 2009.

Further, in accordance with the General Administration of Quality Supervision, Inspection and Quarantine of the PRC (the "**AQSIQ**")（國家質量監督檢驗檢疫總局）（「**總局**」）Announcement No. 152 on the Administrative Measures Governing the Inspection and Quarantine of Import and Export Dairy Products（進出口乳品檢驗檢疫監督管理辦法，總局第152號令）, the AQSIQ Announcement No. 145 on the Provisions on the Administration of Registration of Foreign Enterprises Producing Imported Food（進口食品境外生產企業註冊管理規定，總局第145號令）and the AQSIQ Announcement No. 62, 2013 on the Implementation List for Registration of Foreign Enterprises Producing Imported Food（關於發佈《進口食品生產企業註冊實施目錄》的公告，總局2013年第62號公告）, in order to reinforce the inspection and quarantine of import and export of dairy products, unregistered foreign enterprises producing dairy products are forbidden to import their products into the PRC from 8 May 2014 onwards.

The Company is pleased to announce that pursuant to the AQSIQ Announcement No. 51, 2014 on Promulgating the List of First Batch of Registered Overseas Dairy Producers that are Eligible to Export to China（首批進口乳品境外生產企業註冊名單，總局2014年第51號公告）, on 6 May 2014, three of the Company's subsidiaries incorporated in the Netherlands that are wholly-owned by Ausnutria Hyproca, namely, (i) Lypack Leeuwarden B.V.; (ii) Hyproca Dairy B.V.; and (iii) Lyempf Kampen B.V. ("**Hyproca Lyempf**"), have been included in the first batch of registered overseas dairy products producers that were granted the registrations for importing their products into the PRC. Products approved to be imported into the PRC for the respective companies are as follows:–

Name	Products approved to be imported into the PRC
Lypack Leeuwarden B.V.	Infant formula milk powder and fortified formula milk powder
Hyproca Dairy B.V.	Whole milk powder, skimmed milk powder, butter and cream
Hyproca Lyempf	Other milk powder

The granting of the license to the above subsidiaries has further assured and recognised the good quality of the dairy products produced by the Group's factories in the Netherlands.

The Group believes that the New Policies and the success in obtaining the renewed production license of Ausnutria China together with the grant of the import license to the above subsidiaries will create more opportunities and increase the competitiveness which facilitate the future growth of the Group.

In order to cater for the long term growth and demand for paediatric nutritional products, the Group has adopted the following strategies:

Management Discussion and Analysis

Strengthening the management of the customers' and distributors' relationship in the PRC

In 2011, the Group invested in new information systems (the "**New IT Systems**") including the latest version of the Enterprise Resource Planning (ERP), Customer Data Management (CDM) and Customer Relationship Management (CRM) systems with the assistance of IBM. One of the reasons of setting up these new systems is to provide better services to the Group's customers as well as distributors by implementing a membership program and reward system for the customers and an on-line platform for orders placing and timely monitoring of the account activities with its distributors.

Through the New IT Systems, the Board believes that the Group will be able to establish in the long run a closer relationship with its customers and distributors, understand the consumer behavior and exercise tighter internal controls over the order status of its sales channels.

Continuing the strategy of upward integration

The Board believes that the ability to ensure a stable quality supply of infant formula is one of the critical success factors to the Group. The Group will continue to explore investment opportunities to invest in upstream milk powder related assets and operations in order to broaden the Group's milk powder supply sources, to diversify the Group's risks in this aspect and to ensure a stable quality supply of milk powder to support its business growth.

Increase the production capacity in the Netherlands

The Ausnutria Hyproca Group is located in the Netherlands, where there is ample supply of quality cow and goat milk. The demand for dairy products produced by the Ausnutria Hyproca Group has been increasing over the past years. In order to cater for this increasing demand, the Group approved to advance to the Ausnutria Hyproca Group shareholders' loans of EURO 7.0 million (equivalent to approximately RMB58.8 million) and EURO 10.0 million (equivalent to approximately RMB84.0 million) in June 2013 and December 2013, respectively, to finance the capital expenditure plans, including but not limited to the acquisition of approximately 140,000 square meters of land in the Netherlands for the intended construction of a new factory of the Ausnutria Hyproca Group in Heerenveen, the Netherlands, and the purchases of new machineries (the "**CAPEX Plan**"). Details of the shareholders' loans are set out in the announcements of the Company dated 7 June 2013 and 5 November 2013, respectively.

Though the CAPEX Plan has a temporary interruption to the production of the Ausnutria Hyproca Group as the two milk production towers were temporarily suspended from productions for a few months in both 2013 and 2014 which has resulted in a short term pressure on both the sales and operating performance of the Ausnutria Hyproca Group, the production capacity of the Ausnutria Hyproca Group is expected to increase with the operating performance gradually recovering after the CAPEX Plan completed in June 2014.

Launch of goat milk based infant formula and other series of products

The Ausnutria Hyproca Group specialises in the complete chain of collecting fresh Dutch goat milk from farms to finished goods and is one of the leading producers of goat milk products in the world. The Group has commenced the launch of Kabrita Series products in the PRC in the fourth quarter of 2011. In the same year and in 2012, the Group entered into agreements with the Medical School of Beijing University for conducting a series of clinical trials of Kabrita products, the results of which have concluded that goat milk-based powder is better for children than cow milk-based powder in a number of different aspects, including nutrition, the development of immune system, etc.

Management Discussion and Analysis

In October 2013, the Group approved the conducting of the clinical trials for the application of the approval from the Food and Drug Administration for the sale of Kabrita Series of products in the United States.

The Group has also formed joint ventures with independent third parties for the sales of Kabrita Series products in Russia, the Middle East and the United States and Canada in 2012, 2013 and 2014, respectively. The Group will continue to launch Kabrita Series products in other major countries with an aim to becoming one of the market leaders of goat milk based paediatric nutrition products in the long run, by leveraging on the Ausnutria Hyproca Group's resources in the Netherlands and in North America and the studies and clinical trial results conducted by the Medical School of Beijing University.

In addition, the Group has launched a series of new products under different cow milk infant formula, namely, the Puredo Series and the Hyproca 1897 Series in 2012 and 2013, respectively, which are targeted to penetrate into different sectors of the PRC market.

Despite the increasing market competition of paediatric nutritional products in the world, particularly in the PRC, and the more stringent rules and regulations imposed by the PRC government which has created uncertainties and a temporary interruption on the dairy industry in the PRC, including the Group, which has resulted in a slowdown in sales and operating performance of the Group in the first few months of 2014, the Directors believes that the Group's operation has returned to normal and the Board believes that the Group is well positioned to face the challenge ahead and is optimistic about its future.

Strategic cooperation with the Medical School of Beijing University

On 21 March 2012, the Group entered into an agreement with the Medical School of Beijing University to form a 10-year strategic cooperation for the joint research and development of paediatric milk formula for the PRC market. The Group believes that the cooperation with the Medical School of Beijing University will greatly enhance the future research and development capability of the Group by leveraging on the resources of the Medical School of Beijing University as well as the Group.

Strengthen the corporate governance

The Group will continuously and proactively strengthen its corporate governance so as to establish a solid foundation for future growth and to rebuild the confidence of the Shareholders and potential investors. The Company will use its best endeavors to continue to strive for the highest returns and value to the Shareholders in the long run.

Resumption

With (i) the issuance of a report prepared by PwC relating to the results of the forensic review to King & Wood Mallesons (the legal adviser to the SRC as to Hong Kong laws) on 12 August 2013; (ii) the publication of the Group's interim results for the six months ended 30 June 2012 and 30 June 2013 and the Group's annual results for the years ended 31 December 2012 and 31 December 2013 dated 27 June 2014 and published on 30 June 2014 and the despatch of the corresponding reports in July 2014; and (iii) the completion of the further internal control review conducted by PKF as set out in the announcement of the Company dated 27 June 2014 and published on 30 June 2014, the Company considers that it has fulfilled all the Resumption Conditions. The Company is now taking active steps to work with the financial adviser of the Company to apply for the Resumption as soon as possible.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

	Six months ended 30 June			
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited) (Restated)	2010 RMB'000 (Unaudited) (Restated)	2009 RMB'000 (Audited) (As previously reported*)
REVENUE:				
– Ausnutria Group	268,213	184,836	242,835	320,972
– Ausnutria Hyproca Group#	446,512	–	–	–
– Group (including the Ausnutria Hyproca Group)	714,725	184,836	242,835	320,972

* No restatement arising from the Adjustments is required to be done.

\# Formed part of the Group since 17 October 2011.

Revenue – Overall

For the 2012 Interim Period, the Group recorded revenue of approximately RMB714.7 million, representing an increase of approximately RMB529.9 million, or approximately 286.7%, from RMB184.8 million (as restated) from the 2011 Interim Period. Excluding the contribution by the Ausnutria Hyproca Group which was consolidated into the financial statements of the Group since 17 October 2011, revenue of the Ausnutria Group amounted to approximately RMB268.2 million, representing an increase of approximately RMB83.4 million, or approximately 45.1%, from the 2011 Interim Period (as restated). The Group's restated revenue for the 2011 Interim Period represented a decrease of approximately RMB58.0 million (2010 Interim Period: decrease of RMB78.1 million), or approximately 23.9% (2010 Interim Period: decrease by 24.3%), from approximately RMB242.8 million (as restated) from the 2010 Interim Period.

Management Discussion and Analysis

Revenue – Ausnutria Group

During the 2012 Interim Period, A-choice Series, Best-choice Series, Allnutria Series and Allnutria Organic Series continued to be the major series of paediatric milk formula of the Ausnutria Group which are all imported from overseas and are designed to target consumers for premium products in the PRC.

The increase in the revenue of the Ausnutria Group was mainly due to the improvement in the financial performance of Ausnutria China following the restructuring of its distribution network in 2010/2011 and the continuous increase in demand for infant milk formula in the PRC. The sales performance of the Ausnutria Group has been gradually picking up and improving in 2012.

Revenue – Ausnutria Hyproca Group

The Ausnutria Hyproca Group is principally engaged in the dairy industry from research and development, milk collection, processing, production and packaging of dairy products with production facilities and milk sources in the Netherlands for own labels as well as under original equipment manufacturing ("**OEM**") and private label arrangements. The OEM and private label arrangements are serving cow milk dairy products to customers in the Netherlands and other overseas countries, such as the PRC, Taiwan, other European and Middle East countries. The Ausnutria Hyproca Group also sells paediatric milk formula under its own brands (*Kabrita for goat infant formula ("**Kabrita**")* in the PRC and Russia and *Neolac for cow infant formula* in the PRC). The Ausnutria Hyproca Group is one of the leading producers and distributors of goat milk products in the world.

For additional information, an analysis of the revenue of the Ausnutria Hyproca Group (including and excluding Hyproca Lyempf^) for the 2012 Interim Period and the 2011 Interim Period (as if it had been acquired since 1 January 2011) is as follows:

	Six months ended 30 June			
	2012	2011	2012	2011
	EURO'000	EURO'000	RMB'000 equivalent	RMB'000 equivalent
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
REVENUE:				
– Ausnutria Hyproca Group (excluding Hyproca Lyempf ^)	**37,469**	30,028	307,085	277,568
– Hyproca Lyempf ^	**24,959**	4,573	204,556	42,271
Less: Intercompany transactions	**(7,947)**	(804)	(65,129)	(7,432)
Total revenue of the Ausnutria Hyproca Group (including Hyproca Lyempf ^)	**54,481**	33,797	446,512	312,407

^ Hyproca Lyempf was incorporated in 2011 for the purpose of acquiring certain distressed assets. The acquisition of the distressed assets was completed on 21 April 2011. Further details of the acquisition of the distressed assets are set out in the circular of the Company dated 23 September 2011.

The increase in the revenue of the Ausnutria Hyproca Group for the 2012 Interim Period was primarily attributed to the contributions of Hyproca Lyempf and the improvements in the operating performance of the other operating subsidiaries of the Ausnutria Hyproca Group which were driven by the continuously increasing demand for paediatric nutrition products from its customers in the Netherlands and other overseas countries due to the increasing recognition of the good quality of milk supply in the Netherlands.

Gross profit

	Six months ended 30 June			
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited) (Restated)	2010 RMB'000 (Unaudited) (Restated)	2009 RMB'000 (Audited) (As previously reported*)
GROSS PROFIT:				
– Ausnutria Group	140,328	90,017	124,248	136,261
– Ausnutria Hyproca Group	68,895	–	–	–
– Group (including the Ausnutria Hyproca Group)	209,223	90,017	124,248	136,261
	%	%	%	%
GROSS MARGIN:				
– Ausnutria Group	52.3	48.7	51.2	42.5
– Ausnutria Hyproca Group	15.4	–	–	–
– Group (including the Ausnutria Hyproca Group)	29.3	48.7	51.2	42.5

* No restatement arising from the Adjustments is required to be done.

Gross profit – Overall

The Group's gross profit for the 2012 Interim Period was approximately RMB209.2 million, representing an increase of approximately RMB119.2 million, or approximately 132.4%, when compared with the 2011 Interim Period (as restated). The gross margin of the Group for the 2012 Interim Period decreased from approximately 48.7% for the 2011 Interim Period (as restated) to approximately 29.3%, primarily due to the change in sales mix after consolidating the results of the Ausnutria Hyproca Group.

Management Discussion and Analysis

Gross profit – Ausnutria Group

Gross profit of the Ausnutria Group for the 2012 Interim Period amounted to approximately RMB140.3 million, representing an increase of approximately RMB50.3 million, or approximately 55.9%, from the 2011 Interim Period (as restated). The gross margin of the Ausnutria Group for the 2012 Interim Period increased from approximately 48.7% for the 2011 Interim Period (as restated) to approximately 52.3%. In 2010/2011, the Ausnutria Group has undergone a restructuring of its sales channel and have granted bigger discounts to its distributors as an incentive for their promotion of the Ausnutria Group's products for the Year 2011. In view that the sales of the Ausnutria Group has been gradually improving since the implementation of the above strategies, the Ausnutria Group reduced its discounts granted to distributors during the 2012 Interim Period and the gross profit margin of the Ausnutria Group return back to the 2010 level.

The restated gross profit of the Ausnutria Group for the 2010 Interim Period (as restated) was approximately RMB124.2 million, representing a decrease of approximately RMB12.0 million, or approximately 8.8%, when compared with the six months ended 30 June 2009 (the "**2009 Interim Period**"). The restated gross margin of the Ausnutria Group for the 2010 Interim Period increased from approximately 42.5% for the 2009 Interim Period to 51.2%, primarily due to the launch of the organic series of paediatric nutrition products in the fourth quarter of 2009 which has contributed a comparatively higher gross margin when compared with other products of the Ausnutria Group.

Gross profit – Ausnutria Hyproca Group

The gross profit margin of the Ausnutria Hyproca Group for the 2012 Interim Period was 15.4%. Hyproca Lyempf had contributed a higher gross profit margin when compared with the other products of the Ausnutria Hyproca Group.

Other income and gains

		Six months ended 30 June			
	Notes	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited) (As previously reported*)	2010 RMB'000 (Unaudited) (As previously reported*)	2009 RMB'000 (Audited) (As previously reported*)
Investment income from held-to-maturity investments	1	3,573	4,346	2,472	–
Interest income	2	4,458	2,379	1,416	4,054
Government grants		636	331	3,500	200
Others		2,285	543	–	293
		10,952	7,599	7,388	4,547

* No restatement arising from the Adjustments is required to be done.

Notes:

1. During the periods from 24 March 2010 to 17 March 2011, and from 29 April 2011 to 25 April 2012, the Group has entered into two entrusted fund management agreements with independent third parties, pursuant to which, Ausnutria China entrusted a fund of RMB200.0 million (31 December 2011: RMB200.0 million; 31 December 2010: RMB200.0 million; 31 December 2009: Nil) to purchase entrusted loans from independent third parties. The entrusted loans investment was reduced from RMB200.0 million to RMB60.0 million for another one year upon its maturity on 25 April 2012. The Group invested in these treasury products offered by banks with a sole objective of maximising the return with limited risks on the then excess cash position of the Group. The entrusted loans were classified as held-to-maturity investments in the respective statements of financial position. The decrease in interest income on held-to-maturity investments was because the Group has adopted a more prudent treasury approach since then by switching its investment in entrusted loans and to place a larger portion of the Group's excess cash in time deposits with reputable financial institutions in the PRC instead.

2. The increase in interest income was a result of the continuous improvements in the average bank balances from the operating activities of the Group and the change in the treasury approach of the Group by switching a bigger portion of its excess cash in time deposits rather than in entrusted loan investments when compared with the 2011 Interim Period and the 2010 Interim Period. Also, the unutilised portion of the proceeds from the global offering of the Shares in 2009 (the "**IPO**") that was deposited in banks also contributed to the increase in interest income.

Selling and distribution costs

	Six months ended 30 June			
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited) (As previously reported*)	2010 RMB'000 (Unaudited) (As previously reported*)	2009 RMB'000 (Audited) (As previously reported*)
Ausnutria Group				
– Advertising and promotion	27,044	17,640	59,867	33,330
– Others	31,855	21,465	15,514	11,387
	58,899	39,105	75,381	44,717
Ausnutria Hyproca Group	17,417	–	–	–
The Group	76,316	39,105	75,381	44,717

* No restatement arising from the Adjustments is required to be done.

Selling and distribution costs mainly comprised advertising and promotion expense, salaries and travelling costs of the sales and marketing staff and delivery costs. Selling and distribution costs represented approximately 10.7%, 21.2% (restated), 31.0% (restated) and 13.9% of revenue for the 2012 Interim Period, the 2011 Interim Period, the 2010 Interim Period and the 2009 Interim Period, respectively.

Excluding the selling and distribution costs that was attributed to the Ausnutria Hyproca Group of approximately RMB17.4 million (2011 Interim Period: Nil; 2010 Interim Period: Nil; 2009 Interim Period: Nil), selling and distribution costs of the Ausnutria Group for the 2012 Interim Period remains stable and represented approximately 22.0% of revenue when compared with the 2011 Interim Period of 21.2%.

The selling and distribution costs of the Ausnutria Hyproca Group represented approximately 3.9% of the Ausnutria Hyproca Group's revenue for the 2012 Interim Period. Included in the selling and distribution costs of the Ausnutria Hyproca Group, approximately 38.6% was related to the sales and marketing costs of the Kabrita Series of products that were launched in the PRC in the fourth quarter of 2011.

Administrative expenses

	Six months ended 30 June			
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited) (As previously reported*)	2010 RMB'000 (Unaudited) (As previously reported*)	2009 RMB'000 (Audited) (As previously reported*)
Ausnutria Group	25,641	14,116	11,430	4,720
Ausnutria Hyproca Group	11,169	–	–	–
The Group	36,810	14,116	11,430	4,720

* No restatement arising from the Adjustments is required to be done.

Administrative expenses mainly comprised staff costs, travelling expenses, auditors' remuneration, professional fees, depreciation and research and development costs.

The increase in the Group's administrative expenses was primarily attributed to (i) the increase in staff costs as a result of the general increase in salary; (ii) the increase in depreciation charges on the Group's new information technology system which was put into use since the fourth quarter of 2011; (iii) the increase in depreciation charges on buildings and leasehold improvements after Ausnutria China relocated its office from the factory to its existing office premises in late 2011 and early 2012; and the consolidation effect of the Ausnutria Hyproca Group.

Other expenses

Other expenses for the 2012 Interim Period mainly comprised legal and professional fees incurred as a result of the Unresolved Issues of a total of approximately RMB2.1 million (2011 Interim Period: Nil; 2010 Interim Period: Nil; 2009 Interim Period: Nil).

Finance costs

	Six months ended 30 June			
	2012	2011	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
		(As previously reported*)	(As previously reported*)	(As previously reported*)
Ausnutria Group	–	–	1,371	4,181
Ausnutria Hyproca Group	2,515	–	–	–
The Group	2,515	–	1,371	4,181

* No restatement arising from the Adjustments is required to be done.

The finance costs of the Group for the 2012 Interim Period amounted to approximately RMB2.5 million, representing the interest on bank and other borrowings that were attributable to the Ausnutria Hyproca Group.

The finance costs of the Group for the 2009 Interim Period and the 2010 Interim Period of approximately RMB4.2 million and RMB1.4 million, respectively, represented interest on a bank loan of RMB350 million from China Construction Bank that was fully repaid on 22 January 2010. The Ausnutria Group did not have any bank borrowings for the 2011 Interim Period.

Income tax expenses

The profits generated by the Group were mainly derived from operations in the PRC and the Netherlands. Under the PRC income tax laws, enterprises are subject to corporate income tax (the "**CIT**") at a rate of 25%. Ausnutria China was designated as a High-tech Enterprise in 2010 and was granted a preferential CIT tax rate of 15% for the three years ended 31 December 2012. Further, the CIT rate of Ausnutria China for the Year 2010 and Year 2009 was 12.5% as Ausnutria China was entitled to a 50% CIT reduction holiday during those two years. All other subsidiaries established in the PRC are subject to the standard CIT rate of 25%. The standard CIT rate in the Netherlands was applied at 20% for the first EURO 200,000 taxable profits and 25% for the taxable profits exceeding EURO 200,000.

In March 2014, Ausnutria China succeeded in renewing its High-tech Enterprise qualification, upon which Ausnutria China will continue to entitle to the preferential CIT tax rate of 15%, for another three years from 1 January 2013.

An analysis of the effective tax rate is as follow:

	Six months ended 30 June			
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited) (Restated)	2010 RMB'000 (Unaudited) (Restated)	2009 RMB'000 (Audited) (As previously reported*)
	%	%	%	%
Effective income tax rate				
– Ausnutria Group	16.4	16.2	13.4	25.2
– Ausnutria Hyproca Group	26.7	N/A	N/A	N/A
– The Group	20.5	16.2	13.4	25.2

* No restatement arising from the Adjustments is required to be done.

The increase in the effective income tax rate of the Group for the 2012 Interim Period was primarily due to the consolidation effect of the Ausnutria Hyproca Group which the profit was subject to a higher CIT rate as it was derived mainly from operations in the Netherlands.

The effective income tax rate of the Ausnutria Group for the 2012 Interim Period was slightly higher than the preferential CIT tax rate and that was primarily due to losses derived from operations of the Company in relation to professional fees incurred for the handling of the Unresolved Issues and other office administrative expenses which were not tax deductible. The slightly higher than the preferential tax rate for the 2011 and the 2010 Interim Period was due to the overpayment of CIT in the 2011 Interim Period and the 2010 Interim Period arising from the Unresolved Issues, which may not be recoverable.

The effective income tax rate of the Ausnutria Hyproca Group of approximately 26.7% was in line with the standard CIT rate in the Netherlands.

Profit attributable to equity holders of the Company

The Group's profit attributable to equity holders of the Company for the 2012 Interim Period amounted to approximately RMB65.2 million, representing an increase of approximately 102.6% when compared with the 2011 Interim Period. The increase in net profit was mainly contributed by the growth in the operating performance of Ausnutria China and the contribution of operating profit by the Ausnutria Hyproca Group for the 2012 Interim Period of approximately RMB15.1 million (2011 Interim Period: Nil).

Management Discussion and Analysis

Analysis on Consolidated Statement of Financial Position

Non-current assets

As at 30 June 2012, the total non-current assets of the Group amounted to approximately RMB378.3 million (31 December 2011: approximately RMB392.6 million), mainly comprised property, plant and equipment of approximately RMB245.6 million (31 December 2011: approximately RMB251.6 million), goodwill arising from the acquisition of Ausnutria Hyproca of approximately RMB79.9 million (31 December 2011: approximately RMB82.9 million), other intangible assets of approximately RMB29.3 million (31 December 2011: approximately RMB31.3 million) and deferred tax assets of approximately RMB21.4 million (31 December 2011: approximately RMB22.9 million).

The decrease in the total non-current assets position of the Group as at 30 June 2012 when compared with 31 December 2011 was mainly due to the depreciation of EURO which has resulted in the decease in the total non-current assets position from the translation of the financial statements of the Ausnutria Hyproca Group that were denominated in EURO into RMB.

Current assets

As at 30 June 2012, the total current assets of the Group amounted to approximately RMB1,087.9 million (31 December 2011: approximately RMB1,144.9 million), mainly comprised inventories of approximately RMB224.1 million (31 December 2011: approximately RMB261.6 million), trade receivables of approximately RMB96.4 million (31 December 2011: approximately RMB119.8 million), bills receivable of approximately RMB19.8 million (31 December 2011: approximately RMB58.0 million), held-to-maturity investments of RMB60.0 million (31 December 2011: RMB200.0 million), time deposits with banks in the PRC of RMB420.0 million (31 December 2011: RMB110.0 million) and cash and cash equivalents of approximately RMB161.7 million (31 December 2011: approximately RMB342.2 million).

Inventories

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)	30 June 2011 RMB'000 (Unaudited) (Restated)	30 June 2010 RMB'000 (Unaudited) (Restated)	30 June 2009 RMB'000 (Audited)
Ausnutria Group	100,902	165,169	177,412	132,623	48,119
Ausnutria Hyproca Group	123,148	96,445	–	–	–
	224,050	261,614	177,412	132,623	48,119

Management Discussion and Analysis

The decrease in inventories as at 30 June 2012 was primarily attributed to the decrease in inventory level of the Ausnutria Group. Excluding the impact of the Ausnutria Hyproca Group, the inventory turnover days of the Ausnutria Group as at 30 June 2012 was approximately 191 days (31 December 2011: approximately 238 days). The Ausnutria Group normally requires to place its purchase orders with suppliers three to six months in advance of delivery. As a result of the lower than expected demand and hence sales in the PRC in the fourth quarter of 2011, the inventory level reached a comparatively high level as at 31 December 2011. Since 2012, the Group adopted a more prudent approach in placing its orders with distributors so as to digest the inventories carry forward from 2011, the inventory level gradually return to its normal level and the inventory turnover days as at 30 June 2012 decreased by 47 days when compared with 31 December 2011.

The inventory turnover days of the Ausnutria Hyproca Group as at 30 June 2012 was approximately 53 days and was in line with the stock planning arrangement.

Trade and bills receivables

	30 June	31 December		30 June	
	2012	2011	2011	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Audited)	(Unaudited) (Restated)	(Unaudited) (Restated)	(Audited)
Trade receivables					
– Ausnutria Group	**32,779**	22,600	39,909	37,193	8,158
– Ausnutria Hyproca Group	**63,575**	97,218	–	–	–
Bills receivables	**19,848**	57,974	20,990	–	16,312
	116,202	177,792	60,899	37,193	24,470

The decrease in trade and bills receivables as at 30 June 2012 was mainly attributable to the decrease in bills receivable and trade receivables of the Ausnutria Hyproca Group as at 30 June 2012 of approximately RMB38.1 million and approximately RMB33.6 million, respectively when compared with 31 December 2011.

The trade receivable turnover days of the Ausnutria Group and the Ausnutria Hyproca Group as at 30 June 2012 was approximately 19 days (31 December 2011: approximately 23 days) and approximately 33 days (31 December 2011: approximately 34 days), respectively, which remained fairly stable and were in line with the credit periods granted by the Group to its customers.

Held-to-maturity investments

The balance as at 30 June 2012 represented an entrusted loans investment of RMB60.0 million (31 December 2011: RMB200.0 million), maturing on 25 April 2013. The decrease in held-to-maturity investments was because the Group has adopted a more prudent treasury approach since then and switching from investments in entrusted loans to time deposits with reputable financial institutions in the PRC instead.

Time deposits and cash and cash equivalents

As at 30 June 2012, the Group's cash and bank balances and time deposits amounted to approximately RMB581.7 million, representing an increase of approximately RMB129.5 million or approximately 28.6% from RMB452.2 million as at 31 December 2011, of which approximately HK$240.8 million (31 December 2011: approximately HK$250.9 million) represented the unutilised portion of the proceeds from the IPO.

The increase in time deposits and cash and cash equivalents was mainly due to the change in the treasury strategy of the Group by switching a portion of the investment in the entrusted loans of RMB140.0 million to time deposits.

Current liabilities

As at 30 June 2012, the total current liabilities of the Group amounted to approximately RMB306.6 million (31 December 2011: approximately RMB441.6 million), mainly comprised trade payables of approximately RMB80.3 million (31 December 2011: approximately RMB84.3 million), other payables and accruals of approximately RMB155.4 million (31 December 2011: approximately RMB259.5 million) and interest-bearing bank loans and other borrowings of approximately RMB62.3 million (31 December 2011: approximately RMB91.4 million).

Trade payables

	30 June	31 December		30 June	
	2012	2011	2011	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Audited)	(Unaudited)	(Unaudited)	(Audited)
Ausnutria Group	21,632	21,321	14,365	24,487	12,868
Ausnutria Hyproca Group	58,659	62,976	–	–	–
	80,291	84,297	14,365	24,487	12,868

The trade payables of the Ausnutria Group and the Ausnutria Hyproca Group as at 30 June 2012 remained fairly stable when compared with 31 December 2011. The trade payable turnover days of the Ausnutria Group and the Ausnutria Hyproca Group as at 30 June 2012 was approximately 31 days (31 December 2011: approximately 25 days) and approximately 29 days (31 December 2011: approximately 26 days), respectively. The slight increase in the trade payable turnover days of the Ausnutria Group and the Ausnutria Hyproca Group was a result of the increase in average credit periods granted by the major suppliers due to the increase in quantity of raw materials purchased by the Group.

Other payables and accruals

Other payables and accruals as at 30 June 2012 mainly represented advances and deposits from customers of a total of approximately RMB65.1 million (31 December 2011: approximately RMB151.4 million), deferred income of RMB39.7 million (31 December 2011: approximately RMB39.4 million) and accrued salaries and welfare of approximately RMB10.9 million (31 December 2011: approximately RMB19.5 million).

In prior years/periods, Ausnutria China evaluated the performance of its distributors partly based on the amount of funds received from its distributors to be determined on an annual basis. In order to meet the annual target set out between Ausnutria China and its respective distributors, some of the distributors would advance cash to Ausnutria China in order to meet their targets particularly near the year end period so as to enjoy bigger sales target incentives and/or greater marketing support from Ausnutria China in the following year. The orders placed by the distributors and the actual physical delivery of the products to the distributors would depend on their then inventory level and the expected upcoming sales of respective distributors from time to time. As a result of the relatively lower amount of revenue being recognised in the Year 2011 when compared with the amount of funds received, the amount of advances from distributors (i.e. customers) relatively increased. Commencing from 2012, Ausnutria China has revised the policy with its distributors whereby the performance of its distributors were measured based on the value of goods dispatched. As a result of the above change in evaluation policy, the advances made by distributors as at 30 June 2012 decreased when compared with 31 December 2011.

Interest-bearing bank loans and other borrowings

The interest-bearing bank loans and other borrowings as at 30 June 2012 and 31 December 2011 were all attributed to the Ausnutria Hyproca Group for the financing of its daily working capital and capital expenditures.

The Group did not have any interest-bearing bank loans and other borrowings as at 30 June 2011, 2010 and 2009.

Non-current liabilities

As at 30 June 2012, the total non-current liabilities of the Group amounted to approximately RMB79.8 million (31 December 2011: approximately RMB85.3 million), mainly comprised interest-bearing bank loans and other borrowings of approximately RMB38.9 million (31 December 2011: approximately RMB42.7 million), accruals for defined benefit plan of approximately RMB13.2 million (31 December 2011: approximately RMB13.2 million), deferred tax liabilities of approximately RMB27.3 million (31 December 2011: approximately RMB28.9 million) and other liabilities of approximately RMB0.4 million (31 December 2011: approximately RMB0.5 million).

The Group did not have any non-current liabilities as at 30 June 2011, 2010 and 2009.

Non-controlling interests

The balance represented the 49% equity interests in Ausnutria Hyproca owned by DDI and the approximately 8.4% equity interests in Hyproca Lyempf that was owned by an independent third party.

Subsequent to 30 June 2012, on 19 October 2012, the Ausnutria Hyproca Group acquired the remaining approximately 8.4% equity interests in Hyproca Lyempf at a consideration of EURO 2.8 million (equivalent to approximately RMB22.8 million).

The Group did not have any non-controlling interests as at 30 June 2011, 2010 and 2009.

Other Information

MATERIAL INVESTMENTS AND ACQUISITIONS AND DISPOSALS

There were no material investment and acquisitions and disposals of subsidiaries and associated companies during the 2012 Interim Period.

FINANCIAL RESOURCES, LIQUIDITY AND PLEDGE OF ASSETS

The Group adopts conservative financial management policies. A summary of liquidity and financial resources is set out below:

	Notes	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)	30 June 2011 RMB'000 (Unaudited) (Restated)	30 June 2010 RMB'000 (Unaudited) (Restated)	30 June 2009 RMB'000 (Audited)
Cash and cash equivalents		161,672	342,241	438,403	665,264	138,843
Time deposits		420,000	110,000	–	–	–
Total bank loans and other borrowings	1	101,195	134,055	–	–	–
Total assets		1,466,236	1,537,490	1,150,719	1,206,949	287,946
		%	%	%	%	%
Gearing ratio	2	6.9	8.7	N/A	N/A	N/A

Notes:

(1) All the Group's bank loans and other borrowings as at 30 June 2012 and as at 31 December 2011 are attributed to the Ausnutria Hyproca Group and are denominated in EURO.

(2) Calculated as a percentage of total bank loans and other borrowings over total assets. For additional information, if the gearing ratio is calculated based on the net debt divided by the total equity plus the net debt, the gearing ratio at 31 December 2011 was 2.7%. The Group did not have any net debt as at 30 June 2012, 2011, 2010 and 2009. Net debt is calculated as the sum of an interest-bearing bank loans and other borrowings, trade payables and other payables and accruals, less time deposits and cash and cash equivalents.

As at 30 June 2012, the Ausnutria Hyproca Group had pledged its land and buildings, plant and machineries, inventories and trade receivables with a total carrying value of EURO 41.4 million (equivalent to approximately RMB325.5 million) (31 December 2011: EURO 41.5 million (equivalent to approximately RMB338.9 million); 30 June 2011, 2010 and 2009: Nil) for the banking facilities granted to the Ausnutria Hyproca Group.

Other Information

FOREIGN CURRENCY EXCHANGE RISK

The operations of the Group are mainly carried out in the PRC and the Netherlands. During the 2012 Interim Period, revenue, cost of sales and operating expenses of the Group are mainly denominated in Renminbi ("**RMB**"), Hong Kong dollars ("**HK$**"), United States dollars ("**US$**") or EURO and RMB is the Group's presentation currency. The Group is exposed to potential foreign exchange risk as a result of fluctuation of HK$, US$ or EURO against RMB. The Group did not enter into any arrangements for the purpose of hedging against the potential foreign exchange risks during the period under review.

The management will monitor closely on its foreign currency exposure to ensure appropriate measures are taken promptly against any significant potential adverse impact.

INTEREST RATE RISK

The Ausnutria Hyproca Group has exposure to the risk of change in market interest rate in relation to its interest-bearing bank loans and other borrowings with a floating interest rate. In order to minimise the impact of the interest rate exposure, the Ausnutria Hyproca Group entered into interest rate swap contracts with bank, effective from 1 October 2007, of a notional amount of EURO 2.5 million with 3-month floating EURO Interbank Offered Rate being swapped to a fixed interest rate of 4.45% per annum. The aforesaid derivative financial instrument will expire in October 2017.

CREDIT RISK

The Group seeks to maintain strict control over its outstanding receivables and closely monitors the collection to minimize credit risk. As the Group's exposure spreads over a diversified portfolio of customers, there is no significant concentration of credit risk.

The carrying amounts of cash and cash equivalents, trade and bill receivables, held-to-maturity investments, deposits and other receivables represent the Group's maximum exposure to credit risk in relation to the Group's other financial assets.

COMMITMENTS

As at 30 June 2012, the Group, as lessee, had total future minimum lease payments under non-cancellable operating leases amounting to approximately RMB4,067,000 (31 December 2011: RMB389,000; 31 December 2010: RMB402,000; 31 December 2009: RMB420,000).

As at 30 June 2012, the Group had contracted, but not provided for, capital commitments in respect of leasehold improvements and the purchase of plant and machineries amounted to approximately RMB4,221,000 (31 December 2011: RMB8,239,000; 31 December 2010 and 2009: Nil).

CONTINGENT LIABILITIES

As at 30 June 2012, the Group did not have any significant contingent liabilities (31 December 2011, 2010 and 2009: Nil).

USE OF PROCEEDS

The Shares were listed on the Main Board of the Stock Exchange on 8 October 2009 with net proceeds from the global offering of the Shares of approximately HK$823.1 million (after deducting underwriting commissions and related expenses) (the "**Net IPO Proceeds**").

The use of the Net IPO Proceeds from the global offering up to 30 June 2012 was as follows:

	As stated in the prospectus* HK$'000	Utilised HK$'000	Balance as at 30 June 2012 HK$'000
Invest in upstream operations	246,930	(164,416)	82,514
Expand the Group's distribution network and brand building	246,930	(219,591)	27,339
Enhance the Group's research and development efforts	82,310	(28,388)	53,922
Introduce new series of organic paediatric nutrition products	82,310	(61,346)	20,964
Establish new production lines and warehouse	82,310	(26,244)	56,066
General working capital	82,310	(82,310)	–
	823,100	(582,295)	240,805

The unused Net IPO Proceeds balance was deposited in reputable financial institutions in the PRC.

* The Directors intend to apply the remaining Net IPO Proceeds in the manner as stated in the prospectus of the Company dated 24 September 2009 (the "**Prospectus**") and as subsequently amended as set out in the announcement of the Company dated 8 September 2010 to place the utilised portion of the Net IPO Proceeds in short term deposits and short term treasury products with licensed banks and authorised financial institutions in Hong Kong and in the PRC.

Other Information

HUMAN RESOURCES

Number of full-time employees	Mainland China	Hong Kong	The Netherlands	Total
30 June 2012				
Ausnutria Group	562	3	–	565
Ausnutria Hyproca Group	156	–	221	377
	718	3	221	942
31 December 2011				
Ausnutria Group	555	2	–	557
Ausnutria Hyproca Group	111	–	155	266
	666	2	155	823
30 June 2011				
Ausnutria Group	526	2	–	528
Ausnutria Hyproca Group	N/A	N/A	N/A	N/A
	526	2	–	528
30 June 2010				
Ausnutria Group	472	2	–	474
Ausnutria Hyproca Group	N/A	N/A	N/A	N/A
	472	2	–	474
30 June 2009				
Ausnutria Group	272	–	–	272
Ausnutria Hyproca Group	N/A	N/A	N/A	N/A
	272	–	–	272

For the 2012 Interim Period, total employee costs, including directors' emoluments, amounted to approximately RMB70.6 million (2011 Interim Period: approximately RMB16.1 million; 2010 Interim Period: approximately RMB11.6 million; 2009 Interim Period: approximately RMB6.4 million), of which approximately RMB41.7 million (2011 Interim Period, 2010 Interim Period and 2009 Interim Period: Nil) were attributed to the Ausnutria Hyproca Group. The Group determined the remuneration packages of all employees with reference to individual performance and current market salary scale.

Other Information

The Group provides a defined contribution mandatory provident fund for retirement benefits of its employees in Hong Kong and various plans in either defined benefit or defined contribution arrangements for the retirement benefits of its employees in the Netherlands. The Group also provides various welfare schemes as required by the applicable local laws and regulations to its employees in the PRC.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Shares during the 2012 Interim Period and up to the date of this report.

DIVIDEND DISTRIBUTION

The Directors do not recommend a payment of an interim dividend for the 2012 Interim Period (2011, 2010 and 2009 Interim Periods: Nil).

DISCLOSURES PURSUANT TO RULE 13.20 OF THE LISTING RULES

In accordance with the disclosure requirements of Rule 13.20 of the Listing Rules, details in respect of the advance to an entity pursuant to Rule 13.13 of the Listing Rules are set out in note 14 to the interim condensed consolidated financial statements of this report.

CHANGES OF DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Below is the change of Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the 2011 Annual Report:

Mr. Chan Yuk Tong, an independent non-executive Director, had been appointed as a non-executive director of Golden Shield Holdings (Industrial) Limited with effect from 16 June 2014.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as contained in Appendix 10 to the Listing Rules as the standards for the directors' dealings in the securities of the Company. Having made specific enquiry with all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code for the six months ended 30 June 2012 and up to the date of this report.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to raising the standard of corporate governance within the Group at all times and believes that good corporate governance helps the Group to safeguard the interests of the Shareholders and improve its performance.

The Stock Exchange has revised and renamed the Code on Corporate Governance Practices (the "**CG Code**") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") to Corporate Governance Code (the "**New CG Code**") effective from 1 April 2012. The Board strives to implement the best practices embodies in the CG Code/New CG Code where feasible and as far as practicable.

Other Information

In the opinion of the Directors, the Company has complied with the respective code provisions of the CG Code/New CG Code during the 2012 Interim Period and up to the date of this report, except for the following deviations:

1) Delay in publishing the financial reports and convening annual general meetings

As a result of the Unresolved Issues, the Group has breached the financial reporting provisions under the Listing Rules in (i) announcing the annual/interim results and reports for the financial years ended 31 December 2012 and 2013 and for the six-month periods ended 30 June 2012 and 2013; and (ii) convening an annual general meeting for the financial years ended 31 December 2012 and 2013.

2) Code provision A.1.8

Under code provision A.1.8 of the New CG Code, the Company should arrange appropriate insurance cover in respect of legal action against its directors.

On 26 September 2013, the Company's previous insurance company informed the Company that the directors and officers liability insurance, which was going to lapse on 7 October 2013, would not be renewed as a result of the Suspension and the insurance company was not in a position to undertake a full assessment for the risk exposure. On 7 January 2014, the Company has already entered into a new directors and officers liability insurance with another insurance company.

3) Code Provision A.2.7

Under code provision A.2.7 of the New CG Code, the chairman should at least annually hold meetings with non-executive directors (including independent non-executive directors) without the executive directors present.

On 1 November 2013, a meeting had been held among the chairman and the non-executive Director (including the independent non-executive Directors) without the other executive Directors present, to discuss, among other things, the status in relation to the Suspension and the latest development of the Group. No such meeting has been held during the 2012 Interim Period and up to 31 October 2013 due to the unavoidable business engagements of the relevant Directors.

4) Code provisions A.6.7 and E.1.2

Under code provision A.6.7 of the New CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of the Shareholders. In addition, code provision E.1.2 of the New CG Code provides that the chairman of the board should attend the annual general meeting.

As referred to the section headed "Delay in publishing the financial reports and convening annual general meetings" above, the Company will convene an annual general meeting for the Years 2012 and 2013 on 19 August 2014.

Internal control review

Apart from the above and save for the findings of the internal control review conducted by PKF as disclosed in the announcements of the Company dated 11 November 2013 (the "**First Stage IC Review**"), in the opinion of the Directors, the Company has complied with the code provisions set out in the CG Code/New CG Code during the 2012 Interim Period.

Subsequent to the reporting period, on 24 March 2014, the Company has engaged PKF to conduct a comprehensive review of the Group's internal control systems, including the Group's internal control components which are not related to the Unresolved Issues and not covered by the Internal Control Review carried out by PKF (the "**Second Stage IC Review**").

PKF has on 27 June 2014 issued the report on the Second Stage IC Review to the Company. Based on the report, PKF opined that, after completing their review on the Group's internal control, the Group maintained, in all material respects, effective internal control as at 31 December 2013, based on the criteria established in Internal Control – Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission. PKF also considered that the Company has put in place effective internal control to meet the obligations of the Listing Rules.

Further details regarding the Second Stage IC Review are set out in the announcement of the Company dated 27 June 2014.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2012 and as at the date of this report, the interests and short positions of the Directors and chief executive of the Company in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), as 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, were as follows:

Name	Notes	**Number of ordinary shares**	**Nature of Interest**	**Percentage of issued share capital**
As at 30 June 2012				
Mr. Wu Yueshi ("**Mr. Wu**")	(i)	474,646,000	Interest of a controlled corporation	48.10%
Mr. Chen Yuanrong ("**Mr. Chen**")	(ii)	107,000,000	Interest of a controlled corporation	10.84%
Mr. Yan Weibin ("**Mr. Yan**")	(iii)	474,646,000	Interest of a controlled corporation	48.10%
As at the date of this report				
Mr. Yan	(iii)	474,646,000	Interest of a controlled corporation	48.10%
Mr. Bartle van der Meer ("**Mr. van der Meer**")	(iv)	213,125,000	Interest of a controlled corporation	21.60%

Other Information

Notes:

(i) The shareholding interest of Mr. Wu is being held through Brave Leader Limited ("**Brave Leader**"), Silver Castle International Limited ("**Silver Castle**") and Ausnutria Holding Co. Ltd. ("**Ausnutria BVI**"). Brave Leader, Silver Castle and Ausnutria BVI were beneficially held as to 59.57%, 59.57% and 60% respectively by Mr. Wu. Mr. Wu resigned as a Director on 7 June 2013.

(ii) The shareholding interest of Mr. Chen is being held through All Harmony International Limited ("**All Harmony**") which was held as to 49.22% by Mr. Chen. Mr. Chen resigned as a Director and Chief Executive Officer on 7 June 2013.

(iii) The shareholding interest of Mr. Yan is being held through Brave Leader, Silver Castle and Ausnutria BVI. Brave Leader, Silver Castle and Ausnutria BVI were beneficially held as to 9.76%, 9.76% and 30% respectively by Mr. Yan. The above disclosure of interests in the Company is made based on the voluntary declaration submitted by Mr. Yan although Mr. Yan beneficially controls less than one third of interests in each of Brave Leader, Silver Castle and Ausnutria BVI.

(iv) The shareholding interest of Mr. van der Meer is being held through DDI. DDI is owned as to approximately 46.55% by PMH Investments B.V., which is beneficially owned as to 85% by Mr. van der Meer and 15% by Mr. Durk Andries van der Meer, being the son of Mr. van der Meer. Of these shares, 11,000,000 shares were beneficially held by DDI as at 30 June 2012 and 202,125,000 COA Shares are to be issued by the Company to DDI as the consideration shares upon the exercise of the call option pursuant to the COA.

Save as disclosed above, as at 30 June 2012 and as at the date of this report, none of the Directors and chief executive of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Save as the COA Shares disclosed in the section headed "Directors' and chief executive's interests and short positions in shares and underlying shares" above, at no time during the 2012 Interim Period and up to the date of this report were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

According to the register kept by the Company pursuant to Section 336 of the SFO and so far as was known to, or can be ascertained after reasonable enquiry by the Directors, the following persons (other than the Directors and chief executive of the Company) had and interest or short position in the shares and underlying interests of 5% or more of the issued share capital of the Company were as follows:

Name	Notes	Number of ordinary shares	Nature of Interest	Percentage of issued share capital
As at 30 June 2012				
All Harmony	(i)	107,000,000	Registered owner	10.84%
Brave Leader	(ii)	214,646,000	Registered owner	21.75%
Silver Castle	(iii)	60,000,000	Registered owner	6.08%
Ausnutria BVI	(iv)	200,000,000	Registered owner	20.27%
Ms. Xiong Fanyi ("**Mrs. Wu**")	(v)	474,646,000	Family interest	48.10%
As at the date of this report				
All Harmony	(i)	107,000,000	Registered owner	10.84%
Brave Leader	(ii)	214,646,000	Registered owner	21.75%
Silver Castle	(iii)	60,000,000	Registered owner	6.08%
Ausnutria BVI	(iv)	200,000,000	Registered owner	20.27%
Mr. Chen	(i)	107,000,000	Interest of a controlled corporation	10.84%
Mr. Wu	(ii), (iii), (iv)	474,646,000	Interest of a controlled corporation	48.10%
Mrs. Wu	(v)	474,646,000	Family interest	48.10%

Notes:

(i) All Harmony is owned as to 49.22% by Mr. Chen and a number of former and present employees of the Group.

(ii) Brave Leader is owned as to 59.57% by Mr. Wu, 30.67% by Ms. Wu Xing Xing ("**Ms. Wu**"), the elder sister of Mr. Wu and 9.76% by Mr. Yan.

(iii) Silver Castle is owned as to 59.57% by Mr. Wu, 30.67% by Ms. Wu and 9.76% by Mr. Yan.

(iv) Ausnutria BVI is owned as to 60% by Mr. Wu, 30% by Mr. Yan and 10% by Mrs. Wu.

(v) Mrs. Wu is the spouse of Mr. Wu and is deemed to be interested in the shares held by Mr. Wu, Brave Leader, Silver Castle and Ausnutria BVI pursuant to the SFO.

Save as disclosed above, as at 30 June 2012 and as at the date of this report, no person, other than the Directors, whose interests are set out in the section headed "Directors' and chief executive's interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Other Information

SHARE OPTION SCHEME

Summary of terms

The following is a summary of the principal terms of the share option scheme conditionally approved and adopted by a written resolution passed by all Shareholders on 19 September 2009 (the "**Scheme**"):

(a) Purpose

The purpose of the Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to the Company.

(b) The participants

The Directors may, at their absolute discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for the Shares at a price calculated in accordance with subparagraph (f) below:

i. any employee or proposed employee (whether full-time or part-time and including any executive Director), consultants or advisers of or to the Company, any of the subsidiaries or any entity ("**Invested Entity**") in which the Company holds an equity interest;

ii. any non-executive Directors (including independent non-executive Directors), any of the subsidiaries or any Invested Entity;

iii. any supplier of goods or services to the Company or any of the subsidiaries or any Invested Entity;

iv. any customer of the Company or any Invested Entity;

v. any person or entity that provides research, development or other technological support to the Company or any Invested Entity; and

vi. any Shareholder or any of the subsidiaries or any Invested Entity or any holder of any securities issued by the Company or any of the subsidiaries or any Invested Entity,

and for the purposes of the Scheme, the options may be granted to any company wholly-owned by one or more persons belonging to any of the above classes of participants. For the avoidance of doubt, the grant of any options by the Company for the subscription of Shares or other securities of the Company to any person who falls within any of the above classes of participants shall not, by itself, unless the Directors otherwise determine, be construed as a grant of option under the Scheme.

The basis of eligibility of any of the above classes of participants to the grant of any options shall be determined by the Directors from time to time on the basis of the participants' contribution to the development and growth of the Company.

In order for a person to satisfy the Directors that he is qualified to be (or where applicable, continues to qualify to be) a participant, such person shall provide all such information as the Directors may request for the purpose of assessing his eligibility (or continuing eligibility).

(c) Maximum number of Shares

i. The maximum number of Shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company must not in aggregate exceed 30% of the issued share capital of the Company from time to time. No options may be granted under any schemes of the Company (or the subsidiary of the Company) if such grant will result in the maximum number being exceeded.

ii. The total number of Shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Scheme) to be granted under the Scheme and any other share option schemes of the Company must not in aggregate exceed 100,000,000 Shares, being 10% of the total number of Shares in issue at the time dealings in the Shares first commence on the Stock Exchange (excluding the Shares which may be issued pursuant to the exercise of the Over-allotment Option) ("**General Mandate Limit**").

iii. Subject to (i) above and without prejudice to (iv) below, the Company may seek approval of the Shareholders in general meeting to refresh the General Mandate Limit. However, the total number of Shares which may be issued upon exercise of all outstanding options to be granted under the Scheme and any other share option schemes of the Company under the limit as "refreshed" must not exceed 10% of the Shares in issue as of the date of approval of the refreshed limit. Options previously granted under the Scheme and any other share option schemes of the Company (including those outstanding, cancelled or lapsed in accordance with the Scheme and other share option schemes of the Company or exercised options) will not be counted for the purpose of calculating the limit as "refreshed". The Company will send a circular to the Shareholders in compliance with Note (1) to Rule 17.03(3) and Rule 17.06 of the Listing Rules and/or such other requirements as prescribed in the Listing Rules.

iv. Subject to (i) above and without prejudice to (iii) above, the Company may seek separate approval of the Shareholders in general meeting for granting options beyond the General Mandate Limit provided the options in excess of the limit are granted only to participants specifically identified by the Company before such approval is sought. The Company will issue a circular to the Shareholders in compliance with Note (1) to Rule 17.03(3) and Rule 17.06 of the Listing Rules and/or such other requirements as prescribed in the Listing Rules.

(d) Maximum entitlement of each participant and connected persons

i. Unless approved by the Shareholders, the total number of Shares issued and to be issued upon exercise of all outstanding options granted under the Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each participant in any 12-month period must not exceed 1% of the Shares in issue ("**Individual Limit**").

ii. Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to the Shareholders in compliance with the Note to Rule 17.03(4) and Rule 17.06 of the Listing Rules and/or such other requirements as prescribed in the Listing Rules and the approval of the Shareholders in general meeting with such participant and his associates abstaining from voting. The number and terms (including the exercise price) of options to be granted to such participant must be fixed before the Shareholders' approval and the date of the Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under Note (1) to Rule 17.03(9) of the Listing Rules.

iii. In addition to the Shareholders' approval set out in Note (1) to Rule 17.03(3) and Note to Rule 17.03(4) of the Listing Rules, each grant of options to a Director, chief executive or substantial Shareholder or any of their respective associates must be approved by the INEDs (excluding any INED who is the grantee of the options).

iv. Where any grant of options to a substantial Shareholder or an independent non-executive Director or any of their respective associates would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) under the Scheme or any other share option schemes of the Company to such person in the 12-month period up to and including the date of such grant:

(1) representing in aggregate more than 0.1% of the Shares in issue; and

(2) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5 million,

such further grant of options must be approved by the Shareholders. The Company must send a circular to the Shareholders. All of the connected persons must abstain from voting in favour at such general meeting. Any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular. Any vote taken at the meeting to approve the grant of such option must be taken on a poll.

(e) Minimum period of holding an option and performance target

The Directors may, at their absolute discretion, fix any minimum period for which an option must be held, any performance targets that must be achieved and any other conditions that must be fulfilled before the options can be exercised upon the grant of an option to a participant.

(f) Subscription price for Shares

The subscription price of a Share in respect of any option granted under the Scheme shall be such price as the Board in its absolute discretion shall determine, provided that such price shall not be less than the highest of (i) the nominal value of the Shares; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant of the option; and (iii) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option (which must be a business day). A consideration of HK$1.00 is payable on acceptance of the offer of the grant of an option.

(g) ***Rights are personal to grantee***

An option granted under the Scheme shall not be transferable or assignable and is personal to the grantee.

(h) ***Time of exercise of option***

An option may be accepted by a participant within 28 days from the date of the offer of grant of the option.

An option may be exercised in accordance with the terms and conditions of the Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on a day upon which the offer for the grant of the option is accepted but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof.

(i) ***Ranking of Shares***

The Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles of Association for the time being in force and will rank pari passu in all respects with the then existing fully paid Shares in issue on the date of exercise of the option and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of exercise of the option other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with reference to a record date falling before the date of exercise of the option. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the name of the grantee of such option has been duly entered on our register of members or the holder thereof.

(j) ***Period of the Share Option Scheme***

Unless terminated by the Company by resolution in general meeting, the Scheme shall be valid and effective for a period of 10 years commencing on the date on which the Scheme becomes unconditional.

Present status of the Share Option Scheme

As at the date of this report, no option has been granted or agreed to be granted under the Scheme.

AUDIT COMMITTEE

The Company has an audit committee, which was established with written terms of reference in compliance with Rules 3.21 to 3.23 of the Listing Rules. The primary duties of the audit committee are to provide the Board with an independent review of the effectiveness of the financial reporting process, internal control and risk management of the Group, to oversee the audit process and to perform other duties and responsibilities stated in the written terms of reference. The audit committee comprises three independent non-executive Directors, namely, Mr. Qiu Weifa, Mr. Jason Wan and Mr. Chan Yuk Tong (Chairman). The unaudited interim condensed consolidated financial statements of the Group for the 2012 Interim Period have been reviewed by the audit committee.

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012

	Notes	Six months ended 30 June 2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited) (Restated)	2010 RMB'000 (Unaudited) (Restated)	2009 RMB'000 (Audited) (As previously reported#)
REVENUE	4	714,725	184,836	242,835	320,972
Cost of sales		(505,502)	(94,819)	(118,587)	(184,711)
Gross profit		209,223	90,017	124,248	136,261
Other income and gains	4	10,952	7,599	7,388	4,547
Selling and distribution costs		(76,316)	(39,105)	(75,381)	(44,717)
Administrative expenses		(36,810)	(14,116)	(11,430)	(4,720)
Other expenses		(3,537)	(5,999)	(8,919)	(121)
Finance costs	5	(2,515)	–	(1,371)	(4,181)
Profit before tax	6	100,997	38,396	34,535	87,069
Income tax expense	7	(20,685)	(6,207)	(4,620)	(21,908)
PROFIT FOR THE PERIOD		80,312	32,189	29,915	65,161
PROFIT FOR THE PERIOD		80,312	32,189	29,915	65,161
Attributable to:					
Owners of the parent		65,227	32,189	29,915	65,161
Non-controlling interests		15,085	–	–	–
		80,312	32,189	29,915	65,161
OTHER COMPREHENSIVE (LOSS)/ INCOME:					
Exchange difference on translation of foreign operations		(11,067)	(600)	170	(10)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		69,245	31,589	30,085	65,151
Attributable to:					
Owners of the parent		59,317	31,589	30,085	65,151
Non-controlling interests		9,928	–	–	–
		69,245	31,589	30,085	65,151
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT					
– basic and diluted (RMB)	9	6.61 cents	3.19 cents	2.86 cents	8.15 cents

As previously reported in the Prospectus dated 24 September 2009

Interim Condensed Consolidated Statement of Financial Position

30 June 2012

	Notes	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)	2011 RMB'000 (Unaudited) (Restated)	30 June 2010 RMB'000 (Unaudited) (Restated)	2009 RMB'000 (Audited) (As previously reported#)
NON-CURRENT ASSETS						
Property, plant and equipment	10	245,555	251,619	41,184	30,227	27,045
Prepaid land lease payments		2,171	2,199	2,228	2,285	2,342
Goodwill		79,931	82,891	–	–	–
Other intangible assets		29,257	31,305	1,934	1,091	359
Investments in associates		–	1,730	3,260	–	–
Deferred tax assets		21,416	22,896	6,346	1,078	–
Long-term prepayment		–	–	154,106	–	–
Total non-current assets		378,330	392,640	209,058	34,681	29,746
CURRENT ASSETS						
Inventories	11	224,050	261,614	177,412	132,623	48,119
Trade and bills receivables	12	116,202	177,792	60,899	37,193	24,470
Prepayments, deposits and other receivables	13	105,982	49,384	54,122	137,188	46,768
Held-to-maturity investments	14	60,000	200,000	200,000	200,000	–
Tax recoverable		–	3,819	10,825	–	–
Time deposits		420,000	110,000	–	–	–
Cash and cash equivalents	15	161,672	342,241	438,403	665,264	138,843
Total current assets		1,087,906	1,144,850	941,661	1,172,268	258,200
CURRENT LIABILITIES						
Trade payables	16	80,291	84,297	14,365	24,487	12,868
Deposits received, other payables and accruals	17	155,351	259,508	187,933	110,766	188,738
Derivative financial instruments		984	1,175	–	–	–
Dividend payable		–	–	24,628	54,699	–
Interest-bearing bank loans and other borrowings		62,323	91,386	–	–	–
Tax payable		7,638	5,204	–	420	18,120
Total current liabilities		306,587	441,570	226,926	190,372	219,726
NET CURRENT ASSETS		781,319	703,280	714,735	981,896	38,474
TOTAL ASSETS LESS CURRENT LIABILITIES		1,159,649	1,095,920	923,793	1,016,577	68,220

Interim Condensed Consolidated Statement of Financial Position

30 June 2012

	Notes	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)	30 June 2011 RMB'000 (Unaudited) (Restated)	30 June 2010 RMB'000 (Unaudited) (Restated)	30 June 2009 RMB'000 (Audited) (As previously reported#)
NON-CURRENT LIABILITIES						
Interest-bearing bank loans and other borrowings		38,872	42,669	–	–	–
Defined benefit plan		13,168	13,207	–	–	–
Deferred tax liabilities		27,283	28,927	–	1,012	–
Other liabilities		454	490	–	–	–
Total non-current liabilities		79,777	85,293	–	1,012	–
Net assets		1,079,872	1,010,627	923,793	1,015,565	68,220
EQUITY						
Equity attributable to owners of the parent						
Issued capital	18	86,866	86,866	86,971	92,066	–
Reserves		899,693	840,376	836,822	923,499	68,220
		986,559	927,242	923,793	1,015,565	68,220
Non-controlling interests		93,313	83,385	–	–	–
Total equity		1,079,872	1,010,627	923,793	1,015,565	68,220

\# As previously reported in the Prospectus dated 24 September 2009

Mr. Yan Weibin
Executive Director

Mr. Chan Yuk Tong
Independent Non-executive Director

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012

	Attributable to owners of the parent									
	Issued capital RMB'000	Share premium account* RMB'000	Capital reserve* RMB'000	Statutory surplus reserve* RMB'000	Exchange fluctuation reserve* RMB'000	Retained profits* RMB'000	Proposed final dividend RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Six months ended 30 June 2012 (unaudited)										
At 1 January 2012	86,866	533,856	23,406	43,404	(15,466)	255,176	–	927,242	83,385	1,010,627
Profit for the period	–	–	–	–	–	65,227	–	65,227	15,085	80,312
Other comprehensive loss for the period:										
Exchange differences on translation of foreign operations	–	–	–	–	(5,910)	–	–	(5,910)	(5,157)	(11,067)
Total comprehensive income for the period	–	–	–	–	(5,910)	65,227	–	59,317	9,928	69,245
At 30 June 2012	86,866	533,856	23,406	43,404	(21,376)	320,403	–	986,559	93,313	1,079,872
Six months ended 30 June 2011 (unaudited)										
At 1 January 2011										
As previously reported	92,066	649,167	23,406	39,410	(52)	304,999	26,676	1,135,672	–	1,135,672
Prior year adjustments	–	–	–	–	–	(90,104)	–	(90,104)	–	(90,104)
As restated	92,066	649,167	23,406	39,410	(52)	214,895	26,676	1,045,568	–	1,045,568
Profit for the period (as restated)	–	–	–	–	–	32,189	–	32,189	–	32,189
Other comprehensive loss for the period:										
Exchange differences on translation of foreign operations	–	–	–	–	(600)	–	–	(600)	–	(600)
Total comprehensive income for the period	–	–	–	–	(600)	32,189	–	31,589	–	31,589
Repurchase of shares	(5,095)	(123,469)	–	–	–	–	–	(128,564)	–	(128,564)
Final 2010 dividend declared and paid	–	1,876	–	–	–	–	(26,676)	(24,800)	–	(24,800)
At 30 June 2011 (restated)	86,971	527,574	23,406	39,410	(652)	247,084	–	923,793	–	923,793

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012

	Attributable to owners of the parent									
	Issued capital RMB'000	Share premium account* RMB'000	Capital reserve* RMB'000	Statutory surplus reserve* RMB'000	Exchange fluctuation reserve* RMB'000	Retained profits* RMB'000	Proposed final dividend RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Six months ended 30 June 2010 (unaudited)										
At 1 January 2010										
As previously reported	92,066	675,843	23,406	26,598	(190)	207,644	55,206	1,080,573	–	1,080,573
Prior year adjustments	–	–	–	–	–	(39,887)	–	(39,887)	–	(39,887)
As restated	92,066	675,843	23,406	26,598	(190)	167,757	55,206	1,040,686	–	1,040,686
Profit for the period (as restated)	–	–	–	–	–	29,915	–	29,915	–	29,915
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	–	–	–	–	170	–	–	170	–	170
Total comprehensive income for the period	–	–	–	–	170	29,915	–	30,085	–	30,085
Final 2009 dividend declared and paid	–	–	–	–	–	–	(55,206)	(55,206)	–	(55,206)
At 30 June 2010 (restated)	92,066	675,843	23,406	26,598	(20)	197,672	–	1,015,565	–	1,015,565
Six months ended 30 June 2009 (audited)										
At 1 January 2009	–	–	23,406	8,555	20	73,567	–	105,548	–	105,548
Profit for the period	–	–	–	–	–	65,161	–	65,161	–	65,161
Other comprehensive loss for the period:										
Exchange differences on translation of foreign operations	–	–	–	–	(10)	–	–	(10)	–	(10)
Total comprehensive income for the period	–	–	–	–	(10)	65,161	–	65,151	–	65,151
Distribution to owners	–	–	(102,479)	–	–	–	–	(102,479)	–	(102,479)
At 30 June 2009	–	–	(79,073)	8,555	10	138,728	–	68,220	–	68,220

* These reserve accounts comprise the consolidated reserves of RMB899,693,000 (31 December 2011: RMB840,376,000; 30 June 2011 (restated): RMB836,822,000; 30 June 2010 (restated): RMB923,499,000; 30 June 2009: RMB68,220,000) in the interim condensed consolidated statement of financial position.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2012

	Six months ended 30 June			
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)	2009 RMB'000 (Audited)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	35,342	61,479	(124,382)	75,297
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	(183,980)	(132,725)	(239,080)	16,151
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(30,869)	(128,564)	(436,823)	(30,254)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(179,507)	(199,810)	(800,285)	61,194
Cash and cash equivalents at beginning of period	342,241	638,984	1,465,887	77,659
Effect of foreign exchange rate changes, net	(1,062)	(771)	(338)	(10)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	161,672	438,403	665,264	138,843
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and cash equivalents	161,672	438,403	665,264	138,843

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 8 June 2009. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal offices of the Group in Mainland China, at Floor 9, XinDaXin Building, No. 168, HuangXing Road (M), Changsha City, Hunan Province; in Hong Kong, at Room 2101, Beautiful Group Tower, 77 Connaught Road Central, Central; and in the Netherlands, at Burgemeester Falkenaweg 58-1 (8442LE), Heerenveen. The Shares were listed on the Main Board of the Stock Exchange on 8 October 2009.

The Company acts as an investment holding company of the Group. The Group is principally engaged in the production, marketing and distribution of paediatric nutrition products in the PRC and the dairy industry in the Netherlands with activities ranging from research and development, milk collection, processing, production, packaging, marketing and sales of dairy products to customers in the Netherlands and other overseas countries.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

Basis of preparation and restatement of interim financial statements for the 2010 Interim Period and the 2011 Interim Period

As mentioned in the Company's annual report for the year ended 31 December 2011, during the audit in respect of the financial statements for the year ended 31 December 2011, the Unresolved Issues relating to Ausnutria China, were reported by EY, to the Board on 29 March 2012. On the same date, in the interest of the Company and its shareholders as a whole, the Company then applied for the suspension of trading of its shares on the Stock Exchange. Details in relation to the Unresolved Issues are set out in the announcement of the Company dated 28 June 2013.

On 29 March 2012, the SRC comprising two of the independent non-executive directors of the Company, namely Mr. Qiu Weifa and Mr. Chan Yuk Tong, was established by the Board to conduct a review in relation to the Unresolved Issues. The SRC, upon its establishment, requested the Management to carry out a review to, among other things, quantify the financial impact in relation to the Unresolved Issues. Based on its review, the Management informed the SRC prior to the commencement of the PwC Review (as defined herein below) that certain sales of Ausnutria China amounting to RMB123 million (equivalent to approximately RMB143.5 million (inclusive of 17% valued-added-tax in the PRC (the "**VAT**"))) were recorded in the accounting system of Ausnutria China in December 2011 (the "**Questionable December Transactions**"), but the goods had not yet been delivered to its distributors on or before 31 December 2011 and accordingly, should not be recognised as sales of Ausnutria China in December 2011.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

Basis of preparation and restatement of interim financial statements for the 2010 Interim Period and the 2011 Interim Period (continued)

Following the Unresolved Issues raised by Ernst & Young and the establishment of the SRC, King & Wood Mallesons ("**KWM**") were engaged by the SRC as the legal advisors to the SRC and the Board in relation to the Unresolved Issues. In turn, PwC, an independent professional adviser, was appointed by KWM on behalf of the SRC to conduct the PwC Review on the Unresolved Issues. PwC issued its report in relation to its findings on the PwC Review to KWM, which was copied to the SRC, on 12 August 2013.

The key findings of the PwC Review are:

(a) the Questionable December Transactions (in respect of which the relevant underlying documents relating to a sample of the Questionable December Transactions appeared to be different from a sample of transactions of Ausnutria China for other months in 2011, and for which the goods involved had not been delivered to the distributors on or before 31 December 2011), should not be recognised as sales of Ausnutria China in December 2011;

(b) the integrity of Ausnutria China's old sales order system (the "**Old Sales Order System**", which had ceased to be used since October 2011 but recorded the Questionable December Transactions) is questionable, as the data in which relating to the Questionable December Transactions had been manually altered. The integrity of the warehouse barcode system of Ausnutria China is also questionable as the data in the warehouse barcode system for December 2011 had been manually altered to match the data previously provided by the management of Ausnutria China to Ernst & Young; and

(c) there were discrepancies between the accounting records of monthly quantity of goods delivered kept by the accounting department of Ausnutria China (the "**Accounting Records**") and information provided by the independent logistic service provider engaged by Ausnutria China involved in the Unresolved Issues during January to November 2011 as well as discrepancies in the inventory movement records between the Accounting Records and Ausnutria China's warehouse records (the "**Warehouse Records**") in 2011.

In addition to the Questionable December Transactions, PwC also identified other questionable transactions of Ausnutria China amounting to approximately RMB11.5 million (inclusive of 17% VAT) for November 2011 (the "**Questionable November Transactions**") and approximately RMB39.6 million (inclusive of 17% VAT) for the period from January to November in 2011 with a similar pattern to those of the Questionable December Transactions.

Further details in relation to the PwC Review are set out in the announcement of the Company on 18 August 2013.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

Basis of preparation and restatement of interim financial statements for the 2010 Interim Period and the 2011 Interim Period (continued)

Based on the results of the PwC Review and certain responses provided by the Management and the SRC, the Board found that certain employees in the accounting department, the information technology department, the sales department and the logistics department of Ausnutria China were involved in fabricating various delivery documents, including sales orders, delivery notes, the logistic service provider's delivery notes and goods receipts acknowledged by customers, which were presented to Ernst & Young for examination during the audit with a view to matching the financial data previously provided by certain employees of Ausnutria China to Ernst & Young and creating the impression that the Questionable November Transactions, the Questionable December Transactions and certain other questionable sales transactions during the period from January to November in 2011 had taken place before the relevant underlying goods were actually delivered. Based on the results of the PwC Review and other work performed by the Management and the SRC, the Board concluded that errors relating to the early recognition of revenue had occurred since October 2009 and extended into 2010 and 2011.

The SRC and the Board directed the Company to adopt measures to address the Unresolved Issues raised by Ernst & Young as well as the findings of the PwC Review. These measures have included the restructuring of the Board and the senior management of Ausnutria China, and the implementation of recommendations from an external professional internal control consultant on control weaknesses in the internal control(s) and information technology system(s) of the Company and Ausnutria China that may have given rise to the Unresolved Issues.

Due to the fact that (i) the former chief financial officer of Ausnutria China and a number of employees who might have been involved in the Unresolved Issues had left Ausnutria China and the information gathered from other employees did not appear to be conclusive; (ii) some of the Accounting Records, the Warehouse Records and certain other supporting documents have been manually altered and/or forged; and (iii) the lack of complete and accurate records of Ausnutria China, as the hard disk which hosted the Old Sales Order System had been inoperable since March 2012 and there was no backed up data available, the SRC and the Board had doubts over the completeness and accuracy of the accounting records in relation to certain sales transactions and the corresponding cost of sales of Ausnutria China for the year ended 31 December 2011 and certain periods prior to that date (as mentioned above) and, accordingly, the related trade receivables and inventories as at 31 December 2011 and the reporting period dates of certain other periods prior to 31 December 2011 (as mentioned above).

The SRC and the Board noted that each of the staff in the sales accounting department（營銷財務部）of Ausnutria China had kept the Order Books. The Order Books were prepared to keep track of the sales order status of and the cash receipts from Ausnutria China's distributors.

In view of the abovementioned doubts over the completeness and accuracy of the accounting records, as the Order Books are the best available alternative information that the SRC and the Board can reasonably rely on, the Management has used the information maintained by the sales accounting department in the Order Books to summarise all the orders and cash receipt information and compared them to the financial statements of Ausnutria China from January 2006 to December 2011. Certain additional procedures were also carried out by the Management, including but not limited to the confirmation and reconciliation of balances with the distributors as at 30 June 2013, certain roll-back procedures based on the confirmed balances of trade receivables and reconciling the cash receipts as set out in the Order Books with Ausnutria China's bank statements for the relevant years.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

Basis of preparation and restatement of interim financial statements for the 2010 Interim Period and the 2011 Interim Period (continued)

Based on the results of the PwC Review and the information available at the date of approval of these consolidated financial statements, the SRC and the Board believe that the Questionable December Transactions, the Questionable November Transactions and other questionable sales transactions, if any, during the period from January to November in 2011 should have been excluded from the preparation of the consolidated financial statements of the Group for the year ended 31 December 2011 and all significant adjustments in relation to the Unresolved Issues have been put through to adjust the consolidated financial statements for the six-month period ended 31 December 2009, and therefore for the year ended 31 December 2009, for the years ended 31 December 2010 and 2011, and for the six-month periods ended 30 June 2010, 2011 and 2012.

Basis of presentation

The Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2012 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with International Accounting Standard ("**IAS**") 34 *Interim Financial Reporting* issued by the International Accounting Standards Board ("**IASB**").

The Interim Condensed Consolidated Financial Statements does not include all the information and disclosures required for annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2011. The Interim Condensed Consolidated Financial Statements are presented in RMB and all values are rounded to nearest thousand (RMB'000), except when otherwise indicated.

Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the Interim Condensed Consolidated Financial Statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011, except for the adoption of new standards and interpretations as of 1 January 2012, noted below.

In the current interim period, the Group has applied, for the first time, the following new or revised standards and interpretations (the "**new or revised IFRSs**") issued by the IASB.

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
IAS 12 Amendments	Amendments to IAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

The above amendments to IFRSs standards did not have any impact on the accounting policies, financial position or performance of the Group.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

Changes in accounting policies and disclosures (continued)

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Correction of prior periods' errors

As explained in the above, Ausnutria China had recorded certain of its sales in advance of their delivery to customers. Such errors occurred from October 2009. The comparative interim condensed consolidated financial statements of the Group for the six months ended 30 June 2010 and 2011 have been restated to correct the errors based on the Management's best estimation. The effect of the restatement on those financial statements is summarised below:

	Effect for the six months ended 30 June	
	2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)
Decrease in revenue	(34,194)	(51,715)
Decrease in cost of sales	(7,627)	(21,980)
Decrease in profit before tax	(26,567)	(29,735)
Decrease in profit for the period	(22,550)	(29,735)
Restated earnings per share attributable to ordinary equity holders of the parent – basic and diluted (RMB)	3.19 cents	2.86 cents

	Effect at 30 June	
	2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)
Increase in deferred tax assets	4,017	–
Increase in inventories	57,012	60,286
Decrease in trade and bills receivables	(60,177)	(67,291)
Increase in tax recoverable	4,146	–
Increase in deposits received, other payables and accruals	117,652	62,617

The Directors consider that the errors did not occur prior to 30 June 2009 and, accordingly, no restatements on those financial statements that were issued for the periods/years ended on or before prior to 30 June 2009 is made.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments for the six months ended 30 June 2012 as follows:

(a) the Ausnutria segment comprises the manufacturing and sale of own-branded paediatric cow milk formula products in Mainland China and Hong Kong; and

(b) the Ausnutria Hyproca segment comprises the manufacture and sales of dairy products in the Netherlands on a subcontract basis for its customers as well as for the sales of its own-branded products in the PRC and other overseas countries.

For the six months ended 30 June 2011, 2010 and 2009, the Group only had a single operating and reportable segment, which was the Ausnutria segment. During the six months ended 30 June 2011, 2010 and 2009, all the Group's major operations, customers and non-current assets were located in the PRC.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit which is a measure of adjusted profit before tax from continuing operations. The adjusted profit before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations except that interest income, finance costs, as well as unallocated head office and corporate results are excluded from such measurement.

Segment assets exclude cash and cash equivalents, time deposits, held-to-maturity investments, and other unallocated head office and corporate assets as these assets are managed on a group basis.

3. OPERATING SEGMENT INFORMATION (continued)

Segment liabilities exclude interest-bearing bank and other borrowings as these liabilities are managed on a group basis.

	Six months ended 30 June 2012 (Unaudited)		
	Ausnutria RMB'000	Ausnutria Hyproca RMB'000	Total RMB'000
SEGMENT REVENUE			
Sales to external customers	268,213	446,512	714,725
Revenue from operations	268,213	446,512	714,725
SEGMENT RESULTS	64,304	42,113	106,417
Reconciliation:			
Interest income			4,458
Finance costs			(2,515)
Corporate and other unallocated expenses			(7,363)
Profit before tax			100,997
SEGMENT ASSETS	304,046	521,281	825,327
Reconciliation:			
Elimination of intersegment receivables			(763)
Corporate and other unallocated assets			641,672
Total assets			1,466,236
SEGMENT LIABILITIES	135,799	150,304	286,103
Reconciliation:			
Elimination of intersegment payables			(934)
Corporate and other unallocated liabilities			101,195
Total liabilities			386,364
OTHER SEGMENT INFORMATION			
Impairment losses recognised in profit or loss	9,086	4,344	13,430
Depreciation and amortisation	4,766	12,752	17,518
Capital expenditure*	4,114	12,001	16,115

* Capital expenditure consists of additions to property, plant and equipment and intangible assets.

3. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
The PRC	328,055	184,836
The Netherlands	284,663	–
Middle East	31,002	–
Others	71,005	–
	714,725	184,836

The revenue information above is based on the locations of customers.

(b) Non-current assets

	At 30 June 2012 RMB'000 (Unaudited)	At 31 December 2011 RMB'000 (Audited)
The PRC	75,978	78,234
The Netherlands	280,936	291,510
	356,914	369,744

The non-current asset information above is based on the locations of the assets and excludes deferred tax assets.

Information about major customers

During the six months ended 30 June 2012, there was no revenue from a single external customer which accounted for 10% or more of the Group's total revenue (six months ended 30 June 2011, 2010 and 2009: Nil).

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after deduction of allowances for returns and trade discounts.

An analysis of the Group's revenue, other income and gains is as follows:

	Note	Six months ended 30 June			
		2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited) (Restated)	2010 RMB'000 (Unaudited) (Restated)	2009 RMB'000 (Audited)
REVENUE					
Sale of goods		714,725	184,836	242,835	320,972
OTHER INCOME AND GAINS					
Interest income		4,458	2,379	1,416	4,054
Interest income on held-to-maturity investments		3,573	4,346	2,472	–
Government grants	(i)	636	331	3,500	200
Others		2,285	543	–	293
Total other income and gains		10,952	7,599	7,388	4,547

(i) Various government grants have been received for investments in Hunan province in the PRC in which the Company's subsidiaries operate. There were no unfulfilled conditions or contingencies attaching to these grants.

As disclosed in note 2, since the relevant books and records are incomplete, no representation is made by the Board as to the completeness, occurrence and accuracy of the revenue for the six months ended 30 June 2012, 2011 and 2010.

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June			
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)	2009 RMB'000 (Audited)
Total interest expense on financial liabilities not at fair value through profit or loss	2,515	–	1,371	4,181

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Six months ended 30 June			
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited) (Restated)	2010 RMB'000 (Unaudited) (Restated)	2009 RMB'000 (Audited)
Cost of inventories sold	492,072	94,819	118,587	184,711
Write-down of inventories to net realisable value	13,430	–	–	–
Cost of sales	505,502	94,819	118,587	184,711
Depreciation	14,917	2,051	1,381	1,239
Amortisation of prepaid land lease payments	28	28	28	28
Amortisation of other intangible assets	2,573	121	82	34
Minimum lease payments under operating leases:				
Buildings	1,066	–	210	210
Loss on disposal of property, plant and equipment	–	–	–	16
Auditors' remuneration	3,301	423	400	–
Employee benefit expenses (including directors' remuneration):				
Wages, salaries and staff welfare	64,102	15,156	11,109	5,953
Pension scheme contributions*	6,454	961	490	420
	70,556	16,117	11,599	6,373

* At 30 June 2012, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future periods (31 December 2011, 2010 and 2009: Nil).

As disclosed in note 2, since the relevant books and records are incomplete, no representation is made by the Board as to the completeness, occurrence and accuracy of the cost of sales for the six months ended 30 June 2012, 2011 and 2010.

7. INCOME TAX

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong during the six months ended 30 June 2012 (six months ended 30 June 2011, 2010 and 2009: Nil).

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates. Under the PRC income tax laws, enterprises are subject to CIT at a rate of 25%. Under the Netherlands income tax laws, enterprises are subject to the Netherlands corporate income tax rate of 20% for the first EURO 200,000 taxable profits and 25% for the taxable profits exceeding EURO 200,000.

Pursuant to the then effective relevant PRC income tax laws and regulations, newly established foreign-invested enterprises that were engaged in manufacturing activities with an operation period over 10 years were eligible to apply for a two-year CIT exemption followed by a three-year 50% CIT rate reduction holiday from the first profit-making year. Ausnutria China was granted the CIT exemption for the two years ended 31 December 2007 and a preferential CIT rate of 12.5% for the three years ended 31 December 2010.

Ausnutria China was designated as a High-tech Enterprise from 2010, and was granted a preferential CIT tax rate of 15% for the three years ended 31 December 2012. In March 2014, the application for the renewal of the designation of Ausnutria China as a High-tech Enterprise has been approved and Ausnutria China is granted the preferential CIT tax rate of 15% for another three years ending 31 December 2015.

	Six months ended 30 June			
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited) (Restated)	2010 RMB'000 (Unaudited) (Restated)	2009 RMB'000 (Audited)
Current charge for the period				
The Netherlands	11,258	–	–	–
The PRC	9,301	8,536	4,686	21,908
Deferred tax	126	(2,329)	(66)	–
Total tax charge for the period	20,685	6,207	4,620	21,908

As disclosed in note 2, since the relevant books and records are incomplete, no representation is made by the Board as to the completeness, occurrence and accuracy of the income tax for the six months ended 30 June 2012, 2011 and 2010.

7. INCOME TAX (continued)

A reconciliation of tax expense applicable to profit/(loss) before tax at the statutory rates for the jurisdictions in which the Group and the majority of its subsidiaries are domiciled to tax expense at the effective tax rates, and a reconciliation of the statutory rates to the effective tax rates, are as follows:

30 June 2012 (unaudited)

	Hong Kong		The Netherlands		Mainland China		Others		Total	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Profit/(loss) before tax	(2,117)		42,267		64,732		(3,885)		100,997	
Income tax at the statutory income tax rate	(349)	16.5	10,263	24.3	16,183	25.0	–	–	26,097	25.8
Tax effects on preferential tax rates	–	–	–	–	(6,713)	(10.4)	–	–	(6,713)	(6.6)
Non-deductible items and others, net	–	–	375	0.9	1,375	2.1	–	–	1,750	1.7
Additional deduction of expenses	–	–	(328)	(0.8)	(470)	(0.7)	–	–	(798)	(0.8)
Tax losses not recognised	349	(16.5)	–	–	–	–	–	–	349	0.4
Tax charge at the Group's effective rate	–	–	10,310	24.4	10,375	16.0	–	–	20,685	20.5

30 June 2011 (unaudited and restated)

	Hong Kong		Mainland China		Total	
	RMB'000	%	RMB'000	%	RMB'000	%
Profit/(loss) before tax	(2,852)		41,248		38,396	
Income tax at the statutory income tax rate	(471)	16.5	10,312	25.0	9,841	25.7
Tax effects on preferential tax rates	–	–	(4,125)	(10.0)	(4,125)	(10.7)
Non-deductible items and others, net	–	–	52	0.1	52	0.1
Overpayment of CIT in relation to the Unresolved Issues	–	–	3,985	9.6	3,985	10.4
Income not subject to tax	–	–	(4,017)	(9.7)	(4,017)	(10.5)
Tax losses not recognised	471	(16.5)	–	–	471	1.2
Tax charged at the Group's effective rate	–	–	6,207	15.0	6,207	16.2

7. INCOME TAX (continued)

30 June 2010 (unaudited and restated)

	Hong Kong		Mainland China		Total	
	RMB'000	%	RMB'000	%	RMB'000	%
Profit/(loss) before tax	(3,421)		37,956		34,535	
Income tax at the statutory income tax rate	(564)	16.5	9,489	25.0	8,925	25.8
Tax effects on preferential tax rates	–	–	(4,745)	(12.5)	(4,745)	(13.7)
Non-deductible items and others, net	–	–	837	2.2	837	2.4
Tax refunds	–	–	(5,692)	(15.0)	(5,692)	(16.5)
Overpayment of CIT in relation to the Unresolved Issues	–	–	3,718	9.8	3,718	10.8
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiary	–	–	1,013	2.7	1,013	2.9
Tax losses not recognised	564	(16.5)	–	–	564	1.7
Tax charged at the Group's effective rate	–	–	4,620	12.2	4,620	13.4

30 June 2009 (audited)

	Hong Kong		Mainland China		Total	
	RMB'000	%	RMB'000	%	RMB'000	%
Profit before tax	–		87,069		87,069	
Income tax at the statutory income tax rate	–	–	21,767	25.0	21,767	25.0
Non-deductible items and others, net	–	–	141	0.2	141	0.2
Tax charged at the Group's effective rate	–	–	21,908	25.2	21,908	25.2

As disclosed in note 2, since the relevant books and records are incomplete, no representation is made by the Board as to the completeness, occurrence and accuracy of the income tax for the six months ended 30 June 2012, 2011 and 2010.

8. INTERIM DIVIDENDS

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011, 2010 and 2009: Nil).

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 986,843,000 (six months ended 30 June 2011: 1,007,527,580; six months ended 30 June 2010: 1,045,000,000; six months ended 30 June 2009: 800,000,000) in issue during the period.

Earnings

	Six months ended 30 June			
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited) (Restated)	2010 RMB'000 (Unaudited) (Restated)	2009 RMB'000 (Audited)
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	65,227	32,189	29,915	65,161

Shares

	Six months ended 30 June			
	2012 (Unaudited)	2011 (Unaudited)	2010 (Unaudited)	2009 (Audited)
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	986,843,000	1,007,527,580	1,045,000,000	800,000,000

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2012, 2011, 2010 and 2009 in respect of a dilution as the Company had no potentially dilutive ordinary shares in issue during those periods.

As disclosed in note 2, since the relevant books and records are incomplete, no representation is made by the Board as to the completeness, occurrence and accuracy of the earnings per share attributable to ordinary equity holders of the parent for the six months ended 30 June 2012, 2011 and 2010.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2012, the Group acquired property, plant and equipment with an aggregate cost of approximately RMB15,591,000 (six months end 30 June 2011: RMB5,074,000; six months ended 30 June 2010: RMB4,674,000; six months ended 30 June 2009: RMB1,866,000).

At 30 June 2012, certain of the Group's land and buildings, and plant and equipment that were attributed to the Ausnutria Hyproca Group and located in the Netherlands with net carrying amounts of EURO 8,365,000 (equivalent to approximately RMB65,841,000) (31 December 2011: EURO 8,316,000, equivalent to approximately RMB67,880,000; 30 June 2011, 2010 and 2009: Nil) and EURO 9,751,000 (equivalent to approximately RMB76,750,000) (31 December 2011: EURO 9,448,000, equivalent to approximately RMB77,121,000; 30 June 2011, 2010 and 2009: Nil), respectively, were pledged to secure general banking facilities granted to the Ausnutria Hyproca Group.

11. INVENTORIES

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)	30 June 2011 RMB'000 (Unaudited) (Restated)	 2010 RMB'000 (Unaudited) (Restated)	 2009 RMB'000 (Audited)
Raw materials	102,963	142,297	90,930	57,762	35,606
Finished goods	118,163	116,347	81,779	72,498	8,512
Others	2,924	2,970	4,703	2,363	4,001
Total	224,050	261,614	177,412	132,623	48,119

At 30 June 2012, certain of the Group's inventories that were attributed to the Ausnutria Hyproca Group with a net carrying amount of EURO 15,162,000 (equivalent to approximately RMB119,340,000) (31 December 2011: EURO 11,814,000, equivalent to approximately RMB96,428,000; 30 June 2011 (restated), 2010 (restated) and 2009: Nil) were pledged to secure general banking facilities granted to the Ausnutria Hyproca Group.

As disclosed in note 2, since the relevant books and records are incomplete, no representation is made by the Board as to the completeness, existence and accuracy of the inventories at 30 June 2012, 31 December 2011, 30 June 2011 and 2010.

12. TRADE AND BILLS RECEIVABLES

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)	30 June 2011 RMB'000 (Unaudited) (Restated)	30 June 2010 RMB'000 (Unaudited) (Restated)	30 June 2009 RMB'000 (Audited)
Trade receivables	96,354	119,818	39,909	37,193	8,158
Bills receivable	19,848	57,974	20,990	–	16,312
Total	116,202	177,792	60,899	37,193	24,470

The Group normally allows a credit period from one month to 12 months (31 December 2011: one month to 12 months; 30 June 2011 (restated) and 2010 (restated): 12 months; 30 June 2009: 3 months) to certain customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables of the Group as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Within 3 months	88,475	113,622
3 to 6 months	6,174	3,591
6 months to 1 year	1,055	2,333
Over 1 year	650	272
Total	96,354	119,818

The carrying amounts of the trade and bills receivables approximate to their fair values.

At 30 June 2012, certain of the Group's trade receivables that were attributed to the Ausnutria Hyproca Group with a net carrying amount of EURO 8,091,000 (equivalent to approximately RMB63,684,000) (31 December 2011: EURO 11,941,000, equivalent to approximately RMB97,469,000; 30 June 2011 (restated), 2010 (restated) and 2009: Nil) were pledged to secure general banking facilities granted to the Ausnutria Hyproca Group.

As disclosed in note 2, since the relevant books and records are incomplete, no representation is made by the Board as to the completeness, existence and accuracy of the trade and bills receivables at 30 June 2012, 31 December 2011, 30 June 2011 and 2010.

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)	30 June 2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)	2009 RMB'000 (Audited)
Prepayments to suppliers	49,915	11,301	44,826	59,600	43,047
Due from related parties	–	505	–	47,470	82
Due from a director – note 23(b)	558	643	–	–	–
Insurance claims	4,191	10,827	–	–	–
Interest income receivable	2,339	1,629	–	–	–
Prepaid income tax	–	–	–	24,941	–
Other tax recoverable	6,195	2,206	–	–	–
Others	42,784	22,273	9,296	5,177	3,639
Total	105,982	49,384	54,122	137,188	46,768

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to entities which have no recent history of default.

As disclosed in note 2, since the relevant books and records are incomplete, no representation is made by the Board as to the completeness, existence and accuracy of the prepayments, deposits and other receivables at 30 June 2012, 31 December 2011, 30 June 2011 and 2010.

14. HELD-TO-MATURITY INVESTMENTS

On 29 May 2012, the Group entered into an entrusted fund management agreement with Hunan Trust and Investment Co., Ltd. ("**Hunan Trust**"), an independent third party, pursuant to which, Ausnutria China entrusted Hunan Trust a fund of RMB60,000,000 (31 December 2011, 30 June 2011 and 2010: RMB200,000,000; 30 June 2009: Nil) to purchase an entrusted loan (the "**Entrusted Loan**") from Shanghai Pudong Development Bank (Changsha), an independent third party. The Entrusted Loan is unsecured and bears interest at a rate of return of approximate 8% per annum and would mature in May 2013. The Entrusted Loan is classified as a held-to-maturity investment and is measured at amortised cost using the effective interest rate method as at 30 June 2012.

The Entrusted Loan together with its interest matured in May 2013.

15. CASH AND CASH EQUIVALENTS

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)	30 June 2011 RMB'000 (Unaudited)	30 June 2010 RMB'000 (Unaudited)	30 June 2009 RMB'000 (Audited)
Cash and bank balances	161,672	342,241	438,403	665,264	138,843

At the end of the reporting period, the Group's cash and bank balances denominated in RMB amounted to RMB119,204,000 (31 December 2011: RMB273,908,000; 30 June 2011: RMB318,614,000; 30 June 2010: RMB262,220,000; 30 June 2009: RMB138,829,000). The RMB is not freely convertible in the international market. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to convert RMB into other currencies through banks to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on published daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

16. TRADE PAYABLES

An aged analysis of the trade payables of the Group as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)	30 June 2011 RMB'000 (Unaudited)	30 June 2010 RMB'000 (Unaudited)	30 June 2009 RMB'000 (Audited)
Within 12 months	72,866	84,250	14,365	24,487	12,868
Over 12 months	7,425	47	–	–	–
Total	80,291	84,297	14,365	24,487	12,868

Trade payables are interest-free and are normally settled within 12 months (31 December 2011: 12 months; 30 June 2011, 2010 and 2009: 45 days).

17. DEPOSITS RECEIVED, OTHER PAYABLES AND ACCRUALS

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)	30 June 2011 RMB'000 (Unaudited) (Restated)	30 June 2010 RMB'000 (Unaudited) (Restated)	30 June 2009 RMB'000 (Audited)
Advances from customers	50,191	141,368	154,169	87,135	36,121
Deferred income	39,671	39,433	–	–	–
Deposits	14,956	10,054	7,280	7,190	8,330
Due to related parties	–	–	–	–	116,332
Accrued salaries and welfare	10,902	19,529	6,273	3,779	5,065
Other tax payables	1,320	2,828	11,893	3,316	3,717
Accruals and others	38,311	46,296	8,318	9,346	19,173
Total	155,351	259,508	187,933	110,766	188,738

Other payables are non-interest bearing and have no fixed terms of repayment.

As disclosed in note 2, since the relevant books and records are incomplete, no representation is made by the Board as to the completeness, existence and accuracy of the other payables and accruals at 30 June 2012, 31 December 2011, 30 June 2011 and 2010.

18. SHARE CAPITAL

	30 June 2012 HK$'000 (Unaudited)	31 December 2011 HK$'000 (Audited)	30 June 2011 HK$'000 (Unaudited)	30 June 2010 HK$'000 (Unaudited)	30 June 2009 HK$'000 (Audited)
Authorised:					
1,500,000,000 ordinary shares of HK$0.10 each	150,000	150,000	150,000	150,000	380
Issued and fully paid:					
986,843,000 (31 December 2011: 986,843,000; 30 June 2011: 987,160,000; 30 June 2010: 1,045,000,000; 30 June 2009: 100) ordinary shares of HK$0.10 each	98,684	98,684	98,716	104,500	–
equivalent to RMB'000	86,866	86,866	86,971	92,066	–

19. CONTINGENT LIABILITIES

At the end of the reporting period, the Group did not have any significant contingent liabilities (31 December 2011: Nil; 30 June 2011, 2010 and 2009: Nil).

20. PLEDGE OF ASSETS

Details of the Group's assets that were pledged as securities for the Group's banking facilities are set out in notes 10, 11 and 12 to the Interim Condensed Consolidated Financial Statements.

21. OPERATING LEASE ARRANGEMENTS

As lessee

At the end of the reporting period, the Group had the following total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)	30 June 2011 RMB'000 (Unaudited)	30 June 2010 RMB'000 (Unaudited)	30 June 2009 RMB'000 (Audited)
Within one year	1,227	327	–	210	210
In the second to fifth years, inclusive	2,840	62	–	–	–
Total	4,067	389	–	210	210

22. COMMITMENTS

In addition to the operating lease commitments detailed in note 21 above, the Group had the following capital commitments at the end of the reporting period:

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)	30 June 2011 RMB'000 (Unaudited)	30 June 2010 RMB'000 (Unaudited)	30 June 2009 RMB'000 (Audited)
Contracted, but not provided for:					
Leasehold improvements	2,582	4,563	–	–	–
Plant and machinery	1,639	3,676	–	–	–
Total	4,221	8,239	–	–	–

23. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in the interim condensed consolidated financial statements, the Group had the following material transactions with related parties during the six months ended 30 June 2012:

	Notes	Six months ended 30 June 2012 RMB'000 (Unaudited)	 2011 RMB'000 (Unaudited)	 2010 RMB'000 (Unaudited)	 2009 RMB'000 (Audited)
Associates:					
Sales of merchandises	(i)	–	21,107	–	–
Fellow subsidiaries:					
Office rental expense to Changsha Xin Da Xin Real Estate Management Co., Ltd. ("**Xin Da Xin**")	(ii)	–	–	210	210
Provision of a guarantee to the Group	(iii)	–	–	80,000	187,328
Interest income		–	–	–	3,286
Sales of merchandise to Xin Da Xin	(iv)	–	–	–	51
Purchase of merchandise from Hunan Aubrand Food Co., Ltd. ("**Aubrand**")	(v)	–	–	1,312	–
Sales of merchandise to Aubrand		–	–	–	1,846

Notes:

(i) During the six months ended 30 June 2011, the sales to associates were determined with reference to sales prices to major independent third party customers.

(ii) The Group rented certain office premises located in Changsha, the PRC, from Xin Da Xin in 2009 and 2010. In December 2010, the Group signed a property purchase agreement with Xin Da Xin for the purchase of the office premises. No rental fees in respect of the office premises were paid since then.

(iii) As at 30 June 2010, the Group was granted a line of credit of RMB80,000,000 by Bank of China. The line of credit was guaranteed by Xin Da Xin. The Group did not utilise any bank facility as at 30 June 2011.

(iv) The sales prices were determined with reference to sales prices to major independent third party customers.

(v) During the six months ended 30 June 2010, the Group purchased olive oil of RMB1,312,000 from Aubrand as benefits to the employees. The sales prices were determined with reference to sales prices to major independent third party customers.

23. RELATED PARTY TRANSACTIONS (continued)

(b) Balance with related parties

	Note	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)	30 June 2011 RMB'000 (Unaudited)	30 June 2010 RMB'000 (Unaudited)	30 June 2009 RMB'000 (Audited)
Trade receivables:						
Xin Da Xin		–	–	9	–	19
Associates		–	2,205	9,119	–	–
Prepayments, deposits and other receivables:						
Mornring		–	–	–	–	82
Aubrand		–	505	–	380	–
All Harmony		–	–	–	8,873	–
Silver Castle		–	–	–	4,991	–
Ausnutria BVI		–	–	–	10,019	–
Brave Leader		–	–	–	23,207	–
Due from a director	(i)	558	643	–	–	–
Long-term prepayment:						
Xin Da Xin		–	–	23,113	–	–
Other payables and accruals:						
Associates		–	12,609	8,453	–	–
Mornring		–	–	–	–	5,540
Xin Da Xin		–	–	–	–	80,617
Chen Yuanrong		–	–	–	–	21,862
Aubrand		–	–	–	–	8,313

Note:

(i) The balance represented the loan granted to the then executive director and chief executive officer of the Company and Ausnutria China, Mr. Chen Yuanrong, which was unsecured, bore interest at 5% per annum and was fully repaid subsequent to the reporting period. The maximum outstanding balance due from Mr. Chen Yuanrong during the period was RMB643,000.

Except for the above, the balances with related parties were unsecured, non-interest-bearing and were fully settled during the six months ended 30 June 2012.

23. RELATED PARTY TRANSACTIONS (continued)

(c) Compensation of key management personnel of the Group

	Six months ended 30 June			
	2012	2011	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Salaries, allowances and benefits in kind	9,190	1,149	635	248
Retirement benefit contributions	345	47	10	2
Total compensation paid to key management personnel	9,535	1,196	645	250

24. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in this report, the Group has the following events took place subsequent to the end of the reporting period:

(i) On 19 October 2012, the Ausnutria Hyproca Group acquired the remaining approximately 8.4% equity interests in Hyproca Lyempf at a consideration of EURO 2.8 million (equivalent to approximately RMB22.8 million);

(ii) On 7 June 2013, the Company, Ausnutria (Dutch) and DDI, entered into the COA pursuant to which DDI has granted a call option to Ausnutria (Dutch) or its designated nominee at a premium of HK$1.00 to acquire the remaining 49% equity interests in Ausnutria Hyproca from DDI by the issuance of 202,125,000 new shares of the Company, representing approximately 17% of the enlarged issued share capital of the Company. The option has a life of 12 months from the date of the COA which is extendable for a further 12 months' period at the unilateral right of DDI. Upon exercise of the call option, Ausnutria Hyproca will become an indirect wholly-owned subsidiary of the Company. Further details of the COA are set out in the announcement of the Company dated 7 June 2013.

On 5 June 2014, DDI has exercised its right to extend the call option for another 12 months to 6 June 2015 in accordance with the terms of the COA as mentioned in the above. Further details regarding the extension of the call option are set out in the announcement of the Company dated 9 June 2014.

25. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Interim Condensed Consolidated Financial Statements were approved and authorised for issue by the Board on 27 June 2014.