Interim Report 2014

JINTIAN
金天集团

JINTIAN PHARMACEUTICAL GROUP LIMITED

金天醫藥集團股份有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 2211

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Jin Dongtao *(Chairman)*
Mr. Jin Dongkun *(Vice Chairman)*
Mr. Chu Chuanfu *(Chief Executive Officer)*
Mr. Yang Jiacheng *(Chief Operating Officer)*

Independent Non-executive Directors

Mr. Cheng Sheung Hing
Ms. Chiang Su Hui Susie
Mr. Chen Xiao

AUDIT COMMITTEE

Mr. Chen Xiao *(Chairman)*
Mr. Cheng Sheung Hing
Ms. Chiang Su Hui Susie

REMUNERATION COMMITTEE

Mr. Cheng Sheung Hing *(Chairman)*
Ms. Chiang Su Hui Susie
Mr. Chu Chuanfu

NOMINATION COMMITTEE

Mr. Jin Dongtao *(Chairman)*
Mr. Cheng Sheung Hing
Ms. Chiang Su Hui Susie

AUTHORIZED REPRESENTATIVES

Mr. Yang Jiacheng
Ms. Yung Mei Yee

JOINT COMPANY SECRETARIES

Mr. Ge Junming
Ms. Yung Mei Yee

REGISTERED OFFICE

PO Box 309
Ugland House
Grand Cayman, KY1-1104
Cayman Islands

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Tiexi District
Shenyang, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 1508
One Pacific Place
88 Queensway
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall
Cricket Square
Grand Cayman KY1-1102
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Corporate Information

AUDITOR

PricewaterhouseCoopers

COMPLIANCE ADVISER

Guotai Junan Capital Limited

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Agricultural Bank of China Limited
Luso International Banking Limited
The Bank of Hebei Company Limited

STOCK CODE

The Main Board of The Stock Exchange of Hong Kong Limited: 2211

INVESTOR RELATIONS

Ms. Winny Yip
ir@jtyyjt.com

COMPANY'S WEBSITE

www.jtyyjt.com

Financial Highlights

	Six months ended 30 June		
	2014	2013	
	RMB Million	RMB Million	Change
	(Unaudited)	(Audited)	(%)
Revenue	**2,043.9**	1,457.0	+40.3
Gross profit	**606.4**	383.7	+58.0
Operating profit	**325.8**	214.5	+51.9
Profit attributable to owners of the Company	**223.8**	150.8	+48.4
Basic earnings per share – RMB cents	**11.19**	9.42	+18.8
Interim dividend per share – HK cents	**2.8**	–	N/A
Gross margin (%)	**29.7**	26.3	+3.4 pp
Operating margin (%)	**15.9**	14.7	+1.2 pp
Net margin (%)	**11.9**	11.3	+0.6 pp

	30 June 2014	31 December 2013	
	(Unaudited)	(Audited)	
Current ratio (times)	**4.2**	8.3	-4.1
Trade receivables turnover (days)	**16.2**	20.2	-4.0
Trade payables turnover (days)	**11.8**	13.9	-2.1
Inventory turnover (days)	**36.9**	39.8	-2.9

Notes:

1. Basic earnings per share = Profit attributable to owners of the Company/weighted average number of ordinary shares (the weighted average number of shares for the first six months of 2014 was 2,000,000,000, versus 1,600,000,000 for the corresponding period last year)

2. Current ratio = Current assets/current liabilities

3. Trade receivables turnover days = Average of opening and closing balances on trade receivables/revenue for the period x number of days for the period

4. Trade payables turnover days = Average of opening and closing balances on trade payables/cost of sales for the period x number of days for the period

5. Inventory turnover days = Average of opening and closing balances on inventory/cost of sales for the period x number of days for the period

Management Discussion and Analysis

The board of directors (the "Board") of Jintian Pharmaceutical Group Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2014.

Industry Overview

The first half of 2014 witnessed an emerging recovery of global economy with economic restructuring speeding up. Against the backdrop of the global recovery, the People's Republic of China (the "PRC") economy in general maintained good development momentum. The strategy to maintain steady growth while undergoing structural adjustment during the period of economic transformation began to gain traction. The implementation of a number of economic stimulating measures spurred steady growth in the PRC economy. The national economy developed at a steady pace in general, showing a stable and upward trend. At the same time, with the development strategies and ideas for economic transformation under the "Twelfth Five-Year Plan" taking shape, China's rapid urbanization has been fueling the expansion of market. According to data published by the National Bureau of Statistics of the PRC (NBS), for the first half of 2014, China recorded a GDP of RMB26.9 trillion, up by 7.4% from the same period of last year, over 7 million new jobs were created for the urban labor market. In the first half of the year, the Consumer Price Index rose by 2.3% on a year-on-year basis, with rapid growth in residents' income in both urban and rural areas. Driven by increasing income and accelerated urbanization, demand for healthcare services and pharmaceutical products has been on the rise.

The macro-economic condition is fundamental to the development of the pharmaceutical distribution sector. China's growing GDP provides the pharmaceutical retailing sector a new wave of opportunities for expansion. Urbanization and the resulting consumption transformation drive healthcare consumption, boosting spending in pharmaceutical products year by year and therefore the growth of the pharmaceutical distribution sector. According to the IMS data, in 2013, China's pharmaceuticals market was ranked the third globally in terms of size, up from the fifth in 2009. Based on the latest NBS data, for the first half of 2014, turnover of the pharmaceutical industry as a whole grew by 13.53% as compared with the same period of last year. The growth for the period was 0.47 percentage point higher than that of the first five months of the year. Total profits increased by 14.88% over the same period of last year, with a growth rate being 0.30 percentage point higher than that of the first five months of the year. In the first half of the year, the industry maintained a stable growth in profit from a high base in the same period of last year.

Northeast China consists of three provinces, namely Liaoning, Jilin and Heilongjiang. According to the statistics released by the NBS, these three provinces all outperformed the national average in per capital GDP growth rate from 2009 to 2013. In the context of rapid GDP growth, population aging, the urbanization drive, government support for the medical insurance system and other socio-economic dynamics, the pharmaceutical market of Northeast China showed great growth potential. According to the Southern Medicine Economy Research Institute of China Food and Drug Administration (國家食品藥品監督管理局南方醫藥經濟研究所), rapid urbanization development in Northeast China directly contributes to the growth of a more attractive pharmaceutical market with a higher level of per capita healthcare spending compared to areas in China with slower trend of urbanization.

Management Discussion and Analysis

According to data released, the pharmaceutical retail market sales in Northeast China accounted for 7.1% of the national total. Northeast China is equipped with an extensive pharmaceutical distribution network where the sales of each of the top five pharmaceutical distributors in 2012 exceeded RMB1 billion. With accelerated new urbanization, rising living standards and supportive governmental policies for the healthcare service industry, the pharmaceutical retailing and distribution market in Northeast China will continue to grow rapidly with tremendous potential for development. Due to the absence of major national pharmaceutical retailers with significant market share, the pharmaceutical retailing sector in Northeast China is characterized by lower concentration and smaller presence of chain pharmacies, which provides huge room for improvement. In the recent wave of accelerated acquisitions and consolidation within the pharmaceutical industry, leading regional pharmacies are well positioned to dominate and benefit from the development of the pharmaceutical retailing sector in Northeast China.

Business Review

Summary: During the six months ended 30 June 2014 (the "Period"), the management of the Group proactively expanded market coverage, increased efforts in merger and acquisition and accelerated deployment in Northeast China, so as to enhance its influence in the industry. In particular, it led the pharmaceutical distribution sector by becoming the general distributor in China for McJayden brand milk-based formula powder.

Initiatives adopted to improve gross profit margin: During the Period, in order to improve gross profit margin, the management fully leveraged on the operation strengths of the core operation team to: (1) extend our network coverage focused on regional markets through additional mergers and acquisitions; (2) enhance marketing for branded products with increased participation in events held by trade associations and alliances and improved services offered by Jintian Institute to our customers; (3) strengthen member loyalty by enhancing promotion of Caring Culture and improving cohesion among our members; (4) build up our competitiveness by investing more in international trades and introducing exclusive products with higher margin; and (5) promote the development of e-commerce to gain more customer flows and market attention and lay a solid foundation for future growth.

Mergers and acquisitions: During the Period, the Group continued to carry out mergers and acquisitions in Northeast China. On the retail front, we acquired three chain retailers with a total of 42 retail pharmacies. Among which, two are based in Jilin Province owning 35 retail pharmacies while one is located in Liaoning Province with 7 retail pharmacies, so as to establish business presence in areas not yet covered by us. Meanwhile, we completed the acquisition of a land use right and a building in Harbin, Heilongjiang, which will be built into a modern logistics center, so as to improve our logistics distribution capacity and lay a solid foundation for obtaining certification under the new Good Supply Practice for Pharmaceutical Products (GSP) applicable to chain pharmacies in Heilongjiang. Subsequently in July, the Group acquired two chain retailers with 25 retail pharmacies and one distributor in Liaoning, so as to establish business presence and distribution network in areas not yet covered in this province, completing our basic deployment of distribution network within the region.

Management Discussion and Analysis

Direct supply of branded products: Our management intends to enhance direct supply of branded products for higher profitability. During the Period, the Group's brand operation and management center organized more distribution events, including 24 dedicated direct-supply campaigns to acquire customers, resulting in an increase in sales of branded products totaling RMB38.4 million. In the meantime, the Group continued to expand its branded offerings and product lines, launching 41 new branded products in the first half of the year, enabling the Group to maintain a strong profitability. Subsequently in July, we promoted our "Yu Shi" branded products with title sponsorship for "Kunlun Fight", a popular TV programme, which rapidly and significantly improved its brand recognition, making our branded products more popular among the distributors and end consumers, and in turn boosting our sales consistently.

Institute services: To make better use of Jintian Institute to provide customers with superior value-added services, the Group carried out functional department restructuring, whereby Jintian Institute was under management of the brand operation and management center. Furthermore, the Group stepped up efforts in serving customers for direct supply of branded products and provided the dedicated branding programme of "Golden Rules of Marketing". During the first half of the year, Jintian Institute held 84 training sessions for such customers in many cities across the country, including Chongqing, Xi'an, Guilin, Zibo, Qingdao, Zaozhuang, Dalian, Wuhan, Shijiazhuang, Lanzhou, Harbin, Liuzhou, Suzhou, Jingzhou, Chengdu, Yuncheng, Shangdu, Anshan, Beijing, Jinhua, Baotou, Chifeng, Hengyang, Wenzhou and Yanji. The value-added services provided by us in the form of open class were highly appreciated by our customers, which drove the sales of branded products.

Caring activities: To perform our social responsibilities, during the Period, the Group organized 89 major caring activities across 6 provinces and regions, building up a loyal member base for our branded products. Subsequently in July, the Group organized a charity event in Shenyang with support from the China Association for the Blind and Deaf and China Medical Pharmaceutical Material Association and participation of some members of ChinaMSR, further enhancing our influence within the organisation. As our devotion to charity activity had won recognition in the international community, the Group was nominated for the Corporate Social Responsibility Award in the 13th Asia Business Leaders Awards held by CNBC in Singapore. Following the recent earthquake in Yunnan, China, the Group's public welfare department initiated online donation for its staff and members of the public to lend a helping hand, which also helped to enhance our corporate image.

International trade: To cater to our global expansion, during the Period, the Group recruited talents to set up the international trade department, with a view to creating greater profits by introducing more products with higher margins into its retail and distribution networks. In particular, the Group entered into an agreement with McJayden in June, pursuant to which the Group became the exclusive general distributor in China for the McJayden brand organic milk-based formula powder, marking the Group's quick response to the Chinese Government's macro policy for pharmacies to sell infant powder. In accordance with the Circular of the State Council Regarding the Opinions on Further Strengthening the Quality and Safety of Infant Formula Milk Powder (Guo Ban Fa [2013] No. 57) issued in June 2013, it introduced the policy of "implementing the sales of infant formula milk powder products in concession

Management Discussion and Analysis

counters and corners and the trial selling of infant formula milk powder products in concession counters in pharmacies". The Group's general distributorship for organic milk powder has elicited a vigorous response within the pharmaceutical distribution sector and serves as a new profit driver for the Group.

E-Commerce: The Group is committed to developing the e-commerce pharmaceutical retail business. During the Period, the Group optimized the staff team of its e-commerce department, rationalized its distribution channels, enriched its e-commerce product mix and expanded its access to more internet resources, laying a solid foundation for the development of online marketing.

Financial Review

For the Period, the Group recorded revenue of RMB2,043.9 million, representing an increase of 40.3% as compared with RMB1,457.0 million for the corresponding period in 2013. Profit attributable to owners of the Company was RMB223.8 million, representing an increase of 48.4% as compared with RMB150.8 million for the corresponding period in 2013. Earnings per share for the Period was RMB11.19 cents (2013: RMB9.42 cents). The increase in profit attributable to owners of the Company was mainly due to the increase in profit of both of the Group's retail and distribution businesses.

Revenue

For the Period, the Group recorded revenue of RMB2,043.9 million, representing an increase of RMB586.9 million or 40.3% as compared with RMB1,457.0 million for the corresponding period in 2013. The increase was mainly attributable to the substantial growth in both retail and distribution businesses.

Analysis of revenue by business segment

	Revenue *(RMB million)* **Six months ended 30 June**			**% of total revenue Six months ended 30 June**		
	2014	2013	Change (%)	**2014**	2013	Change (%)
Retail	**963.2**	700.8	+37.4	**47.1**	48.1	–1.0
Distribution	**1,080.7**	756.2	+42.9	**52.9**	51.9	+1.0
	2,043.9	1,457.0		**100.0**	100.0	

As at 30 June 2014, the Group had a nationwide distribution network covering approximately 4,900 customers, including approximately 3,200 pharmaceutical retailers, hospitals and clinics and approximately 1,700 distributors.

Management Discussion and Analysis

Retail Business Segment

The increase in the retail business was mainly due to the growth of the existing pharmacies and the increase in the number of retail pharmacies during the Period. During the Period, the Group continued its organic growth of retail business through expanding member base, increasing the consumption per member and introducing more personalized services and product mix which are better adapted to the needs of customers. Besides, the Group acquired 42 retail pharmacies through 3 acquisitions and opened 2 new pharmacies during the Period. As at 30 June 2014, the Group had 838 retail pharmacies in total, of which 688 located in Heilongjiang, 101 in Liaoning, 45 in Jilin and 4 self-operated retail pharmacies in Hong Kong. In addition, the Group had 16 supermarkets in Shenyang as at 30 June 2014, mainly selling healthcare products and consumer goods.

Distribution Business Segment

The increase in the distribution business was due to (i) increase in the number of customers and, (ii) more sales generated from existing customers. During the Period, the Group continued its organic growth of distribution business through providing more specific value-added services to key customers and intensifying efforts to explore new quality customers. Besides, the distribution companies acquired in prior years continued to report substantial growth during the Period.

Gross Profit

Gross profit of the Group for the Period was RMB606.4 million, representing an increase of RMB222.7 million or 58.0% as compared with RMB383.7 million for the corresponding period in 2013. Overall gross profit margin increased from 26.3% to 29.7%.

Analysis of gross profit by business segment

	Gross profit *(RMB million)* **Six months ended 30 June**			**Gross profit margin (%)** **Six months ended 30 June**		
	2014	2013	Change (%)	**2014**	2013	Change (%)
Retail	**385.5**	269.1	+43.3	**40.0**	38.4	+1.6
Distribution	**220.9**	114.6	+92.8	**20.4**	15.2	+5.2
	606.4	383.7				

The increase in overall gross profit margin was mainly due to enhancement of product mix with more high-margin products. The Group's high-margin products consists of licensed products and products with exclusive distribution rights. During the Period, revenue of the Group's high-margin products increased by 52.2% over the corresponding period in 2013 and the gross profit margin of these high-margin products increased from 38.4% to 50.4%. As at 30 June 2014, the Group had 412 types of licensed products and 1,015 types of products with exclusive distribution rights.

Management Discussion and Analysis

Selling and Marketing Expenses

Selling and marketing expenses for the Period were RMB233.9 million, representing an increase of RMB96.2 million or 69.8% over the corresponding period in 2013 and 11.4% (2013: 9.5%) of the Group's revenue. The increase was mainly due to the increase in marketing staff costs and advertising expenses as a result of continuous expansion.

Administrative Expenses

Administrative expenses for the Period were RMB47.1 million, representing an increase of RMB16.9 million or 55.7% over the corresponding period in 2013. The increase was mainly due to the increase in professional fee and directors' fee after the initial public offering of the Company in 2013 (the "IPO").

Finance Income – Net

Net finance income increased from RMB2.3 million for the six months ended 30 June 2013 to RMB3.8 million for the Period. The increase was primarily due to the interest income arising from the proceeds of the IPO.

Income Tax Expense

Income tax expense for the Period was RMB86.0 million, representing an increase of RMB32.4 million or 60.6% over the corresponding period in 2013. The effective income tax rate for the Period was 26.0% (2013: 24.6%).

Liquidity and Capital Resources

The Company's treasury function formulated financial risk management procedures, which are also subject to periodic review by the senior management of the Company. This treasury function operates as a centralized service for managing financial risks, including interest rate and foreign exchange rate risks, reallocating surplus financial resources within the Group, procuring cost-efficient funding and targeting yield enhancement opportunities. The treasury function regularly and closely monitors the Group's overall cash and debt positions, proactively reviews the Group's funding costs and maturity profiles to facilitate timely refinancing, if appropriate.

As at 30 June 2014, the Group's unpledged cash and cash equivalents totalled approximately RMB1,610.9 million (31 December 2013: approximately RMB1,564.2 million), and the Group's net current assets were approximately RMB1,945.7 million (31 December 2013: approximately RMB1,941.0 million).

During the Period, net cash flows generated from operating activities amounted to approximately RMB346.1 million, as compared to approximately RMB170.2 million for the corresponding period in 2013. The substantial increase was due to the substantial growth in both retail and distribution businesses of the Group.

Management Discussion and Analysis

During the Period, the Group had capital expenditure of approximately RMB258.2 million (2013: approximately RMB145.2 million).

Having considered the cash flow from operating activities, existing financial gearing and banking facilities available to the Group, the management believes that the Group's financial resources are sufficient to fund its debt payments, day-to-day operations, capital expenditures and prospective business development projects.

The Group mainly operates in the PRC, with most of its transactions denominated and settled in Renminbi. The Group's currency risk arises mainly from certain bank deposits that are denominated in Hong Kong dollars. As at 30 June 2014, the Group had approximately RMB1,610.9 million in cash and bank balances of which the equivalent of approximately RMB69.7 million was denominated in Hong Kong dollars. During the Period, the Company has converted most of the Hong Kong dollars into equivalent Renminbi to reduce the impact of fluctuations in exchange rate.

The Group did not use financial instruments for financial hedging purpose during the Period.

Capital Structure

There were no movements in the Company's share capital and share options during the Period.

As at 30 June 2014, the Group had certain interest-bearing bank borrowings of approximately RMB295.5 million (31 December 2013: Nil). Bank borrowings carried annual interest rates at 2.9% (31 December 2013: N/A). All of the bank borrowings are denominated in Renminbi.

The gearing ratio of the Group as at 30 June 2014, calculated as net debt divided by sum of total equity and net debt, was N/A (31 December 2013: N/A) as the Group has no net debt.

Contingent Liabilities and Pledge of Assets

As at 30 June 2014, the Group has no significant contingent liabilities (31 December 2013: Nil).

As at 30 June 2014, the bank borrowings and notes payable of the Group were secured by the time deposits of the Group with net aggregate booking value of approximately RMB375.1 million. As at 31 December 2013, the notes payable of the Group were secured by the time deposits of the Group with net aggregate booking value of approximately RMB8.6 million.

Acquisitions

During the Period, the Group supplemented its organic growth strategy with selected acquisitions to expand geographical reach. The Group acquired 42 retail pharmacies through three acquisitions during the Period, with an aggregate consideration of approximately RMB82.6 million. In addition, the Group acquired a land use right and a building at a consideration of RMB42.9 million during the Period for the construction of logistics centre.

Management Discussion and Analysis

Further, on 20 June 2014, the Group entered into a sale and purchase agreement to acquire the remaining 36% equity interest in Shenyang Weikang Drug Store Co. Ltd. ("Weikang"), an indirect 64% owned subsidiary of the Company, at a consideration of RMB250.0 million. Upon completion, Weikang will become a wholly-owned subsidiary of the Group. This transaction has not yet completed as at the date of this interim report. Details of this transaction were set out in the Company's circular dated 18 July 2014.

Subsequent to 30 June 2014, in July 2014, the Group acquired 25 retail pharmacies and 1 distribution company through three acquisitions with an aggregate consideration of approximately RMB136.0 million. On 25 August 2014, in order to enforce the deed of undertaking dated 23 November 2013, the Group entered into a sale and purchase agreement with Jiamusi Jintian Century Trade Company Limited, a related company of the Company, to acquire the remaining 4.99% equity interest in Heilongjiang Province Jintian Aixin Medicine Distribution Co., Ltd., an indirect 95.01% legally owned subsidiary of the Company, at a consideration of approximately RMB67.5 million (the "Acquisition"). As the shareholders of Jiamusi Jintian Century Trade Company Limited will transfer an amount equal to the consideration for the Acquisition to the Group as soon as practicable after the completion of the Acquisition and the Company has currently consolidated 100% of Heilongjiang Province Jintian Aixin Medicine Distribution Co., Ltd. in the book, the Acquisition will not affect the consolidated equity attributable to the owners of the Company. The Acquisition has not yet completed as at the date of this interim report. Details of the deed of undertaking dated 23 November 2013 were set out in the Company's prospectus dated 2 December 2013 (the "Prospectus") and details of the Acquisition were set out in the Company's announcement dated 25 August 2014.

Human Resources

As at 30 June 2014, the Group had 6,051 (2013: 5,081) full-time employees in Hong Kong and the PRC with total employee benefit expenses amounted to approximately RMB109.6 million (2013: RMB75.0 million). Employees are paid according to their positions, performance, experience and prevailing market practices, and are provided with management and professional training. The Group has implemented a number of initiatives to enhance the productivity of its employees. In particular, the Group conducts periodic performance reviews of most of the employees, and their compensation is tied to their performance. Further, the Group's compensation structure is designed to incentivize its employees to perform well by linking a portion of their compensation to their performance and the overall performance of the Group. The performance-based portion depends on the employee's job function and seniority.

Employees in Hong Kong are provided with retirement benefits under the Mandatory Provident Fund scheme, as well as life insurance and medical insurance. Employees in the PRC are provided with basic social insurance and housing fund in compliance with the requirements of the laws of China. The Company has adopted a share option scheme and a share award plan for the purpose of providing incentives to participants for their contribution to the Group, and to enable the Group to recruit and retain quality employees to serve the Group on a long-term basis.

Management Discussion and Analysis

Updates on Compliance and Regulatory Matters as Disclosed in the Prospectus

As disclosed in the section headed "Business" of the Prospectus, during the three years ended 31 December 2012 and the six months ended 30 June 2013, the Group has failed to comply with certain applicable laws and regulations in the PRC. Set out below is the progress of the rectification of the non-compliance matters as at the date of this interim report:

1. **Failure to obtain or renew GSP certificates**

   As disclosed in the Prospectus and 2013 annual report, due to administrative issues at local authorities, the Company was not able to obtain or renew the GSP certificates for four of its subsidiaries collectively operating 90 pharmacies before 12 December 2013 (the "Listing Date"). The GSP certificates are required by pharmaceutical retail and wholesale operators under the Administrative Rules on Certification of Good Supply Practice (《藥品經營質量管理規範認證管理辦法》).

   According to the progress of publication and implementation of detailed rules regarding new version of GSP certificates by relevant government authorities, the Group took proactive initiatives to establish the software and hardware foundation, improve construction of the storage and logistics facilities and enhance employee trainings. The Group has initiated the application procedure in the relevant place of business of the subsidiaries since June 2014, striving to obtain the GSP certificates by the end of the year.

2. **Failure to obtain or renew health food hygiene permits**

   As disclosed in the Prospectus and 2013 annual report, due to administrative issues at local authorities, the Company was not able to obtain or renew the health food hygiene permits for 138 of our pharmacies, 134 of which are located in Heilongjiang Province, before the Listing Date. The health food hygiene permits are required for sellers of health food and enterprises engaged in food circulation under the Food Safety Law of the PRC (《中華人民共和國食品安全法》).

   As the relevant local authorities, which are competent to register and issue new permits, have not yet published detailed implementation rules for application and renewal of such permits, 9 pharmacies still failed to obtain or renew health food hygiene permits and will apply to obtain such permits once the relevant authorities launch the approval procedure.

Management Discussion and Analysis

Future Plan

Looking forward, the Group will continue to focus on business expansion in Northeast China and explore expansion opportunities in the Greater China Region. Our strategy is to (1) enhance international trades and step up efforts in introducing good quality products from overseas markets, so as to improve profitability and profit margin; (2) strengthen cooperation with peer companies, enhance awareness of the brand "Jintian Aixin" and influence of the branded products by carrying out charity activities to enhance brand recognition as well as enhancing team management and conducting advertisement and promotional campaigns to improve sales volume and contribution of the branded products; and (3) further improve the operating system of online pharmacies, explore advanced approach to implement online and offline link and make the best use of the new media, so as to gain market attention and customer flows.

In short, while focusing on the Northeast China market, the Group will continue to enhance its influence in the industry by leveraging on its team strengths and is confident to seize the opportunities arising from market resource consolidation to create greater value for our shareholders, customers, employees and the society.

Report on Review of Interim Financial Information

羅兵咸永道

TO THE BOARD OF DIRECTORS OF JINTIAN PHARMACEUTICAL GROUP LIMITED
(incorporated in Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 16 to 41, which comprises the interim condensed consolidated balance sheet of Jintian Pharmaceutical Group Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2014 and the related interim condensed consolidated statement of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 August 2014

Condensed Consolidated Balance Sheet

As at 30 June 2014

	Note	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
ASSETS			
Non-current assets			
Land use rights	7	3,857	–
Property, plant and equipment	7	114,050	75,904
Intangible assets	8	516,330	443,734
Investments in joint ventures		5,880	5,249
Prepayment for investments		129,000	–
Prepayment for intangible assets		2,103	2,103
Deferred income tax assets		11,542	10,797
Total non-current assets		782,762	537,787
Current assets			
Trade and other receivables	9, 22(b)	255,514	361,805
Inventories		315,133	271,748
Restricted cash	10	375,057	8,643
Cash		1,610,910	1,564,248
Total current assets		2,556,614	2,206,444
Total assets		3,339,376	2,744,231
EQUITY			
Equity attributable to owners of the Company			
Share capital	11	12,259	12,259
Other reserves		1,559,795	1,559,795
Retained earnings		1,006,642	782,838
		2,578,696	2,354,892
Non-controlling interests		121,324	100,884
Total equity		2,700,020	2,455,776

Condensed Consolidated Balance Sheet

As at 30 June 2014

	Note	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		28,395	23,011
Current liabilities			
Borrowings	12	295,500	–
Trade and other payables	13, 22(b)	269,236	216,881
Current income tax liabilities		46,225	48,563
Total current liabilities		610,961	265,444
Total liabilities		639,356	288,455
Total equity and liabilities		3,339,376	2,744,231
Net current assets		1,945,653	1,941,000
Total assets less current liabilities		2,728,415	2,478,787

The notes on pages 21 to 41 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2014

	Note	Six months ended 30 June 2014 RMB'000 (Unaudited)	2013 RMB'000 (Audited)
Revenue	6	**2,043,894**	1,456,990
Cost of sales	15	**(1,437,473)**	(1,073,274)
Gross profit		**606,421**	383,716
Selling and marketing expenses	15	**(233,922)**	(137,763)
Administrative expenses	15	**(47,101)**	(30,248)
Other income		**370**	28
Other gains/(losses) – net	14	**3**	(1,236)
Operating profit		**325,771**	214,497
Finance income	16	**9,681**	2,425
Finance costs	16	**(5,889)**	(157)
Finance income – net	16	**3,792**	2,268
Share of profit of joint ventures		**631**	808
Profit before income tax		**330,194**	217,573
Income tax expense	17	**(85,950)**	(53,527)
Profit and total comprehensive income for the period		**244,244**	164,046
Profit and total comprehensive income attributable to:			
– Owners of the Company		**223,804**	150,780
– Non-controlling interests		**20,440**	13,266
		244,244	164,046
Earnings per share attributable to owners of the Company (RMB cents)			
– Basic and diluted	18	**11.19**	9.42

The notes on pages 21 to 41 form an integral part of this condensed consolidated interim financial information.

Details of the dividend are disclosed in note 19 to the condensed consolidated interim financial information.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

	Attributable to owners of the Company								
	Share capital	Share premium	Capital reserves	Statutory reserves	Share-based compensation reserves	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 11)								
(Unaudited)									
Balance at 1 January 2014	**12,259**	**1,524,825**	**(8,939)**	**35,056**	**8,853**	**782,838**	**2,354,892**	**100,884**	**2,455,776**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**223,804**	**223,804**	**20,440**	**244,244**
Balance at 30 June 2014	**12,259**	**1,524,825**	**(8,939)**	**35,056**	**8,853**	**1,006,642**	**2,578,696**	**121,324**	**2,700,020**
(Audited)									
Balance at 1 January 2013	–	–	(8,627)	20,410	8,853	528,145	548,781	79,377	628,158
Profit for the period	–	–	–	–	–	150,780	150,780	13,266	164,046
Purchase of non-controlling interests	–	–	(11,248)	–	–	–	(11,248)	(8,450)	(19,698)
Balance at 30 June 2013	–	–	(19,875)	20,410	8,853	678,925	688,313	84,193	772,506

The notes on pages 21 to 41 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2014

	Note	Six months ended 30 June 2014 RMB'000 (Unaudited)	 2013 RMB'000 (Audited)
Cash flows from operating activities:			
Cash generated from operations		**436,276**	227,954
Income tax paid		**(90,183)**	(57,729)
Net cash generated from operating activities		**346,093**	170,225
Cash flows from investing activities:			
Net cash received for financial assets at fair value through profit or loss		**–**	95,798
Change in restricted cash	*10*	**(366,414)**	14,207
Interest received		**9,250**	819
Proceeds from disposal of property, plant and equipment		**–**	180
Purchase of land use rights and intangible assets	*7, 8*	**(3,888)**	–
Purchase of property, plant and equipment		**(43,193)**	(38,023)
Acquisition of subsidiaries and businesses net of cash required	*21*	**(82,159)**	(107,203)
Prepayments for acquisition of subsidiaries	*23*	**(129,000)**	–
Net cash used in investing activities		**(615,404)**	(34,222)
Cash flows from financing activities:			
Proceeds from initial public offering hold by the sponsor		**25,879**	–
Borrowings from bank	*12*	**295,500**	–
Interest paid		**(1,516)**	–
Loan from a shareholder		**–**	21,759
Purchase of non-controlling interests		**–**	(19,698)
Net cash generated from financing activities		**319,863**	2,061
Net increase in cash		**50,552**	138,064
Cash at beginning of the period		**1,564,248**	455,916
Exchange losses on cash		**(3,890)**	(1,112)
Cash at end of the period		**1,610,910**	592,868

The notes on pages 21 to 41 form an integral part of this condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

1. General information

Jintian Pharmaceutical Group Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in the distribution and retail of drugs and other pharmaceutical products in the northeastern region of the People's Republic of China (the "PRC").

The Company was incorporated in the Cayman Islands on 12 March 2012, as an exempted company with limited liabilities under the Companies Law (2013 Revision) of the Cayman Islands. The address of the Company's registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 12 December 2013.

This condensed consolidated interim financial information is presented in thousands of Renminbi ("RMB'000"), unless otherwise stated, and approved for issue on 25 August 2014 by the Board.

This condensed consolidated interim financial information has been reviewed, not audited.

Key events

During the six months ended 30 June 2014, the Group acquired equity interests in certain companies from third parties with a total consideration amounting to RMB82,600,000. Further details are given in Note 21.

2. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2014 has been prepared in accordance with International Accounting Standards ("IAS") 34, 'Interim Financial Reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

3. Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2013, as described in those annual financial statements.

IFRIC Int 21	Levies
Amendments to IAS 32	Financial Instruments
Amendments to IAS 36	Recoverable Amount Disclosures for Non-financial Assets
Amendments to IAS 39	Novation of Derivatives
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities

Notes to the Condensed Consolidated Interim Financial Information

3. Accounting policies *(continued)*

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

There are no other amended standards or interpretations that could be expected to have a material impact on the Group.

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning on 1 July 2014 and have not been early adopted:

		Effective for annual periods beginning on or after
Amendments to IAS 19	Defined Benefit Plans	1 July 2014
IFRS 2	Share-based Payment	1 July 2014
IFRS 3	Business Combinations	1 July 2014
IFRS 8	Operating Segments	1 July 2014
IFRS 13	Fair Value Measurement	1 July 2014
IAS 16	Property, Plant and Equipment	1 July 2014
IAS 24	Related Party Disclosures	1 July 2014
IAS 37	Provisions, Contingent Liabilities and Contingent Assets	1 July 2014
IAS 38	Intangible Assets	1 July 2014
IAS 39	Financial Instruments – Recognition and Measurement	1 July 2014
IAS 40	Investment Property	1 July 2014
Amendments to IFRS 7	Financial Instruments: Disclosures	1 January 2015
IFRS 14	Regulatory Deferral Accounts	1 January 2016
Amendments to IFRS 11	Joint Arrangements	1 January 2016
Amendments to IAS 16	Property, Plant and Equipment	1 January 2016
Amendments to IAS 38	Intangible Assets	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2017
IFRS 9	Financial Instruments	1 January 2018

Management expected the adoption of the above amended standards would not have significant impact on the Group.

There are no other amended standards or interpretations that are not yet effective that could be expected to have a material impact on the Group.

Notes to the Condensed Consolidated Interim Financial Information

4. Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2013.

5. Financial risk management

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk and interest rate risk.

The condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2013.

There have been no changes in the risk management department since year end or in any risk management policies since the year end.

5.2 Liquidity risk factors

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

5.3 Fair value estimation

The Group has no financial instrument carried at fair value as at 30 June 2014 and 31 December 2013.

The carrying amounts of the Group's financial assets, including cash, restricted cash, receivables; and financial liabilities including payables, short-term borrowings, approximate their fair values due to their short maturities. The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

Notes to the Condensed Consolidated Interim Financial Information

6. Revenue and segment information

The Board is the Group's chief operating decision-maker. Management has determined the operating segments based on the information reviewed by the Board for the purposes of allocating resources and assessing performance.

The Group is principally engaged in the distributions and retails of drugs and other pharmaceutical products in the northeastern region of the PRC. Separate individual financial information for distributions and retails are presented to the Board who reviews the internal reports in order to assess performance and allocate resources. Due to the differences in economic characters, customers etc, for distributions, retails and others respectively, the distributions, retails and others are considered to be three reportable segments in accordance with IFRS 8 "Operating Segment". The "others" segment mainly comprises investment companies.

The Group's principal market is the northeastern region of the PRC. The Group has a large number of customers, which are widely dispersed within the northeastern region of the PRC, no single customer accounted for more than 10% of the Group's total revenues for the six months ended 30 June 2014 and 2013. Accordingly, no geographical segment is presented.

Sales between segments are carried out at arm's length. The revenue from external customers and the cost, the total assets and the total liabilities are measured in a manner consistent with that of the Group's consolidated financial statements.

The Board assesses the performance of the operating segments based on a measure of adjusted earnings before interests, tax, depreciation and amortization ("EBITDA").

Notes to the Condensed Consolidated Interim Financial Information

6. Revenue and segment information *(continued)*

The segment information for the six months ended 30 June 2014 and as at 30 June 2014 is as follows:

	Distributions *RMB'000* (Unaudited)	Retails *RMB'000* (Unaudited)	Others *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Six months ended 30 June 2014				
Segment revenue	1,474,884	963,211	–	2,438,095
Inter-segment revenue	(394,201)	–	–	(394,201)
Revenue from external customers	1,080,683	963,211	–	2,043,894
EBITDA	129,187	231,450	(18,707)	341,930
Depreciation and amortization	2,058	13,456	14	15,528
Finance income	1,035	984	7,662	9,681
Finance costs	(577)	(1,380)	(3,932)	(5,889)
Share of profit of joint ventures	–	631	–	631
Income tax expense	33,790	52,193	(33)	85,950
Additions of non-current assets	49,192	132,369	78,197	259,758
As at 30 June 2014				
Total assets before eliminations	1,608,287	1,422,106	1,512,392	4,542,785
Inter-segment assets	(292,219)	(146,677)	(764,513)	(1,203,409)
Total assets	1,316,068	1,275,429	747,879	3,339,376
Total liabilities before eliminations	588,564	508,387	23,863	1,120,814
Inter-segment liabilities	(291,578)	(173,341)	(16,539)	(481,458)
Total liabilities	296,986	335,046	7,324	639,356

Notes to the Condensed Consolidated Interim Financial Information

6. Revenue and segment information *(continued)*

The segment information for the six months ended 30 June 2013 and as at 31 December 2013 is as follows:

	Distributions *RMB'000* (Audited)	Retails *RMB'000* (Audited)	Others *RMB'000* (Audited)	Total *RMB'000* (Audited)
Six months ended 30 June 2013				
Segment revenue	802,191	700,795	–	1,502,986
Inter-segment revenue	(45,996)	–	–	(45,996)
Revenue from external customers	756,195	700,795	–	1,456,990
EBITDA	71,606	157,668	(2,452)	226,822
Depreciation and amortization	1,997	9,520	–	11,517
Finance income	363	481	1,581	2,425
Finance costs	(46)	(106)	(5)	(157)
Share of profit of joint ventures	–	808	–	808
Income tax expense	18,036	35,738	(247)	53,527
Additions of non-current assets	297	141,967	–	142,264
As at 31 December 2013				
Total assets before eliminations	1,105,829	981,716	1,551,168	3,638,713
Inter-segment assets	(266,064)	(2,459)	(625,959)	(894,482)
Total assets	839,765	979,257	925,209	2,744,231
Total liabilities before eliminations	173,551	257,742	47,920	479,213
Inter-segment liabilities	(44,762)	(143,546)	(2,450)	(190,758)
Total liabilities	128,789	114,196	45,470	288,455

The amounts provided to the Board with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the assets.

Notes to the Condensed Consolidated Interim Financial Information

7. Land use rights and property, plant and equipment

	Land use rights *RMB'000*	Property, plant and equipment *RMB'000*
(Unaudited)		
Six months ended 30 June 2014		
Opening net book amount as at 1 January 2014	**–**	**75,904**
Acquisition of subsidiaries *(Note 21)*	**–**	**736**
Additions	**3,870**	**48,593**
Depreciation and amortization *(Note 15)*	**(13)**	**(11,183)**
Closing net book amount as at 30 June 2014	**3,857**	**114,050**
(Audited)		
Six months ended 30 June 2013		
Opening net book amount as at 1 January 2013	–	46,901
Acquisition of subsidiaries and businesses	–	6,317
Additions	–	38,023
Disposals	–	(256)
Depreciation and amortization *(Note 15)*	–	(7,514)
Closing net book amount as at 30 June 2013	–	83,471

The Group's interests in land use rights represent prepaid operating lease payments. The Group's land use rights are located in the PRC and with the lease period for 50 years.

Notes to the Condensed Consolidated Interim Financial Information

8. Intangible assets

	Goodwill *RMB'000*	Other intangible assets *RMB'000*	Total *RMB'000*
(Unaudited)			
Six months ended 30 June 2014			
Opening net book amount as at 1 January 2014	**347,436**	**96,298**	**443,734**
Acquisition of subsidiaries *(Note 21)*	**51,310**	**25,600**	**76,910**
Additions	**–**	**18**	**18**
Amortization charge *(Note 15)*	**–**	**(4,332)**	**(4,332)**
Closing net book amount as at 30 June 2014	**398,746**	**117,584**	**516,330**
(Audited)			
Six months ended 30 June 2013			
Opening net book amount as at 1 January 2013	250,321	104,285	354,606
Acquisition of subsidiaries and businesses	97,115	–	97,115
Amortization charge *(Note 15)*	–	(4,003)	(4,003)
Closing net book amount as at 30 June 2013	347,436	100,282	447,718

9. Trade and other receivables

	30 June 2014 ***RMB'000*** **(Unaudited)**	31 December 2013 *RMB'000* (Audited)
Trade receivables *(Note)*	**172,263**	194,363
Prepayments	**68,729**	93,340
Other receivables	**14,522**	74,102
Total	**255,514**	361,805

The carrying amounts of receivables approximate their fair values.

Notes to the Condensed Consolidated Interim Financial Information

9. Trade and other receivables *(continued)*

Note:

Retail sales at the Group's pharmacies are usually made in cash or debt or credit cards. For distribution to distributors, there is no concentration of credit risk with respect to trade receivables, as the majority of the Group's sales are settled in cash on delivery of goods. The remaining amounts are with credit items of 0~90 days. The ageing analysis based on recognition date of the trade receivables is as follows:

	30 June 2014	31 December 2013
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Up to 3 months	**169,779**	183,627
4 to 6 months	**2,484**	2,795
7 to 12 months	**–**	7,941
	172,263	194,363

10. Restricted cash

	30 June 2014	31 December 2013
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Restricted cash	**375,057**	8,643

As at 30 June 2014, the balance of the restricted cash was secured for bank borrowings and notes payable. The amount of trade finance facilities utilized by the Group for bank borrowings and issuing notes payable to its suppliers amounting to RMB295,500,000 (Note 12) and RMB75,057,000 (Note 13). As at 31 December 2013, the entire balance of the restricted cash was secured for notes payable, the amount of trade finance facilities utilized by the Group for issuing notes payable to its suppliers amounting to RMB8,643,000 (Note 13).

Notes to the Condensed Consolidated Interim Financial Information

11. Share capital

	Number of ordinary shares	Nominal value of ordinary shares *USD*
Authorized:		
Ordinary shares of USD0.001 each		
As at 30 June 2014 and 31 December 2013 (a)	10,000,000,000	10,000,000

	Number of ordinary shares	Nominal value of ordinary shares *USD*	Equivalent nominal value of ordinary shares *RMB'000*
Issued and fully paid:			
At 1 January 2013 and 30 June 2013 (b)	1,000	1	0.006
At 1 January 2014 and 30 June 2014 (b)	2,000,000,000	2,000,000	12,259

Notes:

(a) The Company was incorporated on 12 March 2012 with an initial authorized share capital of USD50,000 divided into 50,000,000 ordinary shares with par value of USD0.001 each. By written resolutions of the sole shareholder of the Company dated 18 November 2013, the authorized share capital has been increased from USD50,000 to USD10,000,000 divided into 10,000,000,000 shares by the creation of an additional 9,950,000,000 shares.

(b) On the date of incorporation, 1,000 ordinary shares were issued to the parent company. On 11 November 2013, the parent company assigned shareholder's loan payable by a subsidiary of the Company in settlement of which, the Company issued and allotted 1 ordinary share to the parent company. On 12 December 2013, the Company issued 1,599,998,999 shares to its shareholders through capitalization of the share premium account immediately before the listing of the Company, and 400,000,000 shares in connection with the listing of the Company.

(c) Share Award Plan

The Company adopted a Share Award Plan on 23 April 2014 with an objective to encourage and retain selected participants including directors and employees of the Group, to work with the Group and to provide additional incentive for them to achieve performance goals. Under the plan, a trust was established in Hong Kong and will be used to purchase shares of the Company from the open market and reward the respective directors and employees with these shares. As the financial and operational policies of the trust are governed by the Group, and the Group benefits from the trust's activities, the trust is consolidated in the Group's financial statements as a special purpose entity.

No share has been purchased and granted under the Share Award Plan since its establishment and up to 30 June 2014.

Notes to the Condensed Consolidated Interim Financial Information

12. Borrowings

	30 June 2014 *RMB'000* (Unaudited)	31 December 2013 *RMB'000* (Audited)
Current		
Short-term secured bank borrowings	**295,500**	–

Movements in borrowings is analysed as follows:

	Six months ended 30 June	
	2014 *RMB'000* (Unaudited)	2013 *RMB'000* (Audited)
Opening amount	**–**	–
Additions	**295,500**	–
Closing amount	**295,500**	–

(a) The Group's borrowings are pledged as follows:

	30 June 2014 *RMB'000* (Unaudited)	31 December 2013 *RMB'000* (Audited)
Group's assets		
– Restricted cash	**300,000**	–

(b) The maturity dates of the borrowing were analysed as follows:

	30 June 2014 *RMB'000* (Unaudited)	31 December 2013 *RMB'000* (Audited)
Within 1 year	**295,500**	–

Notes to the Condensed Consolidated Interim Financial Information

12. Borrowings *(continued)*

(c) As at 30 June 2014 and 31 December 2013, there is no undrawn borrowing facilities of the Group.

(d) Interest expenses on borrowings for the six months ended 30 June 2014 was RMB1,729,000 (Note 16) (2013: Nil).

13. Trade and other payables

	30 June 2014 ***RMB'000*** **(Unaudited)**	31 December 2013 *RMB'000* (Audited)
Trade payables (a)	**101,562**	85,119
Notes payable (b)	**75,057**	8,643
Other payables	**92,617**	123,119
	269,236	216,881

(a) Details of ageing analysis of trade payables were as follows:

	30 June 2014 ***RMB'000*** **(Unaudited)**	31 December 2013 *RMB'000* (Audited)
Up to 3 months	**98,997**	82,796
4 to 6 months	**698**	2,069
7 to 12 months	**1,643**	68
1 year to 2 years	**56**	166
Above 2 years	**168**	20
	101,562	85,119

(b) As at 30 June 2014 and 31 December 2013, the entire balance of notes payable was secured by restricted cash of RMB75,057,000 and RMB8,643,000 (Note 10), respectively.

Notes to the Condensed Consolidated Interim Financial Information

14. Other gains/(losses) – net

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Loss on financial assets at fair value through profit or loss	**–**	(1,160)
Loss on disposals of property, plant and equipment	**–**	(76)
Others	**3**	–
	3	(1,236)

15. Expense by nature

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Changes in inventories	**1,424,991**	1,066,063
Employee benefit expenses	**109,606**	74,956
Advertising and other marketing expenses	**47,213**	9,997
Transportation and related charges	**40,240**	26,005
Rental expenses	**38,872**	32,655
Tax expenses	**15,059**	9,146
Professional fees	**11,737**	1,386
Depreciation of property, plant and equipment *(Note 7)*	**11,183**	7,514
Office and communication expenses	**5,226**	4,481
Amortization of intangible assets *(Note 8)*	**4,332**	4,003
License fee of trademarks	**3,240**	–
Electricity and other utility fees	**1,641**	1,655
Travelling and meeting expenses	**1,631**	1,106
Auditors' remuneration	**1,600**	1,000
Amortization of land use rights *(Note 7)*	**13**	–
Other expenses	**1,912**	1,318
	1,718,496	1,241,285

Notes to the Condensed Consolidated Interim Financial Information

16. Finance income and costs

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Finance income		
Exchange gains	**–**	1,606
Interest income on bank deposits	**9,681**	819
	9,681	2,425
Finance costs		
Interest expenses	**(1,729)**	–
Exchange losses	**(3,890)**	–
Other charges	**(270)**	(157)
	(5,889)	(157)
Finance income – net	**3,792**	2,268

17. Income tax expense

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current income tax – PRC corporate income tax	**87,845**	55,636
Deferred income tax credit	**(1,895)**	(2,109)
Total income tax expense	**85,950**	53,527

Hong Kong profits tax has not been provided as there are no estimated assessable profits arising in or derived from Hong Kong during the six months ended 30 June 2014 (2013: Nil). The subsidiaries of the Group in the PRC are subject to corporate income tax at a rate of 25% on its taxable income or deemed profit method as determined in accordance with the relevant PRC income tax rules and regulations.

Notes to the Condensed Consolidated Interim Financial Information

18. Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit for the period of six months ended 30 June attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period of six months ended 30 June.

	Six months ended 30 June	
	2014 (Unaudited)	2013 (Audited)
Profit attributable to owners of the Company *(RMB'000)*	**223,804**	150,780
Weighted average number of ordinary shares in issue *(thousands)*	**2,000,000**	1,600,000
Basic earnings per share *(RMB cents)*	**11.19**	9.42

(b) Diluted

As there were no dilutive potential ordinary shares outstanding for the six months ended 30 June 2014 and 2013, the diluted earnings per share for the periods is equal to basic earnings per share.

19. Dividend

On 25 August 2014, the Board has resolved to declare an interim dividend of HK2.8 cents per share (2013: Nil). The interim dividend amounting to HK$56,000,000 (equivalent to RMB44,548,000) (2013: Nil), has not been reflected as a liability in this condensed consolidated interim financial information.

20. Commitments

(a) Capital commitments

The Group has the following capital commitments not provided for:

	30 June 2014 *RMB'000* (Unaudited)	31 December 2013 *RMB'000* (Audited)
Authorized and contracted but not provided for – business combinations *(Note 23)*	**257,000**	–

Notes to the Condensed Consolidated Interim Financial Information

20. Commitments *(continued)*

(b) Operating lease commitments

The Group leases various retail outlets, offices and warehouses under non-cancellable operating lease agreements. The lease terms are between three and ten years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	30 June 2014 *RMB'000* **(Unaudited)**	31 December 2013 *RMB'000* (Audited)
No later than 1 year	**67,456**	52,036
Later than 1 year and no later than 5 years	**66,236**	60,472
More than 5 years	**808**	108
	134,500	112,616

21. Business combinations

During the six months ended 30 June 2014, certain equity interests in subsidiaries now comprising the Group were acquired from third parties for the purpose of expanding into new markets. Acquisitions of equity interests in these subsidiaries were accounted for using the acquisition method of accounting effective from the dates when the subsidiaries were controlled by the Group. Details are as follows:

For the six months ended 30 June 2014, the Group acquired equity interests in the following subsidiaries:

Company name	**Acquisition date**	**Percentage of equity interests acquired**	**Cash consideration** *RMB'000*
Jilin Renhe Drug Store Co., Ltd. ("Ren He")	1 February 2014	100.00%	6,600
Shenyang Shengshi Chian Pharmacy Co., Ltd. ("Sheng Shi")	31 March 2014	100.00%	21,000
Jilin Guojian Drug Store Co., Ltd. ("Guo Jian")	31 March 2014	100.00%	55,000
			82,600

Notes to the Condensed Consolidated Interim Financial Information

21. Business combinations *(continued)*

The following table summarizes the consideration paid for the acquired subsidiaries, the fair value of assets acquired and liabilities assumed at the acquisition date.

	Ren He	**Sheng Shi**	**Guo Jian**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total consideration	6,600	21,000	55,000	82,600
Recognized amounts of identifiable assets acquired and liabilities assumed				
Cash	2	353	86	441
Property, plant and equipment *(Note 7)*	67	71	598	736
Trademarks and brand loyalty (included in intangibles) *(Note 8)*	1,900	6,700	17,000	25,600
Inventories	436	767	6,228	7,431
Trade and other receivables	733	1,194	5,036	6,963
Trade and other payables	(216)	(442)	(2,689)	(3,347)
Deferred tax liabilities	(475)	(1,675)	(4,384)	(6,534)
Total identifiable net assets	2,447	6,968	21,875	31,290
Goodwill *(Note 8)*	4,153	14,032	33,125	51,310
	6,600	21,000	55,000	82,600

Notes to the Condensed Consolidated Interim Financial Information

21. Business combinations *(continued)*

As a result of the acquisition, the Group is expected to facilitate entry into and/or increase its presence in these developing markets which operate primary in third or fourth tier cities. It also expects to reduce costs through economies of scale. The goodwill of RMB51,310,000 is attributable to the acquired human resources, economies of scale and synergy expected from combining the operations of the Group and above subsidiaries acquired not under common control combination. High profitability is expected to gain from these acquired subsidiaries and this expectation is subsumed in goodwill. None of the goodwill recognized is expected to be deductible for income tax purposes.

The revenue included in the condensed consolidated statement of comprehensive income since the respective acquisition dates contributed by the acquired subsidiaries was RMB24,011,000. The acquired subsidiaries also contributed profit of RMB2,973,000 over the same period.

Had the acquired subsidiaries been consolidated from 1 January 2014, the condensed consolidated statement of comprehensive income for the six months ended 30 June 2014 would show revenue of RMB2,059,936,000 and profit of RMB246,723,000.

Notes to the Condensed Consolidated Interim Financial Information

22. Related-party transactions

Related parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

(a) Transactions with related parties:

(i) Continued transactions

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Purchases of goods	**144,662**	72,381
Use of trademarks	**2,915**	–
Sales of goods	**3,023**	1,305
Consulting services fee	**314**	–

(ii) Discontinued transaction

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Shareholder's loan	**–**	21,759

(b) Balances with related parties:

	30 June	31 December
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**470**	527
Prepayment for goods	**3,920**	38,553
Prepayment of fees for use of trademarks	**–**	3,240
Trade payables	**1,551**	–

Notes to the Condensed Consolidated Interim Financial Information

22. Related-party transactions *(continued)*

(c) Key management compensation

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Salaries, wages and bonuses	**3,012**	792
Contributions to pension plan	**46**	30
	3,058	822

23. Subsequent events

(a) On 21 May 2014, a subsidiary of the Company entered into a share sale and purchase agreement with an independent third party in relation to acquisition of 100% equity interest in a PRC enterprise, which is principally engaged in retail of drugs and other pharmaceutical products. The consideration is RMB23,000,000. As at 30 June 2014, the prepayment for the acquisition is RMB16,000,000 (Note 20). The transaction has been completed on 1 July 2014.

(b) On 28 May 2014, a subsidiary of the Company entered into a share sale and purchase agreement with an independent third party in relation to acquisition of 100% equity interest in a PRC enterprise, which is principally engaged in distribution of drugs and other pharmaceutical products. The consideration is RMB78,000,000, which was fully prepaid before 30 June 2014. The transaction has been completed on 1 July 2014.

(c) On 23 June 2014, a subsidiary of the Company entered into a share sale and purchase agreement with an independent third party in relation to acquisition of 100% equity interest in a PRC enterprise, which is principally engaged in retail of drugs and other pharmaceutical products. The consideration is RMB35,000,000, which was fully prepaid before 30 June 2014. The transaction has been completed on 1 July 2014.

(d) On 20 June 2014, a subsidiary of the Company entered into a share sale and purchase agreement to acquire 36% interest of Shenyang Weikang Drug Store Co., Ltd. ("Weikang"), a 64% owned subsidiary of the Company, from the non-controlling shareholders for a consideration of RMB250,000,000 (Note 20). Upon the completion of the transaction, Weikang will become a wholly owned subsidiary of the Company. The transaction has not yet completed as at the date of this interim report.

Notes to the Condensed Consolidated Interim Financial Information

23. Subsequent events *(continued)*

(e) On 25 August 2014, in order to enforce the deed of undertaking dated 23 November 2013, a subsidiary of the Company entered into a share sale and purchase agreement with Jiamusi Jintian Century Trade Company Limited, a related company of the Company, in relation to acquisition of 4.99% equity interest in Heilongjiang Province Jintian Aixin Medicine Distribution Co., Ltd., a 95.01% legally owned subsidiary of the Company, for a consideration of RMB67,517,000 (the "Acquisition"). As the shareholders of Jiamusi Jintian Century Trade Company Limited will transfer an amount equal to the consideration for the Acquisition to the Group as soon as practicable after the completion of the Acquisition and the Company has currently consolidated 100% of Heilongjiang Province Jintian Aixin Medicine Distribution Co., Ltd. in the book, the Acquisition will not affect the consolidated equity attributable to the owners of the Company. The Acquisition has not yet completed as at the date of this interim report.

Other Information

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Company has complied with all applicable code provisions under the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the six months ended 30 June 2014. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiries with all directors, each of the directors has confirmed that he/she has complied with the required standards as set out in the Model Code throughout the six months ended 30 June 2014.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the six months ended 30 June 2014, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF INTERIM RESULTS

The audit committee of the Company (the "Audit Committee") is comprised of three independent non-executive Directors, namely Mr. Chen Xiao (chairman), Mr. Cheng Sheung Hing and Ms. Chiang Su Hui Susie. The main duties of the Audit Committee are to examine, review and monitor the financial data and financial reporting procedure of the Company. The Audit Committee had reviewed the unaudited interim results of the Group for the six months ended 30 June 2014.

PricewaterhouseCoopers, the independent auditor of the Company, has reviewed but not audited the Group's interim results for the six months ended 30 June 2014.

CHANGE IN THE BOARD

The changes in the Board since the date of the 2013 annual report of the Company are set out below:

Ms. Chen Xiaoyan ("Ms. Chen") retired as an executive director of the Company with effect from the conclusion of the annual general meeting held on 12 June 2014. Following her retirement, Ms. Chen also ceased to be a member of the remuneration committee of the Company.

Mr. Chu Chuanfu, an executive director of the Company, was appointed as a member of the remuneration committee of the Company with effect from 12 June 2014.

Other Information

Ms. Wu Qiong resigned as an executive director, chief financial officer and authorized representative of the Company with effect from 25 August 2014 and is re-designated as the vice president of the Company due to work rearrangement.

Mr. Yang Jiacheng, was appointed as an executive director and authorized representative of the Company with effect from 25 August 2014.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

There was no change in director's biographical details since the date of the 2013 annual report of the Company which are required to be disclosed pursuant to Rules 13.51(2)(a) to (e) and (g) of the Listing Rules.

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

As at 30 June 2014, the interests and short positions of the directors and the chief executive of the Company in the share capital and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name of director	**Nature of interest**	**Number and class of shares**	**Approximate percentage of shareholding**
Jin Dongtao	Founder of a discretionary trust *(Note 1)*	902,796,135 (Long Position)	45.14%
Jin Dongkun	Interest in a controlled corporation *(Note 2)*	40,943,135 (Long Position)	2.05%

Notes:

1) Mr. Jin Dongtao is the settlor, protector and a beneficiary of a discretionary trust pursuant to a trust deed dated 6 November 2013 with Credit Suisse Trust Limited acting as trustee (the "Family Trust"), which holds the entire issued share capital of Global Health Century International Group Limited ("Global Health Century") through 1969 JT Limited. Global Health Century holds the entire issued share capital of Asia Health Century International Inc., which holds 902,796,135 shares in the Company.

2) Mr. Jin Dongkun hold 75% equity interest in Pacific Health Century International Group Limited, which holds 40,943,135 shares in the Company.

Other Information

Save as disclosed above, as at 30 June 2014, none of the directors and the chief executive of the Company had or was deemed to have any interest or short position in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2014, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares which fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name	Capacity/Nature of interest	Number of shares	Approximate percentage of shareholding
Chen Xiaoyan	Beneficiary of a trust *(Notes 1 and 2)*	902,796,135 (Long Position)	45.14%
Asia Health Century International Inc.	Beneficial owner *(Notes 1 and 2)*	902,796,135 (Long Position)	45.14%
Global Health Century International Group Limited	Interest in a controlled corporation *(Notes 1 and 2)*	902,796,135 (Long Position)	45.14%
1969 JT Limited	Interest in a controlled corporation *(Notes 1 and 2)*	902,796,135 (Long Position)	45.14%
Tenby Nominees Limited	Nominee *(Notes 1 and 2)*	902,796,135 (Long Position)	45.14%
Brock Nominees Limited	Nominee *(Notes 1 and 2)*	902,796,135 (Long Position)	45.14%
Credit Suisse Trust Limited	Trustee *(Notes 1 and 2)*	902,796,135 (Long Position)	45.14%
AMG Holdings Limited	Beneficial owner	322,664,903 (Long Position)	16.13%
Teng Ngiek Lian	Interest in a controlled corporation *(Note 3)*	101,740,000 (Long position)	5.09%
Target Asset Management Pte Ltd	Investment manager *(Note 3)*	101,740,000 (Long position)	5.09%
Target Value Fund	Beneficial owner *(Note 3)*	101,740,000 (Long position)	5.09%

Other Information

Notes:

1) Mr. Jin Dongtao is the settlor, protector and a beneficiary of the Family Trust, which holds the entire issued share capital of Global Health Century through 1969 JT Limited. Ms. Chen Xiaoyan, who is Mr. Jin Dongtao's spouse, is also a beneficiary of the Family Trust. Global Health Century holds the entire issued share capital of Asia Health Century International Inc., which holds 902,796,135 shares in the Company.

2) These 902,796,135 shares belong to the same group of shares.

3) These 101,740,000 shares belong to the same group of shares.

Save as disclosed above, as at 30 June 2014, the directors were not aware of any persons (who were not directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was approved for adoption on 18 November 2013 for the purpose to attract skilled and experienced personnel, to incentivize them to remain with the Group and to motivate them to contribute for the future development and expansion of the Group by providing them with the opportunity to acquire equity interests in the Company, as well as for such other purposes as the Board may approve from time to time. The Scheme remains in force for a period of 10 years until 17 November 2023. Details of the Scheme are set out in the published annual report of the Company for the year ended 31 December 2013.

For the six months ended 30 June 2014, no options were granted under the Scheme.

SHARE AWARD PLAN

The Company adopted the share award plan (the "Share Award Plan") on 23 April 2014. The purposes of the Share Award Plan are to recognize the contributions by eligible persons to the Group and to provide them with incentives in order to retain them for continual operation and development of the Group and to attract suitable personnel for further development of the Group.

As at 30 June 2014, the trustee of the Share Award Plan did not hold any share and no shares were granted under the Share Award Plan.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK2.8 cents per share for the six months ended 30 June 2014 (2013: Nil) payable on Monday, 6 October 2014 to the shareholders of the Company whose names appear on the register of members of the Company on Wednesday, 24 September 2014, and paid out of the share premium account of the Company.

Other Information

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 22 September 2014 to Wednesday, 24 September 2014, both days inclusive, in order to determine the entitlement to the interim dividend. All transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Friday, 19 September 2014.

USE OF PROCEEDS FROM SHARE OFFER

The shares of the Company were listed on 12 December 2013 on the Main Board of the Stock Exchange. The total net proceeds amounted to approximately RMB868.1 million (equivalent to approximately HK$1,101.6 million). As at 30 June 2014, the net proceeds from the IPO were used for purposes which were consistent with those set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus and for the following purposes:

	RMB million		
Use of proceeds	**Net Proceeds**	**Proceeds used**	**Proceeds unused**
For acquisitive expansion	347.2	(211.6)	135.6
For organic growth	260.4	(49.6)	210.8
For brand promotion	173.6	(21.4)	152.2
For working capital	86.9	(48.0)	38.9
Total	868.1	(330.6)	537.5

As at 30 June 2014, the unused net proceeds were placed with banks in Hong Kong, Macau and the PRC as short-term deposits or term deposits.