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)

Interim Report 2013

Contents

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

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

Mr. Qiu Weifa
Mr. Chan Yuk Tong

AUDITORS

Ernst & Young
Certified Public Accountants

LEGAL ADVISERS (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 PLACE 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 appointment of PKF Consulting Inc. ("**PKF**") to assist 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 ended 31 December 2011 (the "**2011 Annual Report**") dated 3 July 2012 and 5 December 2013, respectively.

Management Discussion and Analysis

BUSINESS OVERVIEW

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.

In order to maintain a healthy growth in the industry and to improve the quality standards of paediatric milk formula, the PRC government has launched a series of new policies (the "**New Policies**") to improve the national standard for the safety of dairy products, including but not limited to the raising of the standards on the grant/renewal of the production license of the paediatric milk powder manufacturers in the PRC; the requirement for the establishment of full tracking systems by paediatric milk powder manufacturers from the production to distribution of paediatric milk powder in the PRC; and the requirement to obtain the registration of dairy products by foreign enterprises, which are now governed by a more stringent set of new rules and regulations, before their products can be imported into the PRC.

As a result of the above, the six-month period ended 30 June 2013 (the "**2013 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 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.

In recent years, the Group 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 in the PRC. In addition, the Group has launched a new cow milk infant formula, namely the Hyproca 1897 series, which are targeted to penetrate into the high-end sector of the PRC market as well as the continue in the establishment of joint ventures for the distribution of the Group's goat milk based infant formula in other countries during the 2013 Interim Period.

In recent years, paediatric milk formula powder brands with high quality raw milk sourced from overseas have gained increasing market shares. The increase in the demand for high quality paediatric milk formula sourced from overseas have also contributed to the increase in the demand for the dairy products produced by Ausnutria Hyproca B.V. ("**Ausnutria Hyproca**"), a 51%-owned subsidiary of the Company, and its subsidiaries (the "**Ausnutria Hyproca Group**"), which was acquired by the Group in 2011 with milk source and production facilities based in the Netherlands. The Group will continue to invest in the Ausnutria Hyproca Group in order to increase its production capacity and to enhance the quality standards of the dairy products produced by the Ausnutria Hyproca Group.

For the 2013 Interim Period, the Group recorded revenue of approximately RMB797.3 million, representing an increase of approximately RMB82.6 million or approximately 11.6% when compared with the 2012 Interim Period.

The Group's gross profit was approximately RMB232.7 million for the 2013 Interim Period, representing an increase of approximately RMB23.5 million or 11.2% over approximately RMB209.2 million for the 2012 Interim Period. The Group's profit attributable to ordinary equity holders of the parent decreased by approximately 3.9% to approximately RMB62.7 million and the basic earnings per share was approximately RMB6.35 cents, representing a decrease of approximately RMB0.26 cents over the 2012 Interim Period.

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 early 2013, the PRC government launched the New Policies to improve the national standard for the safety of dairy products which the Company believes will 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.

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.

Management Discussion and Analysis

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 which has international presence 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 audit 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-month period 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 by this law with effect from 1 June 2009.

Furthermore, 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.

During the visit of the PRC President Xi Jinping to the Netherlands in March 2014, a joint statement has been issued by the two countries to further enhance the economic co-operation in a wider range that includes more exports of Dutch dairy products to the PRC. 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 will 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:

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

In prior years, the Group invested in the 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 milk powder 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 advanced to the Ausnutria Hyproca Group a shareholders' loan 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 in Heerenveen, the Netherlands and the upgrade of the milk powder production towers and the purchases of new machineries for the increase in packaging capacity of the Ausnutria Hyproca Group (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 led to a temporary interruption to the production of the Ausnutria Hyproca Group as the two milk production towers were temporarily suspended from production for a few months in 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 since the fourth quarter of 2011. In the same year and 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 and the development of immune system, etc.

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

The Group has also established subsidiaries with independent third parties for the sales of Kabrita Series products in Russia, the Middle East, 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 the aim of becoming one of the market leaders of goat milk based paediatric nutrition products in the long run by leveraging on the studies and clinical trial results conducted by (i) the Medical School of Beijing University and (ii) the in-house research and development team in the Netherlands and in North America during the course of applying the approval with the FDA.

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 challenges ahead and is optimistic about its future.

Production and distribution tracking systems

Resulting from the investment of the New IT Systems with world standard partners with upgrading programs kicked off in 2013, the Group has successfully launched the full tracking systems for its production and distribution, which satisfy the new mandatory requirements under the New Policies in the PRC. With the new production tracking system, each tin of milk powder sold in the PRC is now marked with a unique barcode which allows the Group to trace back all the production details if there is any quality issue arisen subsequently. Furthermore, the new tracking system would enable the Group to monitor and track the distribution progress and logistic status of products sold to the retail consumer level.

Strengthening of 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.

FINANCIAL REVIEW

Analysis on Condensed Consolidated Statement of Comprehensive Income

Revenue

	Six months ended 30 June	
	2013 **RMB'000** **(Unaudited)**	2012 RMB'000 (Unaudited)
REVENUE		
– Ausnutria Group	**282,197**	268,213
– Ausnutria Hyproca Group	**515,109**	446,512
– The Group	**797,306**	714,725

For the 2013 Interim Period, the Group recorded revenue of approximately RMB797.3 million, representing an increase of approximately RMB82.6 million, or approximately 11.6%, from RMB714.7 million for the 2012 Interim Period.

Management Discussion and Analysis

Revenue – Ausnutria Group

A-choice Series, Best-choice Series, Allnutria Series and Allnutria Organic Series continued to be the major series of paediatric milk formula of the Group (excluding the Ausnutria Hyproca Group) (the "**Ausnutria Group**") which are all imported from overseas and are designed to target consumers for premium products in the PRC. The new products, namely, the Puredo and the Hyproca 1897, that were launched in June 2012 and April 2013, respectively, also contributed for the increase in revenue of the Ausnutria Group for the 2013 Interim Period.

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 (the "**Kabrita**")* in the PRC, Russia and the Middle East countries 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.

The increase in the revenue of the Ausnutria Hyproca Group for the 2013 Interim Period was primarily attributed to (i) the continuous increase in the revenue of Kabrita; and (ii) the continuous increases in the demand for paediatric nutrition products from the customers in the Netherlands and other overseas countries due to the increasing recognition of the good quality of milk supply in the Netherlands and the reputation of good quality products delivered by the Ausnutria Hyproca Group that was built up since the establishment of the Group in 1897.

Gross profit and gross margin

	Six months ended 30 June		Six months ended 30 June	
	2013	2012	**2013**	2012
	%	%	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Ausnutria Group	**54.4**	52.3	**153,519**	140,328
Ausnutria Hyproca Group	**15.4**	15.4	**79,215**	68,895
The Group	**29.2**	29.3	**232,734**	209,223

The Group's gross profit for the 2013 Interim Period was approximately RMB232.7 million, representing an increase of approximately RMB23.5 million, or approximately 11.2%, when compared with the 2012 Interim Period.

The gross profit margins of the Group remained fairly stable for the 2013 Interim Period.

Other income and gains

	Notes	Six months ended 30 June 2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Investment income from held-to-maturity investment	1	**2,564**	3,573
Interest income	2	**10,012**	4,458
Government grants		**305**	636
Others		**663**	2,285
		13,544	10,952

Notes:

1 The Group has entered into various one-year term entrusted fund management agreements with independent third parties since 2011. 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 investment in the statement 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 2012 by gradually reducing its investment in entrusted loans from RMB200.0 million in the Year 2011 to RMB60.0 million in the Year 2012. As at 30 June 2013, the Group did not have any investment in entrusted loans and all the excess cash of the Group was placed 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 of the Group and the change in treasury approach of the Group by switching its excess cash to time deposits when compared with the 2012 Interim Period. Also, the un-utilised 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 2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Ausnutria Group	**67,920**	58,899
Ausnutria Hyproca Group	**42,005**	17,417
	109,925	76,316

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 13.8% and 10.7% of revenue for the 2013 Interim Period and the 2012 Interim Period, respectively.

The selling and distribution costs of the Ausnutria Group for the 2013 Interim Period increased by approximately 2.1% points to 24.1% of its revenue when compared with the 2012 Interim Period. The increase in selling and distribution costs of the Ausnutria Group was mainly due to the launch of a new series of cow milk infant formula, namely, the Hyproca 1897 Series, in April 2013. The Group incurred additional marketing and promotion costs, including the setting up of a new sales division, for the introduction and promotion of the Hyproca 1897 Series for the 2013 Interim Period.

The selling and distribution costs of the Ausnutria Hyproca Group represented approximately 8.2% of the Ausnutria Hyproca Group's revenue for the 2013 Interim Period (2012 Interim Period: approximately 3.9%). Included in the selling and distribution costs of the Ausnutria Hyproca Group, approximately 58.3% (2012 Interim Period: approximately 38.6%) related to the sales and marketing of Kabrita in the PRC.

Administrative expenses

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Ausnutria Group	**26,092**	25,641
Ausnutria Hyproca Group	**17,983**	11,169
The Group	**44,075**	36,810

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 the increase in staff and related costs as a result of the continuous increase in headcounts of the Ausnutria Hyproca Group to cope with its business expansion.

Other expenses

Other expenses for the 2013 Interim Period mainly comprised legal and professional fees incurred as a result of the Unresolved Issues of a total of approximately RMB6.4 million (2012 Interim Period: approximately RMB2.1 million).

Finance costs

The finance costs of the Group's for the 2013 Interim Period amounted to approximately RMB2.9 million (2012 Interim Period: approximately RMB2.5 million), representing the interest on bank and other borrowings that were primarily used for the financing of the daily working capital and capital expenditures of the Ausnutria Hyproca Group.

The increase in finance costs was mainly due to the drawdown of a one-year term loan by Ausnutria (Dutch) for the financing of the capital expenditure plan of the Ausnutria Hyproca Group as set out in the announcement of the Company dated 7 June 2013.

Income tax expenses

The profits generated by the Group were mainly derived from its 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. 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	
	2013	2012
	%	%
	(Unaudited)	(Unaudited)
Effective income tax rate		
– Ausnutria Group	**12.6**	16.4
– Ausnutria Hyproca Group	**31.2**	26.7
– The Group	**16.5**	20.5

The decrease in the effective tax rate of the Ausnutria Group was mainly due to a tax refund of approximately RMB2,706,000 (2012 Interim Period: Nil) relating to prior years has been received by Ausnutria China during the 2013 Interim Period. The increase in the effective tax rate of the Ausnutria Hyproca Group was mainly due to there were losses amounted to approximately RMB4.0 million (2012 Interim Period: Nil) incurred by the newly established overseas subsidiaries of the Ausnutria Hyproca Group for the sale of the own branded business in the PRC and Russia.

Profit attributable to equity holders of the Company

The Group's profit attributable to equity holders of the Company for the 2013 Interim Period amounted to approximately RMB62.7 million (2012 Interim Period: approximately RMB65.2 million), representing a decrease of approximately 3.9% when compared with the 2012 Interim Period. The decrease in net profit was mainly due to (i) the increase in the selling and distribution costs by approximately RMB33.6 million to approximately RMB109.9 million for the promotion of the new series of cow milk infant formula that were launched by the Ausnutria Group in April 2013 and the increase in advertising and promotion expenses for the marketing of the Ausnutria Hyproca Group's goat milk base Kabrita series of products in the PRC as well as in Russia and the Middle East countries; and (ii) the increase in professional fees for the handling of the Unresolved Issues by approximately RMB4.3 million.

In order to successfully promote the newly launched own brands infant formula, the Group has allocated more of its resources for the marketing and promotion of these products during the initial launching period. The net profit of the Group decreased when compared with the 2012 Interim Period.

Analysis on Condensed Consolidated Statement of Financial Position

Non-current assets

As at 30 June 2013, the total non-current assets of the Group amounted to approximately RMB424.7 million (31 December 2012: approximately RMB406.3 million), mainly comprised property, plant and equipment of approximately RMB283.6 million (31 December 2012: approximately RMB264.3 million), goodwill arising from the acquisition of Ausnutria Hyproca of approximately RMB81.8 million (31 December 2012: approximately RMB84.5 million), other intangible assets of approximately RMB33.9 million (31 December 2012: approximately RMB30.1 million) and deferred tax assets of approximately RMB23.3 million (31 December 2012: approximately RMB25.3 million).

The increase in the non-current assets of the Group as at 30 June 2013 was principally due to the increase in property, plant and equipment of the Ausnutria Hyproca Group as part of its continuous production expansion plan to cope with the increasing in demand for its products from the worldwide customers. Other non-current assets position of the Group as at 30 June 2013 remained fairly stable when compared with that as at 31 December 2012.

Current assets

As at 30 June 2013, the total current assets of the Group amounted to approximately RMB1,357.3 million (31 December 2012: approximately RMB1,182.1 million), mainly comprised inventories of approximately RMB283.2 million (31 December 2012: approximately RMB190.9 million), trade receivables of approximately RMB110.8 million (31 December 2012: approximately RMB122.6 million), bills receivables of approximately RMB26.1 million (31 December 2012: approximately RMB18.7 million), pledged deposit of RMB123.3 million (31 December 2012: Nil), time deposits with banks in the PRC of RMB490.0 million (31 December 2012: RMB420.0 million) and cash and cash equivalents of approximately RMB208.0 million (31 December 2012: approximately RMB282.7 million).

Inventories

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Ausnutria Group	**84,637**	51,260
Ausnutria Hyproca Group	**198,604**	139,675
The Group	**283,241**	190,935

The inventory turnover days of the Ausnutria Group and the Ausnutria Hyproca Group as at 30 June 2013 was approximately 96 days (31 December 2012: approximately 169 days) and approximately 71 days (31 December 2012: approximately 54 days), respectively.

In 2012, there was a temporary delay in the delivery on some of the orders by the suppliers of the Ausnutria Group in the fourth quarter of 2012 which had caused the inventory level to be at a comparatively lower level. The inventory level of the Ausnutria Group as at 30 June 2013 was in line with the normal inventory planning level.

The increase in the inventories level of the Ausnutria Hyproca Group was mainly due to (i) the increase in raw materials and packaging materials as a result of the increase in customers base; (ii) the increase in inventory level for the own branded labels business, namely Kabrita, for sales in the PRC and other overseas countries; and the impact of the New Policies which caused a longer lead time (as it require a more stringent quality testing) before the infant milk formula are to be imported into the PRC.

Trade and bills receivables

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Trade receivables		
– Ausnutria Group	**31,670**	35,410
– Ausnutria Hyproca Group	**79,193**	87,205
Bills receivables	**26,082**	18,682
	136,945	141,297

The trade receivable turnover days of the Ausnutria Group and the Ausnutria Hyproca Group as at 30 June 2013 was approximately 22 days (31 December 2012: approximately 22 days) and approximately 29 days (31 December 2012: approximately 39 days), respectively, which remained fairly stable and were in line with the credit periods granted by the Group to its customers.

Pledged deposits

As set out in the announcement of the Company dated 7 June 2013, Ausnutria (Dutch) granted a shareholder loan of EURO 7.0 million (equivalent to approximately RMB58.8 million) (31 December 2012: Nil) for the financing of the production expansion plans of the Ausnutria Hyproca Group. In view that most of the funds of the Ausnutria Group is denominated in RMB and placed in the PRC, the Ausnutria Group has pledged its RMB deposits in the PRC of RMB123.3 million (31 December 2012: Nil) to obtain the bank facilities in Europe for the financing of the shareholder loan.

Time deposits and cash and cash equivalents

As at 30 June 2013, the Group's cash and bank balances and time deposits amounted to approximately RMB698.0 million remained fairly stable and at a healthy level when compared with approximately RMB702.7 million as at 31 December 2012.

Current liabilities

As at 30 June 2013, the total current liabilities of the Group amounted to approximately RMB579.2 million (31 December 2012: approximately RMB440.6 million), mainly comprised trade payables of approximately RMB126.7 million (31 December 2012: approximately RMB104.7 million), other payables and accruals of approximately RMB251.3 million (31 December 2012: approximately RMB229.7 million) and interest-bearing bank loans and other borrowings of approximately RMB182.6 million (31 December 2012: approximately RMB95.6 million).

Trade payables

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Ausnutria Group	**14,788**	9,030
Ausnutria Hyproca Group	**111,880**	95,668
The Group	**126,668**	104,698

The increase in trade payables as at 30 June 2013 was in line with the increase in purchase to cope with the increase in sales of the Group for the 2013 Interim Period.

The trade payable turnover days of the Ausnutria Group and the Ausnutria Hyproca Group as at 30 June 2013 was approximately 17 days (31 December 2012: approximately 24 days) and approximately 43 days (31 December 2012: approximately 37 days), respectively, was in line with the credit terms granted by the suppliers of the Group.

Interest-bearing bank loans and other borrowings

The interest-bearing bank loans and other borrowings as at 30 June 2013 and 31 December 2012 were all primarily used for the financing of the daily working capital and capital expenditures of the Ausnutria Hyproca Group.

The increase in the interest-bearing bank loans and other borrowings as at 30 June 2013 was mainly due to the drawdown of a one-year term loan by Ausnutria (Dutch) for the financing of the capital expenditure plan of the Ausnutria Hyproca Group as set out in the announcement of the Company dated 7 June 2013.

Non-current liabilities

As at 30 June 2013, the total non-current liabilities of the Group amounted to approximately RMB77.5 million (31 December 2012: approximately RMB84.0 million), comprised interest-bearing bank loans and other borrowings of approximately RMB35.7 million (31 December 2012: approximately RMB39.0 million), accruals for defined benefit plan of approximately RMB16.5 million (31 December 2012: approximately RMB17.4 million) and deferred tax liabilities of approximately RMB25.3 million (31 December 2012: approximately RMB27.6 million).

There were no significant changes in the non-current liabilities position of the Group as at 30 June 2013 when compared with 31 December 2012.

Non-controlling interests

As at 30 June 2013 and 31 December 2012, the balance mainly represented the 49% equity interests in Ausnutria Hyproca owned by DDI.

Other Information

MATERIAL INVESTMENTS AND ACQUISITIONS AND DISPOSALS

There were no material investment and acquisitions and disposals of subsidiaries and associated companies during the 2013 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:

	Note	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Cash and cash equivalents		**208,046**	282,714
Time deposits		**490,000**	420,000
Total bank loans and other borrowings		**218,247**	134,562
Total assets		**1,782,021**	1,588,363
Gearing ratio	1	**12.2%**	8.5%

Note:

1. Calculated as a percentage of total bank loans and other borrowings over total assets. For additional information, if calculated based on the net debt divided by the total equity plus the net debt, the Group did not have any net debt as at 30 June 2013 and 31 December 2012. 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 2013, the Group had pledged the land and buildings, plant and machineries, inventories and trade receivables that were attributable to the Ausnutria Hyproca Group with a total carrying value of EURO 54.9 million, equivalent to approximately RMB442.0 million (31 December 2012: approximately EURO 42.9 million, equivalent to approximately RMB357.1 million) and the time deposits that were attributable to the Ausnutria Group of RMB123.3 million (31 December 2012: Nil) for the banking facilities granted to the Group.

FOREIGN EXCHANGE RISK

The operations of the Group are mainly carried out in the PRC and the Netherlands. During the 2013 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 year 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 minimise 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, pledged deposits, trade and bill receivables, 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 2013, the Group, as lessee, had total future minimum lease payments under non-cancellable operating leases amounting to approximately RMB4,468,000 (31 December 2012: approximately RMB4,770,000).

As at 30 June 2013, the Group had contracted, but not provided for, capital commitments in respect of leasehold improvements and the purchase of plant and machineries mainly for the CAPEX Plan of Nil (31 December 2012: approximately RMB1,260,000) and approximately RMB64,939,000 (31 December 2012: approximately RMB10,583,000), respectively.

CONTINGENT LIABILITIES

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

Other Information

USE OF PROCEEDS

The shares of the Company were listed on the Main Board of the Stock Exchange on 8 October 2009 with net proceeds from the global offering of the Company's 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 2013 was as follows:

	As stated in the prospectus* HK$'000	Utilised HK$'000	**Balance as at 30 June 2013 HK$'000**
Invest in upstream operations	246,930	(192,776)	**54,154**
Expand the Group's distribution network and brand building	246,930	(246,930)	**–**
Enhance the Group's research and development efforts	82,310	(39,508)	**42,802**
Introduce new series of organic paediatric nutrition products	82,310	(61,346)	**20,964**
Establish new production lines and warehouse	82,310	(33,020)	**49,290**
General working capital	82,310	(82,310)	**–**
	823,100	(655,890)	**167,210**

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.

HUMAN RESOURCES

Number of full-time employees	Mainland China	Hong Kong	The Netherlands	Total
30 June 2013				
Ausnutria Group	**539**	**3**	**–**	**542**
Ausnutria Hyproca Group	**243**	**–**	**256**	**499**
	782	**3**	**256**	**1,041**
31 December 2012				
Ausnutria Group	530	3	–	533
Ausnutria Hyproca Group	203	–	192	395
	733	3	192	928

For the 2013 Interim Period, total employee costs, including directors' emoluments, amounted to approximately RMB102.8 million (2012 Interim Period: approximately RMB70.6 million). The Group determined the remuneration packages of all employees with reference to individual performance and current market salary scale.

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 2013 Interim Period (2012 Interim Period: Nil) and up to the date of this report.

DIVIDEND DISTRIBUTION

The Directors do not recommend a payment of an interim dividend for the 2013 Interim Period (2012 Interim Period: Nil).

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 Rules Governing the Listing of Securities on the Stock Exchange (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.

Other Information

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, the Directors confirmed that they have complied with the required standard set out in the Model Code for the 2013 Interim Period and up to the date of this report.

CORPORATE GOVERNANCE

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 Board strives to implement the best practices embodies in the Listing Rules to Corporate Governance Code (the "**CG Code**") where feasible and as far as practicable.

In the opinion of the Directors, the Company has complied with the respective code provisions of the CG Code for the 2013 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 and publishing the annual results/reports for the financial years ended 31 December 2012 and 2013 and the interim results/reports for the six months 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 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 provisions A.6.7 and E.1.2

Under code provision A.6.7 of the 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 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 schedule to convene an annual general meeting for the financial years ended 31 December 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 announcement 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 during the 2013 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 are not covered by the First Stage IC 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 maintain, 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 2013 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**
Mr. Yan Weibin ("**Mr. Yan**")	(i)	474,646,000	Interest of a controlled corporation	48.10%
Mr. Bartle van der Meer ("**Mr. van der Meer**")	(ii)	213,125,000	Interest of a controlled corporation	21.60%

Notes:

(i) The shareholding interest of Mr. Yan 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 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.

(ii) 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 2013 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 dated 7 June 2013.

Save as disclosed above, as at 30 June 2013 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 2013 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

As at 30 June 2013 and as at the date of this report, 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**
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 Yuanrong ("**Mr.Chen**")	(i)	107,000,000	Interest of a controlled corporation	10.84%
Mr. Wu Yueshi ("**Mr. Wu**")	(ii), (iii), (iv)	474,646,000	Interest of a controlled corporation	48.10%
Ms. Xiong Fanyi ("**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 2013 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.

Other Information

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 2013 Interim Period have been reviewed by the audit committee.

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2013

		Six months ended 30 June	
	Notes	**2013 RMB'000 (Unaudited)**	2012 RMB'000 (Unaudited)
REVENUE	4	**797,306**	714,725
Cost of sales		**(564,572)**	(505,502)
Gross profit		**232,734**	209,223
Other income and gains	4	**13,544**	10,952
Selling and distribution costs		**(109,925)**	(76,316)
Administrative expenses		**(44,075)**	(36,810)
Other expenses		**(8,063)**	(3,537)
Finance costs	5	**(2,901)**	(2,515)
Profit before tax	6	**81,314**	100,997
Income tax expense	7	**(13,403)**	(20,685)
PROFIT FOR THE PERIOD		**67,911**	80,312
Attributable to:			
Owner of the parent		**62,703**	65,227
Non-controlling interests		**5,208**	15,085
		67,911	80,312
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– basic and diluted (RMB)	9	**6.35 cents**	6.61 cents

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**67,911**	80,312
OTHER COMPREHENSIVE INCOME		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(8,213)**	(11,067)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	**(8,213)**	(11,067)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Remeasurement income on defined benefit plan	**1,043**	–
Income tax effect	**(261)**	–
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	**782**	–
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	**(7,431)**	(11,067)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**60,480**	69,245
Attributable to:		
Owner of the parent	**56,825**	59,317
Non-controlling interests	**3,655**	9,928
	60,480	69,245

Interim Condensed Consolidated Statement of Financial Position

30 June 2013

	Notes	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	283,640	264,290
Prepaid land lease payments		2,114	2,142
Goodwill		81,785	84,466
Other intangible assets		33,914	30,107
Deferred tax assets		23,260	25,285
Total non-current assets		424,713	406,290
CURRENT ASSETS			
Inventories	11	283,241	190,935
Trade and bills receivables	12	136,945	141,297
Prepayments, deposits and other receivables		93,430	77,330
Held-to-maturity investment	13	–	60,000
Tax recoverable		22,346	9,797
Pledged deposits	14	123,300	–
Time deposits	14	490,000	420,000
Cash and cash equivalents	14	208,046	282,714
Total current assets		1,357,308	1,182,073
CURRENT LIABILITIES			
Trade payables	15	126,668	104,698
Other payables and accruals		251,250	229,654
Derivative financial instruments		838	1,129
Interest-bearing bank loans and other borrowings		182,552	95,555
Tax payable		17,889	9,524
Total current liabilities		579,197	440,560
NET CURRENT ASSETS		778,111	741,513
TOTAL ASSETS LESS CURRENT LIABILITIES		1,202,824	1,147,803

Interim Condensed Consolidated Statement of Financial Position

30 June 2013

	Notes	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank loans and other borrowings		**35,695**	39,007
Defined benefit plan		**16,478**	17,417
Deferred tax liabilities		**25,328**	27,552
Total non-current liabilities		**77,501**	83,976
Net assets		**1,125,323**	1,063,827
EQUITY			
Equity attributable to owners of the parent			
Issued capital	16	**86,866**	86,866
Reserves		**957,491**	900,666
		1,044,357	987,532
Non-controlling interests		**80,966**	76,295
Total equity		**1,125,323**	1,063,827

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 2013

	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	Subtotal RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Six months ended 30 June 2013 (unaudited)									
At 1 January 2013	86,866	533,856	14,310	43,612	(12,570)	321,458	987,532	76,295	1,063,827
Profit for the period	–	–	–	–	–	62,703	62,703	5,208	67,911
Other comprehensive loss for the period:									
Exchange differences on translation of foreign operations	–	–	–	–	(6,277)	–	(6,277)	(1,936)	(8,213)
Remeasurement gain on defined benefit plan	–	–	–	–	–	399	399	383	782
Total comprehensive income/(loss) for the period	–	–	–	–	(6,277)	63,102	56,825	3,655	60,480
Contribution from shareholders	–	–	–	–	–	–	–	1,016	1,016
At 30 June 2013	86,866	533,856	14,310	43,612	(18,847)	384,560	1,044,357	80,966	1,125,323
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/(loss) 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

* These reserve accounts comprise the consolidated reserves of RMB957,491,000 (30 June 2012: RMB899,693,000) in the interim condensed consolidated statement of financial position.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**17,984**	35,342
NET CASH FLOWS USED IN INVESTING ACTIVITIES	**(182,169)**	(183,980)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	**89,493**	(30,869)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(74,692)**	(179,507)
Cash and cash equivalents at beginning of period	**282,714**	342,241
Effect of foreign exchange rate changes, net	**24**	(1,062)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**208,046**	161,672
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	**208,046**	161,672

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 in 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

The Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2013 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Listing Rules 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 2012. The Interim Condensed Consolidated Financial Statements are presented in RMB and all values are rounded to nearest thousand (RMB'000), except when otherwise indicated.

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

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 2012, except for the adoption of new standards and interpretations as of 1 January 2013, 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 – Government Loans*
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
IFRS 10	*Consolidated Financial Statements*
IFRS 11	*Joint Arrangements*
IFRS 12	*Disclosure of Interests in Other Entities*
IFRS 10, IFRS 11 and IFRS 12 Amendments	Amendments to IFRS 10, IFRS 11 and IFRS 12 – *Transition Guidance*
IFRS 13	*Fair Value Measurement*
IAS 1 Amendments	Amendments to IAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
IAS 19 Amendments	*Employee Benefits*
IAS 27 (Revised)	*Separate Financial Statements*
IAS 28 (Revised)	*Investments in Associates and Joint Ventures*
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	Amendments to a number of IFRSs issued in May 2012

The adoption of the new and revised standards and interpretations resulted in changes to accounting policies, but did not have significant impact on the financial position or performance of the Group.

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 2013 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.

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, pledged deposits, time deposits, held-to-maturity investment, and other unallocated head office and corporate assets as these assets are managed on a group basis.

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

3. OPERATING SEGMENT INFORMATION (continued)

	Six months ended 30 June 2013 (unaudited)		
	Ausnutria RMB'000	Ausnutria Hyproca RMB'000	Total RMB'000
SEGMENT REVENUE			
Sales to external customers	282,197	515,109	797,306
Intersegment sales	–	9,236	9,236
	282,197	524,345	806,542
Reconciliation:			
Elimination of intersegment sales			(9,236)
Revenue from operations			797,306
SEGMENT RESULTS	63,856	19,819	83,675
Reconciliation:			
Interest income			10,012
Finance costs			(2,901)
Corporate and other unallocated expenses			(9,472)
Profit before tax			81,314
OTHER SEGMENT INFORMATION			
Impairment losses written back in profit or loss	–	(1,599)	(1,599)
Depreciation and amortisation	4,414	13,945	18,359
Capital expenditure*	2,645	46,224	48,869
	As at 30 June 2013 (unaudited)		
SEGMENT ASSETS	331,987	608,800	940,787
Reconciliation:			
Elimination of intersegment receivables			(8,642)
Corporate and other unallocated assets			849,876
Total assets			1,782,021
SEGMENT LIABILITIES	124,205	322,888	447,093
Reconciliation:			
Elimination of intersegment payables			(8,642)
Corporate and other unallocated liabilities			218,247
Total liabilities			656,698

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

3. OPERATING SEGMENT INFORMATION (continued)

	Six months ended 30 June 2012 (unaudited)		
	Ausnutria	Ausnutria Hyproca	Total
	RMB'000	RMB'000	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
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
	As at 31 December 2012 (audited)		
SEGMENT ASSETS	221,269	576,106	797,375
Reconciliation:			
Elimination of intersegment receivables			(586)
Corporate and other unallocated assets			791,574
Total assets			1,588,363
SEGMENT LIABILITIES	163,585	226,975	390,560
Reconciliation:			
Elimination of intersegment payables			(586)
Corporate and other unallocated liabilities			134,562
Total liabilities			524,536

* 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	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
The PRC	**362,365**	328,055
European Union	**276,429**	284,663
Middle East	**45,620**	31,002
Australia and New Zealand	**40,523**	7,100
Others	**72,369**	63,905
	797,306	714,725

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

(b) Non-current assets

	At 30 June 2013	At 31 December 2012
	RMB'000	RMB'000
	(Unaudited)	(Audited)
The PRC	**76,892**	76,747
The Netherlands	**324,561**	304,258
	401,453	381,005

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 2013, 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 2012: 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:

		Six months ended 30 June	
	Note	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
REVENUE			
Sale of goods		797,306	714,725
OTHER INCOME AND GAINS			
Interest income		10,012	4,458
Investment income from a held-to-maturity investment	(i)	2,564	3,573
Government grants		305	636
Others		663	2,285
Total other income and gains		13,544	10,952

(i) There were no unfulfilled conditions or contingencies attaching to these grants.

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Total interest expense on financial liabilities not at fair value through profit or loss	2,901	2,515

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Cost of inventories sold	566,171	492,072
Write-down/(reversal of write-down) of inventories to net realisable value	(1,599)	13,430
Cost of sales	564,572	505,502
Depreciation	15,125	14,917
Amortisation of prepaid land lease payments	28	28
Amortisation of other intangible assets	3,206	2,573
Minimum lease payments under operating leases:		
Buildings	1,480	1,066
Auditors' remuneration	2,250	3,301
Professional fees*	6,354	2,052
Employee benefit expenses (including directors' remuneration):		
Wages, salaries and staff welfare	95,939	64,102
Pension scheme contributions**	6,845	6,454
	102,784	70,556

* The professional fees incurred in relation to the Unresolved Issued are included in other expenses in the consolidated statement of comprehensive income.

** At 30 June 2013, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (31 December 2012: Nil).

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 2013 (six months ended 30 June 2012: 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.

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, 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.

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current charged for the period		
The Netherlands	**4,991**	11,258
The PRC	**8,932**	9,301
Deferred tax	**(520)**	126
Total tax charge for the period	**13,403**	20,685

7. INCOME TAX (continued)

30 June 2013 (unaudited)

	Hong Kong		The Netherlands		Mainland China		Others		Total	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Profit/(loss) before tax	(2,171)		18,564		73,311		(8,390)		81,314	
Income tax at the statutory income tax rate	(358)	16.5	4,232	22.8	18,327	25.0	–	–	22,201	27.3
Tax effects on preferential tax rates	–	–	–	–	(7,297)	(10.0)	–	–	(7,297)	(9.0)
Non-deductible items and others, net	–	–	523	2.8	888	1.2	–	–	1,411	1.7
Additional deduction of expenses	–	–	(966)	(5.2)	(306)	(0.4)	–	–	(1,272)	(1.6)
Tax losses not recognised	358	(16.5)	–	–	–	–	–	–	358	0.5
Tax losses utilised from previous periods	–	–	708	3.8	–	–	–	–	708	0.9
Adjustments in respect of current tax in previous periods	–	–	–	–	(2,706)	(3.7)	–	–	(2,706)	(3.3)
Tax charge at the Group's effective rate	–	–	4,497	24.2	8,906	12.1	–	–	13,403	16.5

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

8. INTERIM DIVIDENDS

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: 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 2012: 986,843,000) in issue during the period.

Earnings

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**62,703**	65,227

Shares

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**986,843,000**	986,843,000

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2013 and 2012 in respect of a dilution as the Company had no potentially dilutive ordinary shares in issue during those periods.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2013, the Group acquired buildings, machinery, office equipment, motor vehicle and construction in progress with an aggregate cost of approximately RMB41,129,000 (six months end 30 June 2012: RMB15,591,000).

At 30 June 2013, 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 8,493,000, equivalent to approximately RMB68,399,000 (31 December 2012: EURO 8,204,000, equivalent to approximately RMB68,238,000) and EURO 14,078,000, equivalent to approximately RMB113,379,000 (31 December 2012: EURO 10,777,000, equivalent to approximately RMB89,639,000), respectively, were pledged to secure general banking facilities granted to the Ausnutria Hyproca Group.

11. INVENTORIES

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Raw materials	**131,016**	74,899
Finished goods	**149,189**	114,261
Others	**3,036**	1,775
Total	**283,241**	190,935

At 30 June 2013, certain of the Group's inventories that were attributed to the Ausnutria Hyproca Group with a net carrying amount of EURO 22,983,000 (equivalent to approximately RMB185,098,000) (31 December 2012: EURO 16,567,000 (equivalent to approximately RMB137,798,000)) were pledged to secure general banking facilities granted to the Ausnutria Hyproca Group.

12. TRADE AND BILLS RECEIVABLE

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Trade receivables	110,863	122,615
Bills receivables	26,082	18,682
Total	136,945	141,297

The Group normally allows a credit period from one month to 12 months (31 December 2012: one month to 12 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 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Within 3 months	98,716	107,476
3 to 6 months	4,143	6,927
6 months to 1 year	8,004	4,648
Over 1 year	–	3,564
Total	110,863	122,615

There was no provision for impairment as of 30 June 2013 (31 December 2012: Nil). The carrying amounts of the trade and bills receivables approximate to their fair values.

At 30 June 2013, certain of the Group's trade receivables that were attributed to the Ausnutria Hyproca Group with a net carrying amount of EURO 9,325,000 (equivalent to approximately RMB75,103,000) (31 December 2012: EURO 7,388,000 (equivalent to approximately RMB61,450,000)) were pledged to secure general banking facilities granted to the Ausnutria Hyproca Group.

13. HELD-TO-MATURITY INVESTMENT

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 to purchase an entrusted loan (the "**Entrusted Loan**") from Shanghai Pudong Development Bank (Changsha), an independent third party. The Entrusted Loan was unsecured, bore interest at a rate of return of approximate 8% per annum and was matured in May 2013. The Entrusted Loan is classified as a held-to-maturity investment and was measured at amortised cost using the effective interest rate method as at 31 December 2012.

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

14. CASH AND CASH EQUIVALENTS

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Cash and bank balances	**208,046**	282,714
Time deposits	**613,300**	420,000
	821,346	702,714
Less: Pledged deposits	**(123,300)**	–
Non-pledged time deposits with maturity of between 3 months to 12 months	**(490,000)**	(420,000)
Cash and cash equivalents in the consolidated statement of financial position	**208,046**	282,714

At 30 June 2013, the Group's cash and bank balances denominated in RMB amounted to RMB158,846,000 (31 December 2012: RMB248,204,000). In addition, all the Group's time deposits were denominated in RMB. 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.

15. 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 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Within 12 months	126,650	104,689
Over 12 months	18	9
Total	126,668	104,698

Trade payables are interest-free and are normally settled within 12 months (31 December 2012: 12 months).

16. SHARE CAPITAL

	30 June 2013 HK$'000 (Unaudited)	31 December 2012 HK$'000 (Audited)
Authorised:		
1,500,000,000 ordinary shares of HK$0.10 each	150,000	150,000
Issued and fully paid:		
986,843,000 (31 December 2012: 986,843,000) ordinary shares of HK$0.10 each	98,684	98,684
equivalent to RMB'000	86,866	86,866

During the period, there was no movement in share capital (six months ended 30 June 2012: Nil).

17. CONTINGENT LIABILITIES

At the end of the reporting period, the Group did not have any significant contingent liabilities (31 December 2012: Nil).

18. 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, 12 and 14 to the Interim Condensed Consolidated Financial Statements.

19. 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 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Within one year	**2,091**	2,069
In the second to fifth years, inclusive	**2,377**	2,701
Total	**4,468**	4,770

20. COMMITMENTS

In addition to the operating lease commitments detailed in note 19 above, the Group had the following capital commitments at the end of the reporting period:

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Contracted, but not provided for:		
Leasehold improvements	**–**	1,260
Plant and machinery	**64,939**	10,583
Total	**64,939**	11,843

21. RELATED PARTY TRANSACTIONS

(a) Balance with a related party

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
An amount due from Mr. Chen	–	251

The balance represented the loan granted to the then executive Director and chief executive officer of the Company and Ausnutria China, Mr. Chen, which was unsecured, bore interest at 5% per annum and was fully settled during the period. The maximum outstanding balance due from Mr. Chen during the period was RMB251,000.

(b) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Salaries, allowances and benefits in kind	7,979	9,190
Retirement benefit contributions	588	345
Total compensation paid to key management personnel	8,567	9,535

22. EVENT AFTER THE REPORTING PERIOD

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

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.

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 as set out in the COA. Further details regarding the extension of the call option are set out in the announcement of the Company dated 9 June 2014.

23. 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.