

FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE SECOND QUARTER AND FIRST HALF YEAR ENDED 30 JUNE 2014

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

1(a)(i)

UNAUDITED CONSOLIDATED RESULTS FOR THE SECOND QUARTER AND FIRST HALF YEAR ENDED 30 JUNE 2014

	Group 2Q 2014 RMB'000	Group 2Q 2013 RMB'000	+ / (-) %	Group 1H 2014 RMB'000	Group 1H 2013 RMB'000	+ / (-) %
Revenue	1,530	11,123	(86.2)	2,058	24,500	(91.6)
Cost of sales	(2,758)	(10,634)	(74.1)	(3,162)	(23,829)	(86.7)
Gross profit	(1,228)	489	(n.m.)	(1,104)	671	n.m.
Other operating income	460	138	n.m.	671	245	n.m.
Administrative expenses	(570)	(2,878)	(80.2)	(1,552)	(4,687)	(66.9)
Finance cost	-	-	-	(45)	-	n.m.
Selling and distribution expenses	(21)	(33)	(36.4)	(42)	(95)	(55.8)
Loss before income tax	(1,359)	(2,284)	(40.5)	(2,072)	(3,866)	(46.4)
Income tax	-	-	-	-	-	-
Loss for the period representing total comprehensive income for the period and attributable to equity holders of the company	(1,359)	(2,284)	(40.5)	(2,072)	(3,866)	(46.4)

1(a)(ii)

Other Credits/(Charges)

Staff costs	(1,047)	(1,312)	(20.2)	(1,876)	(2,489)	(24.6)
Depreciation	(359)	(359)	-	(720)	(762)	(5.5)
Amortisation	(89)	(89)	-	(178)	(178)	-
Exchange differences	394	(1,137)	n.m.	1,157	(1,709)	n.m.
Interest income	310	136	n.m.	521	243	n.m.
Research and development ("R&D")	(154)	-	n.m.	(365)	(12)	n.m.

n.m. = not meaningful

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

1(b)(i)

UNAUDITED STATEMENTS OF FINANCIAL POSITION

	Group 30/06/2014 RMB'000	Group 31/12/2013 RMB'000	Company 30/06/2014 RMB'000	Company 31/12/2013 RMB'000
<u>ASSETS</u>				
Current assets				
Cash and cash equivalents	42,433	58,392	287	199
Trade receivables	6,495	12,456	-	-
Other receivables and prepayments	6,003	9,506	-	-
Prepaid lease premium	357	357	-	-
Inventories	8,430	6,321	-	-
Total current assets	63,718	87,032	287	199
Non-current assets				
Prepaid lease premium	15,123	15,299	-	-
Properties under development	38,215	23,401	-	-
Property, plant and equipment	17,524	16,975	-	-
Subsidiaries	-	-	131,406	131,406
Total non-current assets	70,862	55,675	131,406	131,406
Total assets	134,580	142,707	131,693	131,605
<u>LIABILITIES AND EQUITY</u>				
Current liabilities				
Trade payables	707	1,587	-	-
Other payables	4,194	4,986	1,889	1,163
Bank loan	-	3,137	-	-
Tax payable	-	1,246	-	-
Total current liabilities	4,901	10,956	1,889	1,068
Capital and reserves				
Share capital	162,713	162,713	162,713	162,713
Accumulated losses	(33,034)	(30,962)	(32,909)	(32,271)
Net equity	129,679	131,751	129,804	130,442
Total liabilities and equity	134,580	142,707	131,693	131,605

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

As at 30/06/2014		As at 31/12/2013	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
Nil	1,230	3,137	Nil

Amount repayable after one year

As at 30/06/2014		As at 31/12/2013	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
Nil	Nil	Nil	Nil

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SECOND QUARTER AND FIRST HALF YEAR ENDED 30 JUNE 2013

	Group		Group	
	2Q 2014	2Q 2013	1H 2014	1H 2013
	RMB'000	RMB'000	RMB'000	RMB'000
Operating activities:				
Loss before income tax	(1,359)	(2,284)	(2,072)	(3,866)
Adjustments for:				
Depreciation of property, plant and equipment	359	359	720	762
Amortisation on prepaid lease premium	89	89	178	178
Interest income	(310)	(136)	(521)	(243)
Unrealised exchange loss/(gain)	(394)	1,137	(1,157)	1,709
Operating loss before working capital changes	(1,615)	(835)	(2,852)	(1,460)
Trade receivables	154	(581)	5,961	(85)
Other receivables and prepayments	3,103	1,578	3,503	505
Inventories	(1,886)	(233)	(2,109)	464
Property under development	(14,342)	(211)	(14,814)	(534)
Trade payables	380	(2,948)	(880)	(1,317)
Other payables	(1,291)	1,863	(2,022)	5,607
Cash (used in)/generated from operations	(15,497)	(1,367)	(13,213)	3,180
Interest received	310	136	521	243
Income tax paid	-	430	(1,246)	17
Net cash (used in)/generated from operating activities	(15,187)	(801)	(13,938)	3,440
Investing activities:				
Receipt of loan repayment from a non-related company	-	-	-	8,000
Proceeds from sale of property, plant and equipment	-	-	-	8
Purchase of property, plant and equipment	(590)	(4)	(1,271)	(78)
Net cash (used in)/generated from investing activities	(590)	(4)	(1,271)	7,930
Financing activities				
Repayment of bank loans	-	-	(3,137)	-
Repayment of advance from a third party	-	-	-	(1,205)
Receipt of advances from controlling shareholder	1,230	-	1,230	-
Net cash used in financing activities	1,230	-	(1,907)	(1,205)
Net (decrease)increase in cash and cash equivalents	(14,547)	(805)	(17,116)	10,165
Cash and cash equivalents at beginning of financial period	56,586	57,882	58,392	47,484
Effect of exchange rate changes on the balance of cash held in foreign currencies	394	(1,137)	1,157	(1,709)
Cash and cash equivalents at end of financial period	42,433	55,940	42,433	55,940

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

(1)(d)(i)

UNAUDITED STATEMENTS OF CHANGES IN EQUITY

	Share capital RMB'000	Accumulated losses RMB'000	Total equity RMB'000
<u>Group</u>			
Balance as at 1 January 2014	162,713	(30,962)	131,751
Total comprehensive income for the period	-	(713)	(713)
Balance as at 31 March 2014	162,713	(31,675)	131,038
Total comprehensive income for the period	-	(1,359)	(1,359)
Balance as at 30 June 2014	<u>162,713</u>	<u>(33,034)</u>	<u>129,679</u>
Balance as at 1 January 2013	162,713	(30,512)	132,201
Total comprehensive income for the period	-	(1,582)	(1,582)
Balance as at 31 March 2013	162,713	(32,094)	130,619
Total comprehensive income for the period	-	(2,284)	(2,284)
Balance as at 30 June 2013	<u>162,713</u>	<u>(34,378)</u>	<u>128,335</u>
<u>Company</u>			
Balance as at 1 January 2014	162,713	(32,271)	130,442
Total comprehensive income for the period	-	(245)	(245)
Balance as at 31 March 2014	162,713	(32,516)	130,197
Total comprehensive income for the period	-	(393)	(393)
Balance as at 30 June 2014	<u>162,713</u>	<u>(32,909)</u>	<u>129,804</u>
Balance as at 1 January 2013	162,713	(31,244)	131,469
Total comprehensive income for the period	-	(170)	(170)
Balance as at 31 March 2013	162,713	(31,414)	131,299
Total comprehensive income for the period	-	(553)	(553)
Balance as at 30 June 2013	<u>162,713</u>	<u>(31,967)</u>	<u>130,746</u>

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuers, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Not applicable.

1(d)(iii) To show the total number of issued shares excluding treasury share as at the end of the current financial period and as at the end of the immediate preceding year.

	As at 30 June 2014	As at 31 December 2013
Total number of issued shares	<u>313,800,000</u>	<u>313,800,000</u>

There are no treasury shares as at 30 June 2013, 31 December 2013 and 30 June 2014.

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period report on.

Not applicable.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The accounting policies have been consistently applied by the Group and the Company and are consistent with those used in the previous financial year.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Not applicable.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

Earnings Per Share

	Group 2Q 2014 RMB Cents	Group 2Q 2013 RMB Cents	Group 1H 2014 RMB Cents	Group 1H 2013 RMB Cents
Loss per ordinary share were:				
Based on the weighted average number of ordinary shares on issue; and	(0.43)	(0.73)	(0.66)	(1.23)
On a fully diluted basis	(0.43)	(0.73)	(0.66)	(1.23)

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-
 (a) current financial period reported on; and
 (b) immediately preceding financial year.

Net Asset Value

	Group 30/06/2014 RMB Cents	Group 31/12/2013 RMB Cents	Company 30/06/2014 RMB Cents	Company 31/12/2013 RMB Cents
Net asset value per ordinary share based on total number of issued shares excluding treasury shares	41.33	41.99	41.37	41.57

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**
- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
 - (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

Income Statement

Revenue from pharmaceutical ingredient product segment for the second quarter ended 30 June 2014 ("2Q 2014") decreased by RMB9.6 million, approximately 86.2% compared to the second quarter ended 30 June 2013 ("2Q 2013") mainly due to the reduction of sales of existing products. The Group recorded gross loss of RMB1.2 million for 2Q 2014 as compared to gross gain of RMB489,000 for 2Q 2013. The gross loss was attributable to lower gross profit margin due to higher unit cost of raw material.

Other operating income for 2Q 2014 increased by RMB0.3 million as compared to the corresponding period for 2Q 2013 mainly due to higher interest income generated from fixed deposit placed with a bank.

Administrative expenses were lower by 80.2% in 2Q 2014 as against 2Q 2013 mainly due to higher foreign exchange gain of RMB1.5 million in 2Q 2014 on cash at banks' balance in SGD and lower staff cost. The higher research and development expenses offset the decrease partially.

Selling and distribution expenses decreased by 36.4% in 2Q 2014 as against 2Q 2013 mainly due to lower packing and distribution expenses as a result of reduction in sales.

Statement of Financial Position

As at 30 June 2014, trade receivables decreased to RMB6.5 million from RMB12.5 million as at 31 December 2013 ("FY2013") mainly due to lower sales volume in 2Q 2014 and collection from customers.

Other receivables and prepayment decreased to RMB6.0million from RMB9.5 million in FY2013 mainly due to collection of RMB4.0 million from the sale of technology know-how. The consideration of the sale of technology know-how has been fully collected in August 2014.

Inventories increased to RMB8.4 million from RMB6.3 million mainly because of the increase in purchase of raw material for manufacturing of new pharmaceutical products.

Properties under development increased by RMB14.8 million from RMB23.4 million in FY2013 to RMB38.2 million as at 30 June 2014 due to acquisition of land use right of RMB13.4 million and related development cost.

Trade payables decreased to RMB0.7 million from RMB1.6 million mainly due to the scheduled re-payment to suppliers for the period under review.

Other payables decreased to RMB4.2 million from RMB5.0 million mainly due to lower advances received from customers.

Statement of Cash Flows

Overall, the Group registered a net cash decrease of approximately RMB16.0 million, adjusted for the effect of foreign exchange, for six months period ended 30 June 2014. The overall net cash decrease was mainly attributable to net cash used in operating activities amounting to RMB13.9 million, net cash used in investing activities amounting to RMB1.3 million due to the purchase of fixed assets and repayment of bank loans amounting to RMB3.1 million in financing activities. The receipt of interest-free advances (with no repayment term) amounting to RMB1.3 million from the controlling shareholder for the daily working cash flow requirements in Singapore generated from financing activities offset the decrease partially.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

No forecast or prospect statement has been previously disclosed to shareholders.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The Company has obtained the land use right of the smaller parcel of land for residential property development of Lan County project in Wuping County, Fujian, China on 10 April 2014. Development of the said parcel of land has commenced as at 30 June 2014.

The Company observed that the pharmaceutical ingredients industry in the People's Republic of China has remained competitive and raw material prices had remained high. Therefore the Company would expect some downward pressure on the profit margin for the industry. In addition, the Company is still in the process of testing a new technology for new products in its manufacturing processes as at 30 June 2014.

As at 30 June 2014, the Company has decided to put on hold the project relating to a parcel of land with forest rights and related operations ("Acquisition of Forest Rights") in Wuping County. The Company shall make announcement in due course once there is significant development relating to the said Acquisition of Forest Rights .

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommendeded, a statement to that effect.

No dividends have been declared or recommended.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group has not obtained a general mandate from shareholders for Interested Person Transaction.

14. Statement by Directors pursuant to Rule 705(5) of the Listing Manual.

The Directors hereby confirm that, to the best of our knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited interim financial results of the Company for 2Q 2014 to be false or misleading in any material aspect.

15. Use of initial public offering proceeds

Please refer to the company's announcement through SGXnet on 14 November 2013 for the use of IPO proceeds.

BY ORDER OF THE BOARD

Lan Chunguang
Executive Director and Chief Executive Officer

13 August 2014