



瑞年國際
Real Nutraceutical

瑞年國際有限公司
REAL NUTRICEUTICAL GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)
Stock Code : 2010

**PROFESSIONAL
DEVOTION TO HEALTH**



2016
INTERIM REPORT

Contents

Corporate Information	02
Financial Highlights	03
Report on Review of Condensed Consolidated Financial Statements	04-05
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	06
Condensed Consolidated Statement of Financial Position	07-08
Condensed Consolidated Statement of Changes in Equity	09-10
Condensed Consolidated Statement of Cash Flows	11
Notes to the Condensed Consolidated Financial Statements	12-27
Management Discussion and Analysis	28-36
Other Information	37-44



Corporate Information

DIRECTORS

Executive Directors

Mr. Wang Fucai
(Chairman and Chief Executive Officer)
Mr. Yu Yan
Mr. Li Lin
Mr. Yi Lin
Mr. Zhang Yan
Ms. Au-yeung Kam Ling Celeste

Independent Non-executive Directors

Dr. Wong Lung Tak Patrick, BBS, J.P.
Dr. Fong Chi Wah
Mr. Xu Hua Feng
Mr. Chan Kee Ming

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Mr. Poon Yick Pang, Philip

AUTHORISED REPRESENTATIVES

Ms. Au-yeung Kam Ling Celeste
Mr. Poon Yick Pang, Philip

AUDITOR

Elite Partners CPA Limited
Certified Public Accountants
10/F, 8 Observatory Road
Tsim Sha Tsui
Kowloon, Hong Kong

REGISTERED OFFICE

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

28th Floor
The Hennessy
256 Hennessy Road
Wan Chai, Hong Kong

Financial Highlights

For the six months ended
June 30,

	2016 RMB'000	2015 RMB'000	Change %
Revenue	649,166	1,090,294	(40.5)%
Gross profit	418,427	731,402	(42.8)%
Profit attributable to owners of the Company	67,921	246,565	(72.5)%
Basic earnings per share (RMB cents)	4.3	19.6	(78.1)%

Report on Review of Condensed Consolidated Financial Statements

For the six months ended June 30, 2016



開元信德會計師事務所有限公司
ELITE PARTNERS CPA LIMITED
Certified Public Accountants

TO THE BOARD OF DIRECTORS OF REAL NUTRICEUTICAL GROUP LIMITED (incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Real Nutraceutical Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 6 to 27, which comprise the condensed consolidated statement of financial position as of June 30, 2016 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

Report on Review of Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Elite Partners CPA Limited

Certified Public Accountants

Hong Kong, August 30, 2016

Yip Kai Yin

Practising Certificate number: P05131

10/F, 8 Observatory Road
Tsim Sha Tsui, Kowloon
Hong Kong

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended June 30, 2016

	Notes	Six months ended June 30,	
		2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Revenue		649,166	1,090,294
Cost of goods sold		(230,739)	(358,892)
Gross profit		418,427	731,402
Other income		22,166	39,404
Other gains and losses		560	1,499
Selling and distribution costs		(223,234)	(280,250)
Administrative expenses		(84,381)	(85,579)
Finance costs		(12,991)	(37,114)
Profit before taxation	4	120,547	369,362
Taxation	5	(46,513)	(118,208)
Profit for the period		74,034	251,154
Other comprehensive income (expense) for the period			
— exchange differences arising on translation of foreign operations which may be subsequently reclassified to profit or loss		(906)	101
Total comprehensive income for the period		73,128	251,255
Profit for the period attributable to:			
— Owners of the Company		67,921	246,565
— Non-controlling interests		6,113	4,589
		74,034	251,154
Total comprehensive income for the period attributable to:			
— Owners of the Company		67,015	246,666
— Non-controlling interests		6,113	4,589
		73,128	251,255
Earnings per share	7		
— Basic		4.3 cents	19.6 cents
— Diluted		4.3 cents	19.4 cents

Condensed Consolidated Statement of Financial Position

At June 30, 2016

	Notes	At June 30, 2016 RMB'000 (unaudited)	At December 31, 2015 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	8	2,242,708	2,209,210
Land use rights		360,112	364,229
Goodwill		113,650	113,650
Intangible assets		305,904	327,104
Deposits made on acquisition of property, plant and equipment		135,959	107,087
Advance payments for acquisition of technical knowhow		103,965	103,965
		3,262,298	3,225,245
Current assets			
Inventories	9	123,583	75,973
Trade and other receivables	10	871,479	887,637
Bank balances and cash		2,439,734	2,477,308
		3,434,796	3,440,918
Current liabilities			
Trade and other payables	11	237,135	285,736
Taxation		24,691	39,014
Short-term bank loans	12	575,270	492,000
		837,096	816,750
Net current assets		2,597,700	2,624,168
Total assets less current liabilities		5,859,998	5,849,413
Non-current liabilities			
Deferred tax liabilities		86,530	88,167
Net assets		5,773,468	5,761,246

Condensed Consolidated Statement of Financial Position

At June 30, 2016

	At June 30, 2016 RMB'000 (unaudited)	At December 31, 2015 RMB'000 (audited)
Capital and reserves		
Share capital	13,772	13,841
Reserves	5,568,118	5,561,940
Equity attributable to owners of the Company	5,581,890	5,575,781
Non-controlling interests	191,578	185,465
Total equity	5,773,468	5,761,246

The condensed consolidated financial statements on pages 6 to 27 were approved and authorised for issue by the Board of Directors on August 30, 2016 and are signed on its behalf by:

Wang Fucai

Chairman and Chief Executive Officer

Au-yeung Kam Ling Celeste

Executive Director

Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2016

	Share capital	Share premium	Special reserve	Capital redemption reserve	Share option reserve	Translation reserve	Non-distributable reserve	Statutory surplus reserve	Retained profits	Subtotal	Attributable to non-controlling interest	Total
	RMB'000	RMB'000	RMB'000 (Note a)	RMB'000 (Note b)	RMB'000	RMB'000	RMB'000 (Note c)	RMB'000 (Note d)	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2016	13,841	2,195,301	458,745	71	19,228	629	(19,180)	369,419	2,536,727	5,575,781	185,465	5,761,246
Exchange difference arising on translation of foreign operations which may be subsequently reclassified to profit or loss	-	-	-	-	-	(906)	-	-	-	(906)	-	(906)
Profit for the period	-	-	-	-	-	-	-	-	67,921	67,921	6,113	74,034
Total comprehensive income for the period	-	-	-	-	-	(906)	-	-	67,921	67,015	6,113	73,128
Shares repurchased	(69)	(4,559)	-	69	-	-	-	-	(69)	(4,628)	-	(4,628)
Dividends	-	-	-	-	-	-	-	-	(56,278)	(56,278)	-	(56,278)
At June 30, 2016	13,772	2,190,742	458,745	140	19,228	(277)	(19,180)	369,419	2,548,301	5,581,890	191,578	5,773,468
At January 1, 2015	10,076	1,264,726	458,745	71	36,122	2,586	(19,180)	321,499	2,253,499	4,329,154	140,285	4,469,439
Exchange difference arising on translation of foreign operations which may be subsequently reclassified to profit or loss	-	-	-	-	-	101	-	-	-	101	-	101
Profit for the period	-	-	-	-	-	-	-	-	246,565	246,565	4,589	251,154
Total comprehensive income for the period	-	-	-	-	-	101	-	-	246,565	246,666	4,589	251,255
Dividends	-	-	-	-	-	-	-	-	(44,154)	(44,154)	-	(44,154)
Issue of shares under share option scheme	424	100,199	-	-	(15,902)	-	-	-	-	84,721	-	84,721
Placing of shares	2,129	532,391	-	-	-	-	-	-	-	534,520	-	534,520
Transaction costs on placing of shares	-	(5,386)	-	-	-	-	-	-	-	(5,386)	-	(5,386)
At June 30, 2015	12,629	1,891,930	458,745	71	20,220	2,697	(19,180)	321,499	2,455,910	5,145,521	144,874	5,290,395

Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2016

Notes:

- (a) The Special reserve represents the aggregate of the difference between:
- (i) the consideration paid by Jet Bright International Holdings Limited, a wholly-owned subsidiary of the Company, for the acquisition of the entire interest in 無錫瑞年實業有限公司 (Wuxi Ruinian Industry & Commerce Co., Limited) (“Ruinian Industry”) and the nominal value of the paid-in capital of Ruinian Industry in August 2006;
 - (ii) the nominal value of the paid-in capital of 無錫瑞年營銷有限公司 (Wuxi Ruinian Sales Co., Ltd.) (“Ruinian Sales”) and the distribution of Ruinian Sales’ net assets upon its dissolution in October 2007; and
 - (iii) the nominal amount of the shares issued by the Company and the aggregate amount of the share capital and share premium of the Group’s former holding company, Tongrui Holdings Limited, acquired pursuant to a group reorganisation in preparation for the listing of the Company’s shares in 2010.
- (b) The Capital redemption reserve arose from repurchase of shares. The amount represents the nominal amount of the shares repurchased.
- (c) The Non-distributable reserve represents the aggregate of:
- (i) capital contributions from and distributions to the beneficial controlling shareholder of the Company, Mr. Wang Fucui, in respect of the interest on a trade finance arrangement with related companies prior to 2009;
 - (ii) deemed distributions to the controlling shareholder in respect of the acquisition of a subsidiary in 2009;
 - (iii) deemed distributions to the shareholders in respect of the listing expenses borne by the Company in 2010; and
 - (iv) capital contributions from Strong Ally Limited (“Strong Ally”), a wholly-owned subsidiary of the former ultimate holding company, in relation to share options granted by Strong Ally to qualifying participants of the Group in 2010 of which the exercisable period is further extended to and expired during the year ended December 31, 2013.
- (d) As stipulated by the relevant laws and regulations for foreign investment enterprises in Mainland China (the “PRC”), the Company’s PRC subsidiaries are required to maintain a statutory surplus reserve fund. Appropriations to this reserve are made out of net profit after taxation as reflected in the statutory financial information of the PRC subsidiaries while the amounts and allocation basis are based on the requirements of relevant laws and regulations in the PRC. The statutory surplus reserve fund can be used to make up prior year losses, if any, and can be applied for conversion into capital by means of a capitalisation issue.

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2016

	Six months ended June 30,	
	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Net cash from operating activities	72,368	279,947
Investing activities		
Interest received	20,483	31,794
Purchase of property, plant and equipment	(84,314)	(63,013)
Deposits paid on acquisition of property, plant and equipment	(54,578)	(137,611)
Advance payments paid for acquisition of technical knowhow	-	(260)
Refund upon the disposal of land use rights	-	14,629
Net cash used in investing activities	(118,409)	(154,461)
Financing activities		
Interest paid	(12,991)	(32,337)
Dividends paid	(56,278)	(44,154)
Bank loans raised	321,270	261,000
Repayment of bank loans	(238,000)	(392,000)
Payment of repurchase of shares	(4,628)	-
Net proceeds from the issue of shares under share option scheme	-	84,721
Net proceeds from placing of shares	-	529,134
Deposits received in relation to capital injection in a subsidiary	-	40,000
Net cash from financing activities	9,373	446,364
Net (decrease)increase in cash and cash equivalents	(36,668)	571,850
Cash and cash equivalents at January 1	2,477,308	1,904,033
Effect on foreign exchange rate changes	(906)	48
Cash and cash equivalents at June 30	2,439,734	2,475,931
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	2,439,734	2,475,931

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

1. GENERAL

The Company was incorporated in the Cayman Islands and registered as an exempted company with limited liability. Its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

The Group’s condensed consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Company.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six-month period ended June 30, 2016 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended December 31, 2015.

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

HKFRS 14	Regulatory Deferral Accounts
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

The application of the amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

Segment information has been identified on the basis of internal management reports which are reviewed by the Chief Executive Officer in order to allocate resources to the reportable segments and to assess their performance.

The Group's reportable segments under HKFRS 8 are as follows:

Health and nutritional supplements	–	manufacture and sales of health and nutritional supplements
Health drinks	–	manufacture and sales of health drinks
Pharmaceutical products	–	manufacture and sales of pharmaceutical products

Each reportable segment derives its revenue from the sales of the products. They are managed separately because each product requires different production and marketing strategies.

Revenue represents the fair value of the consideration received or receivable for goods sold to outside customers during the period.

Segment results represent the gross profits earned by each segment.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

3. SEGMENT INFORMATION (CONTINUED)

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

	Revenue Six months ended June 30,		Results Six months ended June 30,	
	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Health and nutritional supplements	418,454	750,011	323,241	576,460
Health drinks	107,453	211,386	42,248	96,647
Pharmaceutical products	123,259	128,897	52,938	58,295
	649,166	1,090,294	418,427	731,402
Advertising and promotional expenses			(123,644)	(183,000)
Other operating expenses			(183,971)	(182,829)
Miscellaneous income			2,243	7,610
Interest income			20,483	31,794
Interest expenses			(12,991)	(37,114)
Change in fair value of derivative components of convertible loan notes			-	1,499
Profit before taxation			120,547	369,362

Information of segment assets and segment liabilities are as follows:

Segment assets represent property, plant and equipment, land use rights, intangible assets, deposits made on acquisition of property, plant and equipment, advance payments for acquisition of technical knowhow, inventories and trade and other receivables which are directly attributable to the relevant reportable segment. Segment liabilities represent trade and other payables which are directly attributable to the relevant reportable segment. These are the measures reported to the Chief Executive Officer for the purpose of resource allocation and assessment of segment performance. No operating segments identified by the Chief Executive Officer have been aggregated in arriving at the reportable segments of the Group.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

3. SEGMENT INFORMATION (CONTINUED)

	At June 30, 2016 RMB'000 (unaudited)	At December 31, 2015 RMB'000 (audited)
Assets		
Segment assets		
— health and nutritional supplements	2,658,576	2,566,890
— health drinks	586,187	547,746
— pharmaceutical products	1,012,597	1,074,219
	4,257,360	4,188,855
Unallocated corporate assets (note a)	2,439,734	2,477,308
Consolidated total assets	6,697,094	6,666,163
Liabilities		
Segment liabilities		
— health and nutritional supplements	175,102	182,432
— health drinks	48,207	62,932
— pharmaceutical products	13,826	40,372
	237,135	285,736
Taxation	24,691	39,014
Deferred tax liabilities	86,530	88,167
Unallocated corporate liabilities (note b)	575,270	492,000
Consolidated total liabilities	923,626	904,917

Notes:

- (a) Unallocated corporate assets represent bank balances and cash.
- (b) Unallocated corporate liabilities represent short-term bank loans.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

4. PROFIT BEFORE TAXATION

	Six months ended June 30,	
	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Amortisation of intangible assets included in		
— cost of goods sold	16,194	8,147
— administrative expenses	5,006	5,046
	21,200	13,193
Advertising and promotional expenses	123,644	183,000
Depreciation of property, plant and equipment	78,008	72,537
Operating lease rentals in respect of land use rights	2,494	2,481
Change in fair value of derivative components of convertible loan notes	—	(1,499)

The cost of goods sold represent the cost of inventories recognised as expenses during the period.

5. TAXATION

	Six months ended June 30,	
	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
The charge comprises:		
Current tax:		
PRC Enterprise Income Tax	(48,150)	(115,096)
PRC withholding tax	(1,614)	(884)
Deferred taxation	3,251	(2,228)
	(46,513)	(118,208)

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

5. TAXATION (CONTINUED)

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

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group's operations in Hong Kong had no assessable profit for the period.

6. DIVIDENDS

	Six months ended June 30,	
	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Dividends		
— 2015 final dividend of HK4.2 cents (2015: 2014 final dividend of HK4.2 cents) per share paid	56,278	44,154

The Board does not recommend the payment of interim dividend for the six months ended June 30, 2016 (six months ended June 30, 2015: HK3.0 cents per share).

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	Six months ended June 30,	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Earnings:		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	67,921	246,565
	2016	2015
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic earnings per share	1,593,677	1,256,538
Effect of dilutive potential ordinary shares on share options	—	3,088
Effect of dilutive potential ordinary shares on convertible loan notes	—	12,056
Weighted average number of ordinary shares for the purposes of diluted earnings per share	1,593,677	1,271,682

The computation of diluted earnings per share for the period ended June 30, 2016 has not included the effect of the exercise of the Company's share options because the exercise price of those share options was higher than the average market price of the shares.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred RMB3,682,000 (six months ended June 30, 2015: RMB30,991,000) on the acquisition of machinery and equipment and RMB107,961,000 (six months ended June 30, 2015: RMB106,836,000) on construction in progress for the expansion of production facilities.

9. INVENTORIES

	At June 30, 2016 RMB'000 (unaudited)	At December 31, 2015 RMB'000 (audited)
Raw materials	68,557	20,408
Work in progress	11,513	6,108
Finished goods	26,385	37,406
Merchandise for resale	12,370	2,316
Packaging materials	4,758	9,735
	123,583	75,973

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

10. TRADE AND OTHER RECEIVABLES

	At June 30, 2016 RMB'000 (unaudited)	At December 31, 2015 RMB'000 (audited)
Trade receivables	637,544	689,348
Bills receivables	2,470	702
	640,014	690,050
Deposits paid to suppliers (note a)	114,858	74,298
Property rental deposits	32,811	31,054
Prepayments for media airtime	34,956	34,157
Other receivables, prepayments and deposits	48,840	58,078
	871,479	887,637

Payment terms with customers are mainly on credit. Invoices are normally payable within 90 days from date of issuance. The following is an aged analysis of trade and bills receivables based on invoice date at the end of the reporting period, which approximated the respective revenue recognition dates.

	At June 30, 2016 RMB'000 (unaudited)	At December 31, 2015 RMB'000 (audited)
Age		
0–90 days	346,419	376,087
91–180 days	165,383	213,389
181–365 days	104,834	81,994
Over 1 year	23,378	18,580
	640,014	690,050

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

10. TRADE AND OTHER RECEIVABLES (CONTINUED)

Note:

- (a) Included in the prepayment, RMB14,776,000 (December 31, 2015: RMB12,395,000) was an amount due from a related company of which Mr. Wang Fucui (Chairman and Chief Executive Officer) is also the controlling shareholder of that related company. The amounts are unsecured and interest free.

11. TRADE AND OTHER PAYABLES

	At June 30, 2016 RMB'000 (unaudited)	At December 31, 2015 RMB'000 (audited)
Trade payables	96,699	85,090
Other tax payables	27,954	34,878
Customers' deposits	22,439	30,882
Advertising accruals	42,369	76,629
Other payables	14,377	13,929
Payroll and welfare payables	14,071	14,089
Construction payables	10,712	27,512
Other accruals	8,514	2,727
	237,135	285,736

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

11. TRADE AND OTHER PAYABLES (CONTINUED)

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

	At June 30, 2016 RMB'000 (unaudited)	At December 31, 2015 RMB'000 (audited)
Age		
0-90 days	57,862	50,227
91-180 days	23,243	22,752
181-365 days	7,998	7,887
Over 1 year	7,596	4,224
	96,699	85,090

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

12. SHORT-TERM BANK LOANS

	At June 30, 2016 RMB'000 (unaudited)	At December 31, 2015 RMB'000 (audited)
Short-term bank loans		
— secured	286,350	102,000
— unsecured	288,920	390,000
	575,270	492,000
The Group's bank loans carry interest at		
— variable rate	258,920	166,000
— fixed rate	316,350	326,000
	575,270	492,000

All the variable rate bank loans carry interest at the prime rate offered by the People's Bank of China which were repriced monthly to every three months. At the end of the reporting period, the Group has variable rate bank loans carrying interest at 4.8% to 6.4% (December 31, 2015: 4.3% to 6.1%) per annum and fixed rate bank loans carrying interest at 5.0% to 12.0% (December 31, 2015: 5.0% to 6.4%) per annum.

As at June 30, 2016, the secured bank loans are secured by the Group's land use rights and buildings under property, plant and equipment with an aggregate carrying value of approximately RMB382,899,000 (December 31, 2015: RMB320,149,000).

At the end of the reporting period, the Group has no unutilised available credit facilities (December 31, 2015: RMB54,000,000).

All the Group's borrowings and bank loans are repayable on demand or within a period not exceeding one year. All the short-term bank loans are denominated in RMB.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

13. SHARE OPTIONS SCHEME

2010 Share Option Scheme

Pursuant to the written resolutions passed by the then sole shareholder on February 1, 2010, the Company adopted the share option scheme (the “2010 Share Option Scheme”) to provide incentives for qualified participants as defined in the Share Option Scheme to subscribe for shares in the Company. A nominal consideration of HK\$1 is payable on acceptance of the grant of options. The maximum number of shares in respect of which options may be granted under the Share Option Scheme may not exceed 10% of the issued number of shares in the capital of the Company at the listing date. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in a 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time.

On July 4, 2014, a total of 99,600,000 share options were granted to 72 qualified participants, including the directors of the Company, at an exercise price of HK\$2 per share option under the terms of the 2010 Share Option Scheme. These options are exercisable starting from the date of acceptance of the offer by each Grantee to July 3, 2016 (both days inclusive). All share options vested immediately at the date of grant. Total consideration received from the participants for taking up the options granted by the Company was insignificant.

The closing price of the Company’s shares immediately before July 4, 2014, the date of grant, was HK\$1.77.

The fair value of the options determined at the grant date using the Binomial model and recognised immediately in profit or loss was HK\$37,540,000 (equivalent to RMB29,614,000).

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

13. SHARE OPTIONS SCHEME (CONTINUED)

2010 Share Option Scheme (Continued)

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

July 4, 2014

Grant date share price	HK\$1.77
Exercise price	HK\$2.00
Expected life	2 years
Expected volatility	50%
Dividend yield	1.93%
Risk-free interest rate	0.505%

In accordance with the terms of the 2010 Share Option Scheme, options vested at the date of grant. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions will result in changes in the fair value of the options.

A summary of the movements of the outstanding options during the year/period under the 2010 Share Option Scheme is as follows:

Types of particulars	Date of grant	Exercise period	Exercise price per share HK\$	Outstanding at 1.1.2015	Granted	Exercised	Exercised		
					during the year	during the year	Outstanding at 1.1.2016	during the period	Outstanding at 6.30.2016
Directors	7.4.2014	7.4.2014-7.3.2016	2	2,000,000	-	(200,000)	1,800,000	-	1,800,000
Employees	7.4.2014	7.4.2014-7.3.2016	2	15,100,000	-	(12,348,000)	2,752,000	-	2,752,000
Others [#]	7.4.2014	7.4.2014-7.3.2016	2	54,889,000	-	(41,167,000)	13,722,000	-	13,722,000
				71,989,000	-	(53,715,000)	18,274,000	-	18,274,000

[#] The Company's share options granted to other participants are measured by reference to the fair value of options granted to directors/employees of the Group since the fair value of the services provided by such other participants to the Group cannot be estimated accurately.

No share options have been granted or exercised during the period. No share options have been lapsed in accordance with the terms of the 2010 Share Option Scheme. After the reporting period, on July 3, 2016, a total of 18,274,000 share options have lapsed in accordance with the terms of the 2010 Share Option Scheme. The weighted average share price of exercise was HK\$2.53 at December 31, 2015.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

14. CAPITAL COMMITMENTS

	At June 30, 2016 RMB'000 (unaudited)	At December 31, 2015 RMB'000 (audited)
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of		
— property, plant and equipment	180,330	190,325
— technical knowhow	50,844	50,844
	231,174	241,169

15. RELATED PARTY TRANSACTION

Details of the balance with a related party are set out in note 10.

During the period, the Group entered into the following transactions with a related party.

Related party	Relationship	Nature of transactions	Six months ended June 30,	
			2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Jiangsu Ruinian Qianjin Pharmaceutical Company Limited	(Note 1)	Trade purchases	7,473	6,435

In the opinion of the directors, the above transactions were undertaken in the ordinary course of business on terms mutually agreed between the Group and the related party.

(Note 1) Mr. Wang Fucai (Chairman and Chief Executive Officer) is the controlling shareholder of the company.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

15. RELATED PARTY TRANSACTION (CONTINUED)

Compensation of key management personnel

During the period, the remuneration of directors and other members of key management was as follows:

	Six months ended June 30,	
	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Salaries and other benefits	3,533	3,252
Retirement benefits scheme contributions	45	63
	3,578	3,315

16. EVENTS AFTER THE END OF THE REPORTING PERIOD

The following events took place subsequent to June 30, 2016:

On July 3, 2016, a total of 18,274,000 share options have lapsed in accordance with the terms of the Share Option Scheme adopted on February 1, 2010.

Management Discussion and Analysis

BUSINESS REVIEW

The Group's revenue decreased by 40.5% year on year to RMB649.2 million for the first six months ended June 30, 2016 (the "Period") due to the slowdown in China's economy and consumer market. Net profit decreased by 72.5% year on year to RMB67.9 million compared with that in the first half of 2015. The overall gross profit margin continued to stand at healthy level but slightly decreased to 64.5% from the 67.1% in the first half of 2015 due to higher production costs and the change in sales mix in the first half of 2016. Net profit decreased by RMB178.6 million mainly because gross profit decreased by RMB313.0 million, but advertising expenses decreased by RMB59.4 million and taxation decreased by RMB71.7 million.

During the Period, all the business units of the Group recorded decreases in sales due to the macro-economic and market environment. Sales of the Group's core health and nutritional supplement products decreased by 44.2% year on year to RMB418.5 million as the sales of the amino acid tablets and liquid product decreased considerably. Meanwhile, sales of health drinks decreased by 49.2% year on year to RMB107.5 million. Sales of pharmaceutical products decreased by 4.4% year on year to RMB123.3 million.

To cope with the more difficult business environment, the Group strategically developed new sales networks and maintained its market penetration. Its health and nutritional supplement products were sold through numerous third-party retail outlets. During the Period, newly developed retail outlets included Yingshang Wanjiayu Chain Supermarket, Yingshang Egou Chain Supermarket, Xuancheng Pharmacy Store Chain and Xuancheng Chengxing Pharmacy Store Chain. Meanwhile, the Group also developed a number of new retail outlets for health drinks, including those of Tianjin Vango Convenience Store Chain, Guangdong Meiyijia Convenience Store Chain, Shanghai C-store Convenience Store Chain and Beijing AMPM Convenience Store Chain. New sales channels for pharmaceutical products included Optics Valley Hospital of Wuhan Tongji Hospital in Hubei Province, Chengdu Women & Children Hospital in Sichuan Province, Huaihua First People's Hospital in Hunan Province and Shenyang Eighth People's Hospital in Tiexi district, Liaoning Province.

Management Discussion and Analysis

BUSINESS REVIEW (CONTINUED)

The Group continued to consolidate the local market presence through Real Nutri Health Stores. During the Period, the Group set up about 20 new Real Nutri Health Stores in the cities like Hubei, Xiamen, Quanzhou and Suzhou. As at June 30, 2016, the number of Real Nutri Health Stores was over 200 and these stores together contributed revenue of about RMB30.7 million, which accounted for 4.7% of the Group's total revenue in the Period. The Group actively developed customers' loyalty program to upgrade member services and enhance members' interaction with different regular members' activities, including the annual celebration party, health charity walks, and health tours. In addition, the Group also launched "Health Butler", the mobile phone software application ("App") to provide the valued members with health indicators recording services and free consultations by healthcare experts in order to significantly enhance the member services' professional standards.

Besides expanding traditional market, the Group also actively developed online sales business to meet the latest market trends and demand. The Group's health supplement products were sold through famous online shopping platforms, including Tmall and JD.Com. The Group's internet direct sales business contributed revenue of RMB8.2 million, which accounted for 1.3% of the total revenue during the Period. The Group developed a new sales channel in WeChat Mall in 2015 and conducted word-of-mouth marketing through WeChat mobile social network to explore the huge business opportunities on an internet-enabled social platform. Besides, the Group signed a strategic agreement with e-commerce operator www.LGWCN.com ("LGWCN.com"), to jointly build a new model of customized health service. Founded in Beijing in 2014, LGWCN.com is the "Internet and Mega Healthcare" e-commerce platform which integrates online shopping mall, offline guidance stores, health promotion and health management. It currently works with over 1,000 offline guidance stores in China with over 10 million members. The Group aspires to provide consumers and members with a brand new "Internet and Mega Healthcare" experience through the close collaboration with LGWCN.com.

Management Discussion and Analysis

BUSINESS REVIEW (CONTINUED)

To maintain the brand's competitiveness, the Group continued to optimize its marketing strategy and strengthen efforts in both online and offline promotion of products. The Group cooperated closely with online operators to boost its publicity online. Meanwhile, the Group continuously updated health regimen and marketing news on its official website, Weibo and WeChat. During the Period, the Group held over 300 promotional activities and participated in a number of large exhibitions, including The 2016 China Conference Marketing Festival and Spring Health Supplement Grand Exhibition in Beijing, The 15th Elderly Regimen & Healthcare Industry Expo in Nanjing, and The First China (Wuxi) International Health Industry Conference and Exhibition in Wuxi. The Group also devoted to the public education on amino acids and gained high recognition from various communities. The Group's "Amino Acids Science Exhibition Hall" in its headquarters in Mashan, Wuxi city has been accredited by a number of educational and scientific bodies in Jiangsu Province and Wuxi city as the "Jiangsu Province Universal Science Education Base for 2015 to 2019" and "Wuxi Universal Science Education Base". In addition, the Group established "Real Nutri Renze Health Science Hall" next to the new health supplement production base in Wuxi city. The hall equipped with multiple resources including amino acids science room, health science lecture hall and free body checks section and can serve several hundred thousands of visitors each year. "Real Nutri Renze Health Science Hall" and "Amino Acids Science Exhibition Hall" together will form Real Nutri's new promotion framework for amino acids science and allow the Group to disseminate knowledge of amino acids and health regimen in a more efficient way.

For the health drink business, the Group held over 150 promotional activities for concentrated amino acids essence drink "U-Energy", including complimentary health drinks sessions, products' roadshows and theme promotion activities in supermarkets, shopping malls and petrol stations in cities of Shanghai, Wuxi, Tianjin and Shenzhen. In order to penetrate the targeted high-end consumer group, the Group installed hundreds of advertisements in the lift lobbies of middle-class residential apartments in Shanghai as well as the fitness centers in cities of Beijing and Wuxi. It also sponsored a number of major events, including The 3rd Wuxi Mashan Ten Thousand People Camping Festival, The First Mashan Taihu Outdoor Tourism Festival, The 11th China Xu Xiake International Tourism Festival & Chaoyang Park Self-drive Camping Festival in Wuxi and the 2016 Longines China Tour Shanghai Station in Shanghai.

Management Discussion and Analysis

BUSINESS REVIEW (CONTINUED)

The Group's medicine business unit held over 100 promotional seminars and took part in a number of major medical conferences, including The 22nd Annual Meeting of Chinese Society of Dermatology in Xiamen, The 2016 Symposium on Practical Techniques of Dry Eye and Corneal Collagen Cross-linking at the Aier Eye Hospital in Wuhan.

In addition to in-house product development, the Group also collaborated with professional research institutions in the development and launch of new products. During the Period, the Group launched a number of quality health supplement products, including Xuelian Ashayi Tablets, Rainworm Protein GABA Tablets, Real Nutri Slimming Tea and Agaricus Blazei β -glucan Complex. The Group also launched a new infant milk formula from France under the "Real Nutri [瑞兒牛萃]" brand in the first quarter of 2016. Meanwhile, the Group continued to explore opportunities in acquiring quality pharmaceutical know-hows in order to broaden its product portfolio. On June 28, 2016, the Group entered into a technology transfer agreement with Jiangsu Ruinian Qianjin Pharmaceutical Company Limited, a connected person of the Company, to acquire the technologies and know-how of pharmaceutical products, namely, telmisartan tablets, licorzine granules and apironolactone tablets at an aggregate consideration of RMB20 million. The technologies acquired would enrich the product portfolio of the Group and enhance the operational efficiency of the pharmaceutical products manufacturing and sales business of the Group in China. During the Period, the Group invested capital expenditures of approximately RMB109.2 million to upgrade the facilities and equipment in various production bases to ensure sufficient production capacities to meet the needs of its mid to long term business expansion. Investments were made on its health supplement production base in Wuxi, pharmaceutical production base in Nanjing, and a raw material plantation base in Suzhou.

Management Discussion and Analysis

BUSINESS REVIEW (CONTINUED)

Corporate Social Responsibility

While driving business development, the Group is also committed to fulfilling its social responsibility through various charity activities. During the Period, the Group organized fundraising events for Funing and Sheyang counties of Yancheng city in Jiangsu Province suffered from tornadoes in June 2016. The Group also organized charity sales and sponsored amino acid drinks. The funds raised were given to children in the underprivileged mountain villages in Shandong Province. The Group held the “Appreciate Maternal Love, Devote To Charity” event in Huishan district, Wuxi city to educate the local residents about cardiovascular diseases and their prevention, and to teach them health regimen and the basic household first aids. In addition, the Group also participated in the charitable events such as Skip Lunch Day and Green Day of The Community Chest of Hong Kong.

FINANCIAL REVIEW

For the six months ended June 30, 2016, the revenue of the Group was RMB649.2 million, representing a decrease of approximately 40.5% over the same period last year. Profit attributable to owners of the Company for the period has decreased to RMB67.9 million by approximately 72.5% over the same period last year. The Company’s basic earnings per share decreased to RMB4.3 cents per share by approximately 78.1% over the same period last year.

Liquidity and capital resources

As at June 30, 2016, the Group has current assets of RMB3,434.8 million (December 31, 2015: RMB3,440.9 million) and current liabilities of RMB837.1 million (December 31, 2015: RMB816.8 million). The current ratio was 4.1 as at June 30, 2016 (December 31, 2015: 4.2).

As at June 30, 2016, the Group has bank loans in the amount of RMB575.3 million (December 31, 2015: RMB492.0 million) and a gearing ratio of 8.6% (December 31, 2015: 7.4%). The gearing ratio is calculated based on the Group’s total interest-bearing borrowings over total assets. As at June 30, 2016, the Group has pledged the Group’s land use rights and buildings under property, plant and equipment with an aggregate carrying value of approximately RMB382.3 million for the bank borrowing (December 31, 2015: RMB320.1 million).

Management Discussion and Analysis

FINANCIAL REVIEW (CONTINUED)

Capital commitments and contingent liabilities

As at June 30, 2016, the Group's capital commitments were approximately RMB231.2 million (December 31, 2015: RMB241.2 million), all of which were related to property, plant and equipment and technical knowhow. The Group has no material contingent liabilities as at June 30, 2016 (December 31, 2015: nil).

Foreign Exchange and Treasury Policies

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

Events after the end of the Period

On July 3, 2016, a total of 18,274,000 share options have lapsed in accordance with the terms of the Share Option Scheme adopted on February 1, 2010.

Use of net proceeds from the Company's initial public offering and placing

The total net proceeds from the Company's initial public offering after the issue of the overallotment shares amounted to approximately HK\$806.6 million (approximately RMB689.4 million), the total net proceeds from placing in October 2010 amounted to approximately HK\$597.2 million (approximately RMB510.4 million), the total net proceeds from placing in April 2015 amounted to approximately HK\$303.5 million (approximately RMB259.4 million), the total net proceeds from placing in June 2015 amounted to approximately HK\$367.0 million (approximately RMB313.7 million) and the total net proceeds from the placing and top-up subscription in July 2015 amounted to approximately HK\$116.5 million (approximately RMB99.6 million). As at June 30, 2016, an accumulated amount of approximately RMB1,098.3 million from the net proceeds has been applied on market expansion, capital expenditures, product development and other working capital, and the remaining amount of approximately RMB774.2 million has been deposited into banks and qualified financial institution, will be applied in accordance with the proposed application as set out in the "Use of proceeds" section in the Prospectus, the announcements of the Company dated October 28, 2010, April 12, 2015, June 4, 2015, July 22, 2015 and August 22, 2016. ^(Note 1)

Management Discussion and Analysis

FINANCIAL REVIEW (CONTINUED)

Use of net proceeds from the Company's initial public offering and placing (Continued)

Note 1: In the above paragraph, for the purpose of illustration only, amounts quoted in HK\$ have been converted into RMB at the rate of HK\$1.00 to RMB0.8547. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

PROSPECTS

The Chinese government continues to introduce new policies to promote the development of medical and healthcare industries in recent years. To cope with the changing trends of the healthcare industry, the Group will continue to carry out a solid expansion for its sales network, develop new sales models with good growth potential, and broaden its product portfolio. The Group will focus on its core amino acids healthcare business while diversifying into various healthcare areas.

In response to the weakening demand in China's consumer market, the Group will adopt a prudent approach in expanding its sales network and exploring new sales regions in order to maintain its leading position in the amino acids health supplements industry. The Group will reinforce the operational management of Real Nutri Health Stores to enhance the professional training for staff and optimize the premium services for members for better stores' cost efficiency. The Group plans to open about 10 new Real Nutri Health Stores in the second half of 2016.

For the health drinks business, the Group will offer promotional discounts and launch grand gift box packages during major festivals, including the Mid-Autumn Festival, National Day, Christmas and New Year's Eve. The Group also plans to conduct promotional activities at petrol station networks of PetroChina and Sinopec in Tianjin city in northern China, and at the convenience chains store of Vango and EYZN in Shenzhen city and Fanglin in Foshan city in southern China. The Group's beverage division will adopt a cost-effective marketing strategy to actively seize the space and opportunities during the slowdown of consumer market so as to gradually expand its sales network and coverage in major cities, and to continuously build brand recognition for its "U-Energy" amino acids beverage product. With the above initiatives, the Group will be well prepared for another breakthrough of the health drinks business to the next level.

Management Discussion and Analysis

PROSPECTS (CONTINUED)

Riding on the geometric growth of online shopping business, China has become one of the largest and most active online shopping markets in the world. Online shopping platform is an effective channel for manufacturers to reach consumers. The Group will grasp the opportunity to develop its e-commerce business. In addition to the optimization of the e-commerce operating system, the Group will also strengthen its cooperation with excellent online shopping portals to conduct a series of online sales promotional events to popularize the regimen knowledge and consistently increase the brand awareness of its Real Nutri in the internet space. To maintain its brand's competitiveness in the internet era, the Group will adopt new initiatives by leveraging on popular social media platforms and developing mobile phones healthcare Apps to proactively communicate with consumers and members for fostering interactive bonds of trust. These Apps can record the data of consumers' purchase history, location and spending preferences which will lay a solid foundation for the Group's big data system and other healthcare Apps in the future.

The Group will continuously strengthen its product portfolio with amino acids as the core, and pay active attention to consumers' trend preferences for the accelerated development and launches of diverse new health supplement products of superb quality. In the second half of 2016, the Group plans to launch a number of new health supplement products, including Rose Peptide Drink, Vitamin C Effervescent Tablet, and Full-Nutrition Meal Shake, Osteoid Collagen Drink, as well as the health drink product U-Amino Acid Coffee.

The Group is actively seeking acquisition opportunities to scale up its businesses. It signed a memorandum of understanding in January 2015 for the proposed acquisition of Shenzhen City Ailire Investment Consulting Company Limited ("Ailire"), and also signed a strategic cooperation agreement in May 2015 with Shenzhen China Associate (Group) Co., Ltd and Ailire to jointly develop China's health supplements market. Ailire operates several hundreds of retail pharmacies in both southern and central China, which will be of significant strategic value to the Group's future business development. The Group anticipates that the proposed acquisition, if realized, can bring synergies in generating extra sales of high-margin health supplements products, expanding its membership base and the quick lifting of Real Nutri's brand awareness in southern China consumer market. The Group aims to complete the proposed acquisition in 2016 and has commenced in-depth legal and accounting due diligence as well as drafting of the relevant legal documentation for the proposed transaction.

Management Discussion and Analysis

PROSPECTS (CONTINUED)

The Group endeavours to innovate products' technologies and explore new business frontiers for developing itself to be a leading enterprise in China's healthcare industry. Bearing the motto of "Professional Devotion to Health", the management will diligently maximize the shareholders' value and concurrently enhance the general health of the Chinese nationals with quality health supplement products.

HUMAN RESOURCES

As at June 30, 2016, the Group had a work force of 934 people. The Group offers competitive remuneration packages commensurate with industry practice and provides various fringe benefits to all employees in Hong Kong and the PRC. The Group reviews its human resources and remuneration policies periodically to ensure they are in line with market practice and regulatory requirement.

Other Information

INTERIM DIVIDEND

The Board does not recommend payment of interim dividend for the six months ended June 30, 2016 (2015: HK3.0 cents) to the Shareholders.

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

As at June 30, 2016, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules, are set out below:

Name of Director	Capacity	Number and class of securities	Number of Shares subject to options granted under the Share Option Scheme ⁽¹⁾	Approximate shareholding percentage (%) ⁽²⁾
Mr. Wang Fucai ⁽²⁾	interest of a controlled corporation	290,968,394 Shares (L)		18.28%
	interest of spouse		100,000 Shares (L)	0.01%
	beneficial owner		400,000 Shares (L)	0.03%
Mr. Yu Yan	beneficial owner		200,000 Shares (L)	0.01%
Mr. Yi Lin	beneficial owner		200,000 Shares (L)	0.01%
Mr. Zhang Yan	beneficial owner		200,000 Shares (L)	0.01%
Dr. Wong Lung Tak Patrick, BBS, J.P.	beneficial owner	100,000 Shares (L)	200,000 Shares (L)	0.02%
Dr. Fong Chi Wah	beneficial owner		200,000 Shares (L)	0.01%
Mr. Chan Kee Ming	beneficial owner		200,000 Shares (L)	0.01%
Mr. Xu Hua Feng	beneficial owner		200,000 Shares (L)	0.01%

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATION (CONTINUED)

Notes:

- (1) The letter "L" denotes the Director's long position in such securities and the letter "S" denotes the Director's short position in such securities.
- (2) The 290,968,394 Shares were directly held by Furui Investments Limited ("Furui"), a company wholly owned by Mr. Wang Fucai. Accordingly, by virtue of Part XV of the SFO, Mr. Wang Fucai is deemed to be interested in the 290,968,394 Shares registered in the name of Furui. Mr. Wang Fucai is the grantee of Share options involving 400,000 underlying Shares. By virtue of Part XV of the SFO, Mr. Wang Fucai is also deemed to be interested in the share options involving 100,000 underlying Shares granted to Ms. Qin Shifeng (秦士豐), the spouse of Mr. Wang Fucai, under the 2010 Share Option Scheme.
- (3) The shareholding percentages were calculated based on the total number of Shares of 1,591,978,666 in issue as at June 30, 2016.

Save as disclosed herein, as at June 30, 2016, none of the Directors and chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporation as recorded in the register required to be kept under section 352 of SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTIONS

The Company has conditionally adopted a Share Option Scheme ("2010 Share Option Scheme") on February 1, 2010.

On July 4, 2014, 99,600,000 share options have been granted under the 2010 Share Option Scheme at an exercise price of HK\$2.0 per share option. As at June 30, 2016, there are 18,274,000 share options outstanding under the 2010 Share Option Scheme.

Other Information

SHARE OPTIONS (CONTINUED)

Set out below are details of the outstanding options granted under the 2010 Share Option Scheme:

Grantee	Number of options outstanding on January 1, 2016	Exercised during the period	Number of options outstanding as at June 30, 2016
(1) Directors			
Mr. Wang Fucai	400,000	–	400,000
Mr. Yu Yan	200,000	–	200,000
Mr. Yi Lin	200,000	–	200,000
Mr. Zhang Yan	200,000	–	200,000
Dr. Wong Lung Tak Patrick, BBS, J.P.	200,000	–	200,000
Dr. Fong Chi Wah	200,000	–	200,000
Mr. Chan Kee Ming	200,000	–	200,000
Mr. Xu Hua Feng	200,000	–	200,000
(2) Employees and others (Note)	16,474,000	–	16,474,000
Total	18,274,000	–	18,274,000

Note:

Ms. Qin Shifeng (秦士豐), the spouse of Mr. Wang Fucai, was the grantee of share options involving 100,000 underlying Shares under the 2010 Share Option Scheme which has been included in the category of “Employees and others” in the above table. The number of share options held by Ms. Qin Shifeng (秦士豐) had remained the same from January 1, 2016 up to and as at June 30, 2016.

Other Information

RIGHTS TO PURCHASE SHARES OR DEBENTURES OF DIRECTORS AND CHIEF EXECUTIVES

Save as disclosed under the sections headed “Directors’ and Chief Executives’ Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and Associated Corporation”, and “Share Options”, at no time during the period ended June 30, 2016 was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18, was granted any right to subscribe for the equity or debt securities of the Company or any other body corporate nor had exercised any such right.

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

As at June 30, 2016, interests or short positions of persons, other than a Director or the chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO and persons who are substantial shareholders of the Company within the meaning of the Listing Rules are as follows:

Shareholders	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding ⁽²⁾
Furui	beneficial owner	290,968,394	18.28%
Qin Shifeng ⁽¹⁾	interest of spouse	291,368,394	18.30%
	beneficial owner	100,000	0.01%

Notes:

- (1) Mr. Wang Fucai is deemed to be interested in the 290,968,394 Shares registered in the name of Furui and he is also the grantee of Share options involving 400,000 underlying Shares. Ms. Qin Shifeng (秦士豐) is the spouse of Mr. Wang Fucai. Accordingly, Ms. Qin Shifeng (秦士豐) is deemed to be interested in the aggregate of 291,368,384 Shares and underlying Shares in which Mr. Wang Fucai was taken to be interested by virtue of Part XV of the SFO.
- (2) The shareholding percentages were calculated based on the total number of Shares of 1,591,978,666 in issue as at June 30, 2016.

Other Information

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as disclosed in the Prospectus, none of the Directors and their respective associates (as defined in the Listing Rules) has an interest in any business which competes or may compete with the business in which the Group is engaged.

Mr. Wang Fucai who is the Director of the Company, has provided an annual confirmation in respect of the compliance with the non-competition undertaking given by him (as described in the Prospectus) (the “Non-competition Undertaking”) and information regarding his investment and engagement in the pharmaceutical business (as disclosed in the Prospectus) and the nature of such investment and engagement.

The independent non-executive Directors have also reviewed the compliance by Mr. Wang Fucai with the Non-competition Undertaking and the information that they have provided regarding investment and engagement by him in the pharmaceutical business (as disclosed in the Prospectus), and the nature of such investment and engagement. The independent non-executive Directors have confirmed that, as far as they can ascertain, there is no breach of Mr. Wang Fucai of the Non-competition Undertaking given by him.

AUDIT COMMITTEE

The audit committee currently comprises three independent non-executive Directors, namely Dr. Wong Lung Tak Patrick, BBS, J.P., Dr. Fong Chi Wah and Mr. Xu Hua Feng.

The audit committee is primarily responsible for the review and supervision of the financial reporting process and internal control system. It has reviewed the accounting principles and practices adopted by the Company and the unaudited financial results of the Group for the six months ended June 30, 2016. The Company’s external auditor, Elite Partners CPA Limited, has conducted a review of the interim financial information of the Group for the six months ended June 30, 2016 in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

Other Information

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

For the six months ended June 30, 2016, the Company repurchased 8,050,000 issued ordinary shares on The Stock Exchange of Hong Kong Limited. These repurchased shares were cancelled immediately upon repurchase.

Month of repurchase	Number of ordinary shares	Highest price per share HK\$	Lowest price per share HK\$	Aggregate price paid HK\$'000	Equivalent aggregate price paid RMB'000
Jan 2016	6,443,000	0.75	0.61	4,393	3,694
Feb 2016	1,607,000	0.70	0.69	1,110	934
	8,050,000			5,503	4,628

Save for the above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities for the six months ended June 30, 2016.

Other Information

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 of the Listing Rules as the code of conduct for Directors in their dealings in the Company’s securities. Having made specific enquiry to all the Directors of the Company, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code for the six months ended June 30, 2016.

CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions of the Corporate Governance Code (the “Code”) as set out in Appendix 14 to the Listing Rules. For the six months ended June 30, 2016, the Company has complied with all the applicable code provisions as set out in the Code, except for deviation of the provision A.2.1 of the Code as mention below.

Provision A.2.1 of the Code provides that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same person. The Company deviates from this provision because Mr. Wang Fucui has been performing both the roles of Chairman and Chief Executive Officer. Mr. Wang is the founder of the Group and has over 30 years of experience in the health care and pharmaceutical industry. Given the current stage of development of the Group, the Company believes that vesting the two roles in the same person provides the Company with strong and consistent leadership and facilitates the implementation and execution of the Group’s business strategies. The Group will nevertheless review the structure from time to time in light of the prevailing circumstances.

Other Information

SUFFICIENCY OF PUBLIC FLOAT

Based on the publicly available information and to the best of the Directors' knowledge, information and belief, the Company has maintained sufficient public float for the six months ended June 30, 2016.

On behalf of the Board

Wang Fucai

Chairman

Hong Kong, August 30, 2016