



南京中生聯合股份有限公司  
NANJING SINOLIFE UNITED COMPANY LIMITED\*

(a joint stock limited liability company incorporated in the People's Republic of China)

Stock Code: 3332

# 2016 INTERIM REPORT

\* For identification purposes only

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# CORPORATE INFORMATION

## DIRECTORS

### Executive Directors

Mr. Gui Pinghu (桂平湖) (*Chairman*)  
Ms. Zhang Yuan (張源) (*Chief Executive Officer*)  
Ms. Xu Li (徐麗)  
Ms. Zhu Feifei (朱飛飛)

### Non-executive Director

Mr. Xu Chuntao (許春濤)

### Independent non-executive Directors

Mr. Jiang Fuxin (蔣伏心)  
Ms. Feng Qing (馮晴)  
Mr. Vincent Cheng (鄭嘉福)

## AUDIT COMMITTEE

Mr. Vincent Cheng (鄭嘉福) (*Chairman*)  
Mr. Jiang Fuxin (蔣伏心)  
Ms. Feng Qing (馮晴)

## REMUNERATION COMMITTEE

Ms. Feng Qing (馮晴) (*Chairman*)  
Mr. Vincent Cheng (鄭嘉福)  
Ms. Zhu Feifei (朱飛飛)

## NOMINATION COMMITTEE

Mr. Jiang Fuxin (蔣伏心) (*Chairman*)  
Ms. Feng Qing (馮晴)  
Ms. Xu Li (徐麗)

## STRATEGY AND DEVELOPMENT COMMITTEE

Mr. Gui Pinghu (桂平湖) (*Chairman*)  
Mr. Vincent Cheng (鄭嘉福)  
Mr. Jiang Fuxin (蔣伏心)

## JOINT COMPANY SECRETARIES

Ms. Zhi Hui (支卉)  
Ms. Kam Mei Ha Wendy (甘美霞) *FCS (PE), FCIS*

## REGISTERED OFFICE AND HEADQUARTERS

30/F, Deji Building  
188 Chang Jiang Road  
Xuanwu District  
Nanjing, Jiangsu Province  
PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Jardine House  
1 Connaught Place  
Hong Kong

## AUTHORISED REPRESENTATIVES

Mr. Gui Pinghu (桂平湖)  
Ms. Kam Mei Ha Wendy (甘美霞) *FCS (PE), FCIS*

## LEGAL ADVISERS

*As to Hong Kong law*  
Chiu & Partners  
40th Floor, Jardine House  
1 Connaught Place  
Hong Kong

*As to PRC law*  
Grandall Law Firm  
8/F, Building #B  
309 Hanzhong Gate Avenue  
Nanjing, Jiangsu Province  
PRC

## H SHARE REGISTRAR

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

## PRINCIPAL BANKERS

Shanghai Pudong Development Bank Cheng Dong Branch  
482 Zhongshan East Road  
Nanjing, Jiangsu Province  
PRC

Agricultural Bank of China Ma Qun Branch  
2-16 Ma Qun Road  
Qixia District  
Nanjing, Jiangsu Province  
PRC

## AUDITOR

Ernst & Young  
*Certified Public Accountants*  
22/F, CITIC Tower  
1 Tim Mei Avenue  
Central, Hong Kong

## STOCK CODE

3332

## COMPANY'S WEBSITE

[www.zs-united.com](http://www.zs-united.com)

# INTERIM REPORT

## INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of Nanjing Sinolife United Company Limited (the "Company") is pleased to announce its unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2016 together with the comparative figures for the corresponding period in 2015 which are as follows:

# FINANCIAL HIGHLIGHTS

## FINANCIAL HIGHLIGHTS FOR THE FIRST HALF OF 2016

- Turnover increased by 25.4% to RMB186.8 million (First half of 2015: RMB149.0 million)
- Gross profit increased by 3.9% to RMB131.2 million (First half of 2015: RMB126.3 million)
- Profit for the period decreased by 16.7% to RMB40.3 million (First half of 2015: RMB48.4 million)
- Basic earnings per share decreased by 16.7% to RMB5 cents (First half of 2015: RMB6 cents)
- The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2016 (First half of 2015: nil)

# RETAIL NETWORK AND PRODUCT INFORMATION



## CONBAIR

- SHANGHAI (2)
- JIANGSU (16)
- GUANGDONG (1)
- SHANDONG (2)
- ZHEJIANG (1)
- ANHUI (2)
- SICHUAN (1)
- HUBEI (1)
- TIANJIN (2)

## ZHONGSHENG

- BEIJING (2)
- JIANGSU (17)
- GUANGDONG (4)
- SHANDONG (2)
- ZHEJIANG (6)
- SICHUAN (1)
- HUBEI (1)
- LIAONING (1)
- ANHUI (1)
- SHANGHAI (3)
- TIANJIN (1)
- FUJIAN (1)
- SHAANXI (1)

# RETAIL NETWORK AND PRODUCT INFORMATION

## ZHONGSHENG

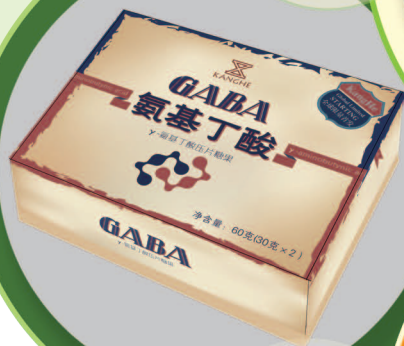
Zhongsheng Branded  
Antler Ginseng  
Capsules



Kanghe  
Snow Lotus



Coenzyme  
Q<sub>10</sub> Tablet/  
Capsules



Y-GABA



Zhongsheng  
Branded  
Linolenic Acid  
Soft Capsules

# RETAIL NETWORK AND PRODUCT INFORMATION

## CONBAIR

Olive Leaf Extract



Milk Powder Products



Algae DHA Oil



ACAI Capsules



Omega-3 Soft Capsules



# RETAIL NETWORK AND PRODUCT INFORMATION

## GOOD HEALTH

Propolis Capsules



Evening Primrose Oil Capsules

Hi Cal™ Liquid Calcium & Vitamin D



Spirulina Tablet

Grape Seed 55000 Capsules



Squalene Capsules

# RETAIL NETWORK AND PRODUCT INFORMATION

## HEJIAN

Hejian  
Propolis Softgel



Hejian  
Haematococcus  
Pressed Candy



Coenzyme Q<sub>10</sub>  
Softgel



Hejian  
Moringa  
Oleifera Pressed  
Candy



San Zi Kang  
Softgel

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

In the first half of 2016, the Company has completed the acquisitions of Shanghai Hejian Nutritional Food Products Company Limited ("Hejian") and Living Nature Natural Products Limited ("LN"), and is currently in the process of integrating its resources and consolidating its business, hence the sales year plan was prolonged. The Group's turnover increased from RMB149.0 million in the first half of 2015 to RMB186.8 million for the six months ended 30 June 2016, representing a growth of 25.4%. By considering the long-term growth of the Group, extra costs were involved in the integration strategies of "Zhongsheng" and "Hejian" brands in the first half of 2016. In addition, the increase in promotional activities for the Good Health brand in the first half of 2016 led to an increase in the relevant expenses. These strategies adversely affected the short-term financial results of the Group. As a result, the Group's net profit decreased from RMB48.4 million in the first half of 2015 to RMB40.3 million for the six months ended 30 June 2016, representing a decrease of 16.7%.

In recent years, the continuous growth of nutritional supplements industry in China was principally driven by the rising disposable income of consumers in China, the increasing average age of the population in China, growing population under sub-health condition in China and the rising awareness of the health benefits of nutritional supplements. The strategies of "Healthy China 2020" have been launched and the relevant administrative policies continue to be standardised and ascertained. Hence, the idea of "Healthy China 2020" has driven the relevant industries into a fast-growing stage. By leveraging on the branding-focused directly-owned specialty store business model with broad and diversified product mix, the Group believes that it is well-positioned to capture attractive market opportunities and deliver strong growth in terms of turnover, profit and expand customer base.

The Group has achieved strong brand recognition in the target markets with diversified product mix. The Group's product mix has different distribution channels, which includes (i) specialty stores and district selling centres under the Zhongsheng brand; (ii) premium retail stores under the Cobayer brand; (iii) service hotlines and online selling platform under the Hejian brand; (iv) distributors and pharmacies under the Good Health brand; and (v) distributors and cross-border online selling platform under the Living Nature brand. As at 30 June 2016, the Group offered 634 retained and new products in total, including 53 Zhongsheng series products, 117 Hejian series products, 40 Cobayer series products, 280 Good Health series products; 133 Living Nature series products; and 11 other products. Furthermore, the Group has launched 17 new products during the first half of 2016, including 1 Zhongsheng series product, 4 Hejian series products, 1 Cobayer series product, 6 Good Health series products and 5 Living Nature series products.

To achieve fast-growing product development, the Group has adopted a market-oriented research and product development process to meet evolving customer demands and needs. The Group continues to cooperate with sizable research institutions on research and development in relation to new product developments, such as Jianghongjian™ Pressed Candy, Hejian Cirsium Setosum Glycyrrhiza & Corn Peptide Tablet and Good Health Viralex Soothe Epicor Throat Lozenge. The Group has developed into an entity that integrates scientific research, production and sales, with a three-dimensional, comprehensive, online and offline, as well as domestic and overseas business.

# MANAGEMENT DISCUSSION AND ANALYSIS

The Group continued to participate in a variety of marketing and promotional activities in the first half of 2016 to increase customer awareness of the products, including (i) seasonal promotions and discounts on major public holidays in China; (ii) participation in trade fairs such as China International Health Services Expo 2016 (2016年中國國際健康服務業博覽會) and the Eighth World Health — Maintenance Conference 2016 (第八屆世界養生大會暨2016中國健康養生產業展覽會); (iii) acting as sponsor for sports competition such as Australian Badminton Open; (iv) acting as sponsor for the Voice of China and Miss Chinese Cosmos Pageant held in Australia; and (v) media, print and internet advertising.

The Group has a fast-growing retail network and diversified sales platform to serve a broad customer base. The Group has a diversified sales platform with a wide geographic coverage of 27 cities in 13 provinces and centrally administered municipalities in the PRC as of 30 June 2016. The Group's diversified sales platform in the PRC primarily consists of retail stores under the Zhongsheng brand, in the form of 12 specialty stores and 29 district selling centres, 28 retail stores under the Cobayer brand as well as 400 service hotlines and online selling platform under the Hejian brand. Our Zhongsheng retail stores are mainly located in central business districts, well-established residential areas or local transportation centres. Our Cobayer retail stores are mainly located in large and premium shopping malls. Our Group has an online Hejian store at <http://www.hejian.com>, an online Cobayer store at <http://conbair.tmall.com> and a Weixin platform. In addition, the Group continues to operate online selling platforms such as Alibaba, Tmall International, Jingdong platform, Suning platform and other joint platforms with large enterprises during the first half of 2016.

## Acquisition of subsidiaries

### (a) LN

With reference to the voluntary announcement of the Company dated 14 June 2016, the Company has acquired all the issued shares of LN which is a company incorporated in New Zealand. Since 31 May 2016, LN has become a wholly-owned subsidiary of the Company.

LN has been established in New Zealand for 29 years, and is principally engaged in the manufacturing of cosmetics and skincare products in New Zealand and its products are being distributed to countries around the world such as Japan, Canada and certain countries in Europe. Its products are mainly manufactured with natural botanical raw materials with the certification of natural cosmetics by BDIH (Bundesverband Deutscher Industrie-und Handelsunternehmen (Federal Association of German Industry and Trade)), and cover an extensive range including facial and body cleansing products, moisturisers, hair care products and makeup products.

### (b) Hejian

Reference is made to (i) the announcement of the Company dated 26 November 2015, 17 December 2015 and 22 January 2016; and (ii) the circular of the Company dated 29 February 2016 in relation to, among others, the acquisition of Hejian, a company established in PRC. An extraordinary general meeting (the "1st EGM"), a class meeting for the holders of H shares and a class meeting for holders of domestic shares of the Company were held on 15 April 2016. All the proposed resolutions set out in the notices of the 1st EGM and the abovementioned class meetings, all dated 29 February 2016, were duly passed by way of poll. Since 3 June 2016, Hejian has become a wholly-owned subsidiary of the Company.

Hejian was established in Shanghai, the PRC. Hejian is mainly engaged in the sale of dietary supplements through online platform, and its products are sold through its website and third party e-commerce online platforms to the customers.

# MANAGEMENT DISCUSSION AND ANALYSIS

(c) *Shanghai Weiyi Investment & Management Limited Company*\* (上海惟翊投资管理有限公司) (“*Shanghai Weiyi*”)

Reference is made to (i) the announcement of the Company dated 6 April 2016 and 27 April 2016; and (ii) the circular of the Company dated 3 May 2016 in relation to the acquisition of 40% of the equity interest in Shanghai Weiyi, a limited liability company established in the PRC which was a 60% owned subsidiary of the Group and the sole owner of Good Health Products Limited (“GHP”) (a limited liability company incorporated in New Zealand that specialises in the manufacturing of nutritional supplements). An extraordinary general meeting (the “2nd EGM”), a class meeting for the holders of H shares and a class meeting for holders of domestic shares of the Company were held on 21 July 2016. All the proposed resolutions set out in the notices of the 2nd EGM and the abovementioned class meetings, all dated 3 May 2016, were duly passed by way of poll.

## FINANCIAL REVIEW

### Results

The turnover of the Group in the first half of 2016 was RMB186.8 million, representing an increase of approximately 25.4% from RMB149.0 million over the same period in 2015. Profit for the first half of the year decreased by approximately 16.7% to RMB40.3 million in 2016 from RMB48.4 million in 2015. The Company's basic earnings per share was RMB5 cents (First half of 2015: RMB6 cents) based on the weighted average number of approximately 848.6 million (First half of 2015: 838.2 million) shares in issue during the first half of 2016.

### Revenue

The turnover of the Group increased by approximately 25.4% from RMB149.0 million in the first half of 2015 to RMB186.8 million for the six months ended 30 June 2016. Revenue generated from the PRC decreased by approximately 7.6% from RMB133.5 million in the first half of 2015 to RMB123.3 million for the six months ended 30 June 2016, primarily because the branding integrations of the Zhongsheng series products and Hejian series products were in progress during the six months ended 30 June 2016. Revenue generated from New Zealand increased by approximately 282.4% from RMB14.2 million in the first half of 2015 to RMB54.3 million for the six months ended 30 June 2016, which was primarily due to the increased sales of Good Health series products.

### Gross profit

The Group's gross profit increased from RMB126.3 million in the first half of 2015 to RMB131.2 million for the six months ended 30 June 2016. The Group's average gross profit margin decreased from 84.7% in the first half of 2015 to 70.2% for the six months ended 30 June 2016. Such decrease in gross profit margin was mainly due to the increased portion of the Group's total revenue generated from GHP and the majority of the sales of GHP through different distribution channels such as pharmacies and supermarkets in various geographical locations generated a relatively low profit margin.

### Other income and gains

The Group's other income and gains decreased from RMB7.1 million in the first half of 2015 to RMB6.8 million in the first half of 2016, which was mainly due to (i) decrease in interest income from the bank deposits and financial products purchased from banks; and (ii) increase in government grants and other gains.

# MANAGEMENT DISCUSSION AND ANALYSIS

## **Selling and distribution expenses**

The Group's selling and distribution expenses increased by approximately 18.8% from RMB42.5 million in the first half of 2015 to RMB50.5 million for the six months ended 30 June 2016, representing approximately 28.5% and 27.0% of the Group's turnover respectively. Such increase was primarily due to (i) increase in staff costs from RMB23.2 million for the first half of 2015 to RMB26.3 million for the first half of 2016; (ii) increase in advertising and promotional expenses from RMB7.3 million for the first half of 2015 to RMB9.6 million for the first half of 2016; and (iii) increase in transportation expenses from RMB0.8 million for the first half of 2015 to RMB2.1 million for the first half of 2016.

## **Administrative expenses**

The Group's administrative expenses increased by approximately 39.7% from RMB23.4 million for the first half of 2015 to RMB32.7 million for the six months ended 30 June 2016, representing approximately 15.7% and 17.5% of the Group's turnover respectively. Such increase was primarily due to the increase in staff costs from RMB9.3 million to RMB16.3 million and the increase in general and administrative expenses from RMB4.6 million to RMB8.0 million, and the effect is partially offset by the decrease in travelling expenses.

## **Income tax expenses**

Income tax expenses decreased by approximately 25.4% from RMB18.5 million in the first half of 2015 to RMB13.8 million for the six months ended 30 June 2016, which was in line with the decrease in profit before tax for the period. The Group's effective tax rates for the six months ended 30 June 2015 and 2016 were approximately 27.7% and 25.5% respectively.

## **Profit for the period**

As a result of the foregoing, the Group's profit for the period decreased from RMB48.4 million in the first half of 2015 to RMB40.3 million in the first half of 2016. The decrease was due to the increase in promotional activities for the Good Health brand in the first half of 2016. By considering the long-term growth of the Group, the branding integrations of "Zhongsheng" and "Hejian" brands were in progress in the first half of 2016, which adversely affected the short-term financial results of the Group. Furthermore, the effects on the profit during the first half of 2016 due to reversal, depreciation and amortization of inventories, fixed assets and intangible assets whose fair values were higher than their carrying amounts due to the merger as well as the intermediary costs incurred in connection with the merger during the period amounted to RMB5.0 million.

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Cash flow**

For the first half of 2016, cash and cash equivalents of the Group decreased by RMB29.1 million, which comprised the net cash outflow in operating activities with the amount of RMB12.2 million, net cash outflow in investing activities with the amount of RMB14.3 million, net cash outflow in financing activities with the amount of RMB2.6 million, while RMB1.2 million was the net effect of foreign exchange rate changes.

# MANAGEMENT DISCUSSION AND ANALYSIS

## **Inventories**

The Group's inventories increased to RMB98.0 million as at 30 June 2016 (As at 31 December 2015: RMB70.0 million), which was primarily due to the increase in inventory level of overseas products in order to meet the online and offline product demands in PRC market for the second half of 2016, as well as the additional inventories acquired from the acquisition of Hejian. The Group's inventories comprise raw materials, work in progress, finished goods and merchandise. During the first half of 2016, inventory turnover was approximately 544 days (First half of 2015: 202 days). The longer inventory turnover period during the six months ended 30 June 2016 was primarily the result of increase in inventory level of nutritional supplements of Good Health series products and raw materials and from the acquisition of Hejian.

## **Trade receivables**

The Group's trade receivables amounted to RMB34.2 million as at 30 June 2016 (As at December 2015: RMB26.4 million). During the first half of 2016, the Good Health series products were mainly sold through distributors and the distributors were generally granted with credit terms of 30 to 60 days. In addition, the sales of Zhongsheng series products through distributors were increased. Turnover days for trade receivables increased to 58 days (First half of 2015: 18 days).

## **Trade payables**

The Group's trade payables amounted to RMB23.9 million as at 30 June 2016 (As at 31 December 2015: RMB12.6 million). Turnover days for trade payables increased to 118 days (First half of 2015: 34 days), which was primarily due to the increased inventory level of the Group to meet the market demand for the second half of 2016, which led to the increased procurement of raw materials from the suppliers.

## **Foreign exchange exposure**

As the Group conducts PRC business transactions principally in Renminbi while the Group conducts overseas business transactions principally in Australian Dollar and New Zealand Dollar, the management of the Group considered the exchange rate risk at the Group's operational level is not significant. Accordingly, the Group had not used any financial instruments for hedging purposes as at 30 June 2016 (As at 30 June 2015: Nil). During the first half of 2016, the Group recorded an exchange loss of approximately RMB0.7 million (First half of 2015: RMB0.4 million) which was primarily due to the conversion from Hong Kong Dollar to Renminbi.

## **Borrowings and pledge of assets**

The gearing ratio of the Group was 0% (First half of 2015: 0%) and the Group had no outstanding bank borrowings and pledge of assets as at 30 June 2015 and 2016.

## **Capital expenditure**

The Group invested approximately RMB10.1 million in the first half of 2016 (First half of 2015: RMB4.0 million) for purchase of property, plant and equipment.

## **Capital commitments and contingent liabilities**

As at 30 June 2016, the Group's capital commitments were approximately RMB42.3 million (As at 31 December 2015: RMB44.9 million), all of which were commitments for acquisitions of land and buildings. The Group had no material contingent liabilities as at 30 June 2016 (As at 31 December 2015: nil).

# MANAGEMENT DISCUSSION AND ANALYSIS

## OUTLOOK

For the second half of 2016, the Group will continue to adopt a branding-focused directly-owned specialty store and online platform business model and integrate with the newly acquired business to attract majority of existing consumers and potential consumers, and provide customers with health solutions, in order to distinguish itself from the competitors in the nutritional supplements market.

The Group will continue to seize every opportunity to be the leading nutritional supplements provider in the market. From the beginning of the year to the date of this report, 1 new Zhongsheng series product, 6 new Good Health series products and 4 new Hejian series products have been launched to the markets, such as Jianghongjian™ Pressed Candy, Hejian Cirsium Setosum Glycyrrhiza & Corn Peptide Tablet and Good Health New Zealand Colostum Milk Powder.

The Group will continue to participate in sizeable elderly health care exhibitions as well as well-known nutritional supplement products and health food exhibitions to be held in various PRC cities such as Guangzhou, Wuhan, Nanjing, Chengdu and Beijing in the second half of 2016 in order to enhance consumer awareness of the Group's nutritional supplement products.

The Board is confident in the future development of the Group. Having a positive and pragmatic attitude towards the business development by the expansion of sales network, the Group endeavours to strengthen national sales coverage, unswervingly implement the strategy to attract outstanding talents, expand professional management team and marketing team, build professional business management ideas and models. Barring unforeseen circumstances, the Group is optimistic about its performance in the second half of 2016.

## HUMAN RESOURCES MANAGEMENT

Quality and dedicated staff are indispensable assets to the Group's success in the competitive market. By providing comprehensive training and corporate culture education periodically, the employees are able to obtain on-going training and development in the nutritional supplements industry. Furthermore, the Group offers competitive remuneration packages commensurate with industry practice and provides various fringe benefits to all employees. The Group reviews its human resources and remuneration policies periodically to ensure that they are in line with market practice and regulatory requirements. As at 30 June 2016, the Group employed a work force of 967 (As at 30 June 2015: 881), including 579 employees of the Group, 81 employees of GHP, 277 employees of Hejian and 30 employees of LN. The total salaries and related costs for the six months ended 30 June 2016 amounted to approximately RMB43.4 million (First half of 2015: RMB32.5 million).



# OTHER INFORMATION

## DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2016, the interests and short positions of the Directors, supervisors and chief executives 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 Future Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), are set out below:

Name	Capacity	Nature of interest	Class of share	Number of shares held as 30 June 2016 <sup>(1)</sup>	Approximate shareholding percentage in the relevant class of share <sup>(3)</sup> (%)	Approximate shareholding percentage in the total share capital <sup>(4)</sup> (%)
Mr. Gui Pinghu ("Mr. Gui") <sup>(2)</sup>	Director	Beneficial owner	Domestic shares	477,126,590 (L)	70.81%	52.96%
		Interest of spouse	Domestic shares	52,965,000 (L)	7.86%	5.88%
Ms. Zhang Yuan	Director	Beneficial owner	Domestic shares	6,599,550 (L)	0.98%	0.73%
Ms. Xu Li	Director	Beneficial owner	Domestic shares	5,498,570 (L)	0.82%	0.61%
Ms. Zhu Feifei	Director	Beneficial owner	Domestic shares	659,340 (L)	0.10%	0.07%
Ms. Yu Min	Supervisor	Beneficial owner	Domestic shares	659,340 (L)	0.10%	0.07%
Ms. Wu Xuemei	Supervisor	Beneficial owner	Domestic shares	551,480 (L)	0.08%	0.06%

Notes:

- (1) The letter "L" denotes the person's long position in such securities.
- (2) Mr. Gui is the spouse of Ms. Wu Yanmei. Under the SFO, Mr. Gui was deemed to be interested in the same number of shares in which Ms. Wu Yanmei was interested.
- (3) As at 30 June 2016, the number of issued domestic shares of the Company was 673,828,770.
- (4) The percentages are calculated based on the total issued shares of the Company of 900,886,770, taking into account (i) the further shares of 23,258,000 issued and allotted by the Company pursuant to the exercise of the over-allotment option set out in the announcement of the Company dated 29 January 2014; and (ii) the new 62,717,770 domestic shares of the Company issued and allotted on 14 June 2016 pursuant to the acquisition agreement set out in the circular of the Company dated 29 February 2016.

Save as disclosed above, as at 30 June 2016, none of the Directors, supervisors and chief executives of the Company, or any of their spouses, or children under 18 years of age, has any interests or short positions in the shares and underlying shares of the Company, recorded in the register required to be kept under section 352 of the SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

# OTHER INFORMATION

## DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section headed "Directors', Supervisors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares", at no time during the first half of 2016 was the Company or any of its subsidiaries or fellow subsidiaries a party to any arrangements which enable the Directors and supervisors 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 and supervisors, 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.

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

As at 30 June 2016, the interests and short positions of the persons who hold 5% or more of the class shares in the issued share capital of the Company (other than Directors and supervisors of the Company), as recorded in the register required to be kept by the Company under section 336 of the SFO are set out below:

Shareholders	Nature of interest	Class of share	Number of shares held as 30 June 2016 <sup>(1)</sup>	Approximate shareholding percentage in the relevant class of share <sup>(3)</sup> (%)	Approximate shareholding percentage in the total share capital <sup>(4)</sup> (%)
Ms. Wu Yanmei <sup>(2)</sup>	Beneficial owner	Domestic shares	52,965,000 (L)	7.86%	5.88%
	Interest of spouse	Domestic shares	477,126,590 (L)	70.81%	52.96%
Ms. Zhou Li	Beneficial owner	Domestic shares	44,084,321 (L) <sup>(9)</sup>	6.54%	4.89%
Mr. Cheng Xiaowei <sup>(10)</sup>	Interest of spouse	Domestic shares	44,084,321 (L) <sup>(9)</sup>	6.54%	4.89%
Shanghai Fosun Chuangfu Shareholding Investment Fund Limited Partnership	Beneficial owner	Domestic shares	61,111,000 (L) <sup>(5)</sup>	9.07%	6.78%
Shanghai Fosun Capital Investment Management Co., Ltd.	Interest of controlled corporation	Domestic shares	61,111,000 (L) <sup>(5)</sup>	9.07%	6.78%
	Interest of controlled corporation	H shares	38,000,000 (L) <sup>(11)</sup>	16.74%	4.22%
Shanghai Fosun Industrial Investment Co., Ltd.	Interest of controlled corporation	Domestic shares	61,111,000 (L) <sup>(5)</sup>	9.07%	6.78%
	Interest of controlled corporation	H shares	38,000,000 (L) <sup>(11)</sup>	16.74%	4.22%

# OTHER INFORMATION

Shareholders	Nature of interest	Class of share	Number of shares held as 30 June 2016 <sup>(1)</sup>	Approximate shareholding percentage in the relevant class of share <sup>(3)</sup> (%)	Approximate shareholding percentage in the total share capital <sup>(4)</sup> (%)
Shanghai Fosun High Technology (Group) Co., Ltd.	Interest of controlled corporation	Domestic shares	61,111,000 (L) <sup>(5)</sup>	9.07%	6.78%
	Interest of controlled corporation	H shares	38,000,000 (L) <sup>(11)</sup>	16.74%	4.22%
Fosun International Limited	Interest of controlled corporation	Domestic shares	61,111,000 (L) <sup>(5)</sup>	9.07%	6.78%
	Interest of controlled corporation	H shares	38,000,000 (L) <sup>(11)</sup>	16.74%	4.22%
Fosun Holdings Limited	Interest of controlled corporation	Domestic shares	61,111,000 (L) <sup>(5)</sup>	9.07%	6.78%
	Interest of controlled corporation	H shares	38,000,000 (L) <sup>(11)</sup>	16.74%	4.22%
Fosun International Holdings Ltd.	Interest of controlled corporation	Domestic shares	61,111,000 (L) <sup>(5)</sup>	9.07%	6.78%
	Interest of controlled corporation	H shares	38,000,000 (L) <sup>(11)</sup>	16.74%	4.22%
Mr. Guo Guangchang	Interest of controlled corporation	Domestic shares	61,111,000 (L) <sup>(5)</sup>	9.07%	6.78%
	Interest of controlled corporation	H shares	38,000,000 (L) <sup>(11)</sup>	16.74%	4.22%
Fosun Weishi (Hong Kong) Limited	Beneficial owner	H shares	38,000,000 (L) <sup>(11)</sup>	16.74%	4.22%
Shanghai Fosun Weishi Phase I Equity Investment Fund Partnership (L.P.)	Interest of controlled corporation	H shares	38,000,000 (L) <sup>(11)</sup>	16.74%	4.22%

# OTHER INFORMATION

Shareholders	Nature of interest	Class of share	Number of shares held as 30 June 2016 <sup>(1)</sup>	Approximate shareholding percentage in the relevant class of share <sup>(3)</sup> (%)	Approximate shareholding percentage in the total share capital <sup>(4)</sup> (%)
Shanghai Fosun Weishi Investment Management Company Limited	Interest of controlled corporation	H shares	38,000,000 (L) <sup>(11)</sup>	16.74%	4.22%
Mr. Chen Xuelin	Beneficial owner	H shares	26,500,000 (L)	11.67%	2.94%
First Beijing Investment (Cayman) Limited	Investment manager	H shares	16,248,000 (L) <sup>(7)</sup>	7.16%	1.80%
First Manhattan Co.	Investment manager	H shares	16,248,000 (L) <sup>(7)</sup>	7.16%	1.80%
First Manhattan LLC	Interest of controlled corporation	H shares	16,248,000 (L) <sup>(7)</sup>	7.16%	1.80%
RAYS Capital Partners Limited	Investment manager	H shares	15,962,000 (L) <sup>(6)</sup>	7.03%	1.77%
Mr. Ruan David Ching-chi	Interest of controlled corporation	H shares	15,962,000 (L) <sup>(6)</sup>	7.03%	1.77%
Ms. Yip Yok Tak Amy	Interest of controlled corporation	H shares	15,962,000 (L) <sup>(6)</sup>	7.03%	1.77%
Asian Equity Special Opportunities Portfolio Master Fund Limited	Beneficial owner	H shares	13,648,000 (L) <sup>(6)</sup>	6.01%	1.51%
Andre Desmarais (as trustee of the Desmarais Family Residuary Trust)	Trustee (other than a bare trustee)	H shares	11,420,000 (L) <sup>(8)</sup>	5.03%	1.27%

# OTHER INFORMATION

Shareholders	Nature of interest	Class of share	Number of shares held as 30 June 2016 <sup>(1)</sup>	Approximate shareholding percentage in the relevant class of share <sup>(3)</sup> (%)	Approximate shareholding percentage in the total share capital <sup>(4)</sup> (%)
Jacqueline Desmarais (as trustee of the Desmarais Family Residuary Trust)	Trustee (other than a bare trustee)	H shares	11,420,000 (L) <sup>(8)</sup>	5.03%	1.27%
Paul Desmarais Jr. (as trustee of the Desmarais Family Residuary Trust)	Trustee (other than a bare trustee)	H shares	11,420,000 (L) <sup>(8)</sup>	5.03%	1.27%
Guy Fortin (as trustee of the Desmarais Family Residuary Trust)	Trustee (other than a bare trustee)	H shares	11,420,000 (L) <sup>(8)</sup>	5.03%	1.27%
Michel Plessis-Belair (as trustee of the Desmarais Family Residuary Trust)	Trustee (other than a bare trustee)	H shares	11,420,000 (L) <sup>(8)</sup>	5.03%	1.27%
Pansolo Holding Inc.	Interest of controlled corporation	H shares	11,992,000 (L) <sup>(8)</sup>	5.28%	1.33%
Power Corporation of Canada	Beneficial owner	H shares	11,420,000 (L) <sup>(8)</sup>	5.03%	1.27%

## Notes:

- (1) The letter "L" represents long position in such securities.
- (2) Ms. Wu Yanmei is the spouse of Mr. Gui. Under the SFO, Ms. Wu Yanmei was deemed to be interested in the same number of shares in which Mr. Gui was interested.
- (3) As at 30 June 2016, the number of issued domestic shares and H shares of the Company was 673,828,770 and 227,058,000 respectively.
- (4) The percentages are calculated based on the total issued shares of the Company of 900,886,770, taking into account (i) the further shares of 23,258,000 issued and allotted by the Company pursuant to the exercise of the over-allotment option set out in the announcement of the Company dated 29 January 2014; and (ii) the new 62,717,770 domestic shares of the Company issued and allotted on 14 June 2016 pursuant to the acquisition agreement set out in the circular of the Company dated 29 February 2016.

## OTHER INFORMATION

- (5) These 61,111,000 domestic shares of the Company were held by Shanghai Fosun Chuangfu Shareholding Investment Fund Limited Partnership, which was held as to approximately 1.05% by Shanghai Fosun Capital Investment Management Co., Ltd. and approximately 31.74% by Shanghai Fosun Industrial Investment Co., Ltd.. Shanghai Fosun Capital Investment Management Co., Ltd. is the general partner of Shanghai Fosun Chuangfu Shareholding Investment Fund Limited Partnership. Shanghai Fosun Industrial Investment Co., Ltd. was held as to 100% by Shanghai Fosun High Technology (Group) Co., Ltd.. Further, Shanghai Fosun High Technology (Group) Co., Ltd. indirectly held approximately 60% equity interest in Nanjing Nangang Iron & Steel United Co., Ltd.\* (南京南鋼鋼鐵聯合有限公司) which in turn indirectly held approximately 13.11% equity interest in Shanghai Fosun Chuangfu Shareholding Investment Fund Limited Partnership. Accordingly, Shanghai Fosun High Technology (Group) Co., Ltd. was interested in approximately 45.90% in Shanghai Fosun Chuangfu Shareholding Investment Fund Limited Partnership in total.

Shanghai Fosun High Technology (Group) Co., Ltd. was wholly owned by Fosun International Limited which was wholly owned by Fosun Holdings Limited.

Fosun Holdings Limited was wholly owned by Fosun International Holdings Ltd. which was held as to 64.45% by Mr. Guo Guangchang.

Under the SFO, the general partner of a limited liability partnership is regarded as having de facto control of the limited liability partnership even though its shareholding in the limited liability partnership may be less than one third. Accordingly, Shanghai Fosun Capital Investment Management Co., Ltd., Shanghai Fosun Industrial Investment Co., Ltd., Shanghai Fosun High Technology (Group) Co., Ltd., Fosun International Limited, Fosun Holdings Limited, Fosun International Holdings Ltd. and Mr. Guo Guangchang were deemed to hold interests in the 61,111,000 domestic shares of the Company held by Shanghai Fosun Chuangfu Shareholding Investment Fund Limited Partnership under the SFO.

- (6) Asian Equity Special Opportunities Portfolio Master Fund Limited was a wholly owned subsidiary of RAYS Capital Partners Limited, which was held evenly by Mr. Ruan David Ching-chi and Ms. Yip Yok Tak Amy. Accordingly, Mr. Ruan David Ching-chi and Ms. Yip Yok Tak Amy were deemed to hold interests in the H shares held by Asian Equity Special Opportunities Portfolio Master Fund Limited and RAYS Capital Partners Limited under the SFO.
- (7) First Beijing Investment (Cayman) Limited, through its subsidiaries, held these 16,248,000 H shares in its capacity as investment manager. First Beijing Investment (Cayman) Limited was held as to 10% by First Manhattan Co., which was held as to 10% by First Manhattan LLC. Accordingly, First Manhattan Co. and First Manhattan LLC were deemed to hold interests in these 16,248,000 H shares under the SFO.
- (8) Power Corporation of Canada was held as to 59.2% by Pansolo Holding Inc., Jacqueline Desmarais (who is also a beneficiary), Paul Desmarais Jr., Andre Desmarais, Michel Plessis-Belair and Guy Fortin are the trustees of Desmarais Family Residuary Trust, which indirectly held Power Corporation of Canada. Accordingly, Jacqueline Desmarais, Paul Desmarais Jr., Andre Desmarais, Michel Plessis-Belair, Guy Fortin and Pansolo Holding Inc. were deemed to hold interests in the H shares held by Power Corporation of Canada under the SFO.
- (9) On 17 December 2015, Ms. Zhou Li, Mr. Zhou Dong, Shanghai Jiahanyin Investment Company Limited\* (上海甲翰寅投資有限公司), Shanghai Zhongwei Chuangye Investment Centre Partnership\* (上海中衛創業投資中心(有限合夥)), Shanghai Baojiehui Chuangye Investment Partnership Limited\* (上海寶捷會創業投資合夥企業(有限合夥)), Hejian and the Company entered into an acquisition agreement (as supplemented by supplemental acquisition agreement dated 22 January 2016), pursuant to which the Company has conditionally agreed, amongst other things, to issue and allot 44,084,321 domestic shares of the Company to Ms. Zhou Li, as a part of the consideration of the acquisition of Hejian. The allotment was completed on 14 June 2016.
- (10) Mr. Cheng Xiaowei is the spouse of Ms. Zhou Li. Under the SFO, Mr. Cheng Xiaowei was deemed to be interested in the same number of shares in which Ms. Zhou Li was interested.

## OTHER INFORMATION

- (11) On 6 April 2016, the Company, Shanghai Fosun Weishi Phase I Equity Investment Fund Partnership (L.P.) and Fosun Weishi (Hong Kong) Limited entered into an equity transfer and subscription agreement, pursuant to which the Company has conditionally agreed to issue and allot 38,000,000 H shares to Fosun Weishi (Hong Kong) Limited for acquisition of 40% equity interest in Shanghai Weiyi.

Fosun Weishi (Hong Kong) Limited was wholly owned by Shanghai Fosun Weishi Phase I Equity Investment Fund Partnership (L.P.), which is owned as to approximately 0.83% by Shanghai Fosun Weishi Investment Management Company Limited. Shanghai Fosun Weishi Investment Management Company Limited was held as to approximately 75% by Shanghai Fosun Capital Investment Management Co., Ltd.

Shanghai Fosun Capital Investment Management Co., Ltd. was held as to approximately 99.1% by Shanghai Fosun Industrial Investment Co., Ltd., which was wholly owned by Shanghai Fosun High Technology (Group) Co., Ltd., a company wholly owned by Fosun Holdings Limited. Fosun Holdings Limited also held 71.51% equity interest of Fosun International Limited.

Fosun Holdings Limited was wholly owned by Fosun International Holdings Ltd. which was held as to 64.45% by Mr. Guo Guangchang.

Accordingly, Shanghai Fosun Weishi Phase I Equity Investment Fund Partnership (L.P.), Shanghai Fosun Weishi Investment Management Company Limited, Shanghai Fosun Capital Investment Management Co., Ltd., Shanghai Fosun Industrial Investment Co., Ltd., Shanghai Fosun High Technology (Group) Co., Ltd., Fosun International Limited, Fosun Holdings Limited, Fosun International Holdings Ltd., and Mr. Guo Guangchang were deemed to hold interests in the 38,000,000 H shares of the Company to be held by Fosun Weishi (Hong Kong) Limited under the SFO.

Save as disclosed above, as at the date of this report, the Company had not been notified by any persons (other than Directors, supervisors or the chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which shall be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register kept by the Company pursuant to section 336 of the SFO.

### DISCLOSURE OF INFORMATION OF DIRECTORS AND SUPERVISORS UNDER RULE 13.51B(1) OF THE LISTING RULES

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in Director's information since the date of publication of the Company's 2015 annual report is set out below:

- Appointment of Ms. Zhang Yuan as chairman of Hejian and director of Living Nature Natural Products Limited, Living Nature Limited, Nature's Infinite Balance Limited and Living Nature Pty Limited

Save as disclosed above, there is no other change in the Directors' and supervisors' information required to be disclosed under Rule 13.51B(1) of the Listing Rules.

### MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules on the Stock Exchange as the code of conduct for Directors in their dealings in the Company's securities.

The Company has made specific enquiry with the Directors and all the Directors confirmed that they have complied with the Model Code throughout the six months ended 30 June 2016 and up to the date of this report.

## CODE OF CORPORATE GOVERNANCE PRACTICE

In the opinion of the Directors, the Company has complied with the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2016 and up to the date of this report.

## INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2016 (First half of 2015: nil).

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

For the six months ended 30 June 2016, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## USE OF NET PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING AND PLACING

The total net proceeds (the "Net Proceeds") from the initial public offering after the issue of the over-allotment shares amounted to approximately HK\$428.7 million (RMB336.4 million).

As at 30 June 2016, (i) the Net Proceeds of approximately RMB72.0 million has been used on the acquisition of GHP, a company incorporated in New Zealand with limited liability; (ii) the Net Proceeds of approximately RMB11.2 million has been used to build a research and development and testing center; (iii) the Net Proceeds of approximately RMB7.8 million has been used on the marketing and promotional activities; (iv) the Net Proceeds of approximately RMB6.0 million has been used to expand the sales network and expand into new regions; (v) the Net Proceeds of approximately RMB32.0 million has been used for working capital; and the remaining of the Net Proceeds of approximately RMB207.4 million has been deposited into banks, which are intended to be applied in accordance with the proposed application set out in the section headed "Future Plans and Use of Proceeds" of the prospectus of the Company dated 31 December 2013.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by public as at the date of this report.

## AUDIT COMMITTEE

The audit committee of the Company ("Audit Committee") has been established in compliance with Rule 3.21 and Rule 3.22 of the Listing Rules and with written terms of reference in compliance with the CG Code. The Audit Committee consists of three independent non-executive Directors: Mr. Jiang Fuxin, Ms. Feng Qing and Mr. Vincent Cheng. Mr. Vincent Cheng serves as the chairman of the Audit Committee. The primary responsibilities of the Audit Committee are to review and monitor the financial reporting, internal control and risk management systems of the Company and to assist the Board to fulfill its responsibilities over audit.

The unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2016 has also been reviewed by the Audit Committee.



# INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2016

	Notes	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
<b>REVENUE</b>	3, 5	<b>186,809</b>	149,033
Cost of sales		(55,635)	(22,773)
<b>Gross profit</b>		<b>131,174</b>	126,260
Other income and gains	5	6,775	7,063
Selling and distribution expenses		(50,500)	(42,474)
Administrative expenses		(32,743)	(23,441)
Other expenses		(881)	(471)
Share of profits and losses of a joint venture		328	-
Profit before tax	6	54,153	66,937
Income tax expenses	7	(13,818)	(18,545)
<b>Profit for the period</b>		<b>40,335</b>	48,392
Attribute to:			
Equity holders of the parent		37,772	47,728
Non-controlling interests		2,563	664
<b>Other comprehensive income that may be reclassified to profit or loss in subsequent periods, net of tax</b>			
Exchange differences on translation of foreign operations		6,269	(3,490)
<b>Total comprehensive income for the period</b>		<b>46,604</b>	44,902
Attribute to:			
Equity holders of the parent		41,912	45,360
Non-controlling interests		4,692	(458)
		<b>RMB</b>	<b>RMB</b>
<b>Earnings per share:</b>			
— Basic and diluted	9	<b>5 cents</b>	6 cents

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2016

	Notes	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	6, 10	53,775	37,149
Prepaid land lease payments		10,834	10,957
Goodwill		153,557	54,096
Other intangible assets		78,371	19,350
Investment in a joint venture		8,746	8,069
Deferred tax assets		13,442	5,839
Pledged deposit		1,199	1,146
Other non-current assets		6,207	2,671
<b>Total non-current assets</b>		<b>326,131</b>	<b>139,277</b>
<b>Current assets</b>			
Inventories		98,027	69,990
Trade receivables	11	34,162	26,430
Prepaid land lease payments		247	247
Prepayments, deposits and other receivables	12	16,960	11,413
Available-for-sale investments		3,000	-
Other current assets		-	76
Cash and cash equivalents	13	504,420	532,326
<b>Total current assets</b>		<b>656,816</b>	<b>640,482</b>
<b>Total assets</b>		<b>982,947</b>	<b>779,759</b>
<b>Current liabilities</b>			
Trade payables	14	23,879	12,574
Other payables and accruals	15	158,270	25,874
Tax payables		16,530	20,908
Deferred income		1,302	-
<b>Total current liabilities</b>		<b>199,981</b>	<b>59,356</b>
<b>NET CURRENT ASSETS</b>		<b>456,835</b>	<b>581,126</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>782,966</b>	<b>720,403</b>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2016

	Notes	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000 (audited)
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		18,986	4,059
Provision		670	631
<hr/>			
Total non-current liabilities		19,656	4,690
<hr/>			
<b>NET ASSETS</b>		<b>763,310</b>	715,713
<hr/>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital	16	90,089	83,817
Reserves		617,336	580,703
<hr/>			
Non-controlling interests		55,885	51,193
<hr/>			
<b>TOTAL EQUITY</b>		<b>763,310</b>	715,713

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2016

	Notes	Attributed to equity holders of the parent						Non-controlling		
		Share capital RMB'000	Capital reserve RMB'000	Translation reserve RMB'000	Surplus reserve RMB'000	Merger reserve RMB'000	Retained profits RMB'000	Total RMB'000	interests RMB'000	Total equity RMB'000
At 1 January 2016		83,817	360,075	(345)	36,352	(3,871)	188,492	664,520	51,193	715,713
Profit for the period		-	-	-	-	-	37,772	37,772	2,563	40,335
Exchange difference on translation of foreign operations		-	-	4,140	-	-	-	4,140	2,129	6,269
Total comprehensive income for the period		-	-	4,140	-	-	37,772	41,912	4,692	46,604
Issue of shares for the acquisition of a subsidiary	4, 16	6,272	123,728	-	-	-	-	130,000	-	130,000
Dividend declared	8	-	-	-	-	-	(129,007)	(129,007)	-	(129,007)
At 30 June 2016 (unaudited)		90,089	483,803	3,795	36,352	(3,871)	97,257	707,425	55,885	763,310
At 1 January 2015		83,817	360,075	(670)	19,531	(3,871)	169,074	627,956	4,997	632,953
Profit for the period		-	-	-	-	-	47,728	47,728	664	48,392
Exchange difference on translation of foreign operations		-	-	(2,368)	-	-	-	(2,368)	(1,122)	(3,490)
Total comprehensive income for the period		-	-	(2,368)	-	-	47,728	45,360	(458)	44,902
Capital injection by non-controlling interest		-	-	-	-	-	-	-	43,000	43,000
Dividend declared and paid		-	-	-	-	-	(99,994)	(99,994)	-	(99,994)
At 30 June 2015 (unaudited)		83,817	360,075	(3,038)	19,531	(3,871)	116,808	573,322	47,539	620,861

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2016

	Notes	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Net cash (used in)/generated from operating activities		(12,163)	41,466
Net cash used in investing activities		(14,295)	(123,268)
Net cash used in financing activities		(2,629)	(63,110)
Net decrease in cash and cash equivalents		(29,087)	(144,912)
Cash and cash equivalents at beginning of the period		532,326	550,044
Effect of exchange rate changes on cash and cash equivalents		1,181	(662)
Cash and cash equivalents at end of the period	13	504,420	404,470

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT

for the six months ended 30 June 2016

## 1. CORPORATE AND GROUP INFORMATION

The Company was a joint stock limited liability company established in the People's Republic of China (the "PRC"). The address of its registered office is 30/F, Deji Building, 188 Chang Jiang Road, Xuanwu District, Nanjing, Jiangsu Province, PRC.

The Group is principally engaged in the manufacture and sale of nutritional supplements, health food products, cosmetics and skincare products in the PRC, Australia and New Zealand.

### Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation or establishment and place of operation/date of incorporation and establishment/type of legal entity	Fully paid share capital/registered capital	Percentage of equity attributable to the Group		Principal activities
			Direct	Indirect	
南京中生生物科技有限公司	The PRC 17 June 2003 Limited liability company	RMB20,000,000	100%	-	Manufacture, processing and sale of health food products
蘇州中生健康生物製品有限公司	The PRC 26 March 2008 Limited liability company	RMB600,000	100%	-	Retailing of health food products
杭州中研生物製品有限公司	The PRC 2 April 2008 Limited liability company	RMB600,000	100%	-	Retailing of health food products
北京中生美好健康科技有限公司	The PRC 9 April 2008 Limited liability company	RMB600,000	100%	-	Retailing of health food products
無錫中研健康品有限公司	The PRC 10 April 2008 Limited liability company	RMB600,000	100%	-	Retailing of health food products
常州中生美好生物製品有限公司	The PRC 22 April 2008 Limited liability company	RMB600,000	100%	-	Retailing of health food products
濟南中生華商生物製品有限公司	The PRC 30 April 2008 Limited liability company	RMB600,000	100%	-	Retailing of health food products

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT

for the six months ended 30 June 2016

## 1. CORPORATE AND GROUP INFORMATION (CONTINUED)

### Information about subsidiaries (Continued)

Name	Place of incorporation or establishment and place of operation/date of incorporation and establishment/type of legal entity	Fully paid share capital/registered capital	Percentage of equity attributable to the Group		Principal activities
			Direct	Indirect	
廣州中院生物科技有限公司	The PRC 27 June 2008 Limited liability company	RMB600,000	100%	-	Retailing of health food products
Australia Cobayer Health Food Co Pty Ltd.	Australia 2 March 2009 Limited liability company	AUD2,000	100%	-	Trading of food products
深圳市中生華商生物科技有限公司	The PRC 23 April 2009 Limited liability company	RMB600,000	100%	-	Retailing of health food products
成都中生華美生物科技有限公司	The PRC 6 April 2011 Limited liability company	RMB500,000	100%	-	Retailing of health food products
鎮江中生健康科技有限公司	The PRC 28 April 2011 Limited liability company	RMB100,000	100%	-	Retailing of health food products
武漢中生華商生物科技有限公司	The PRC 23 May 2011 Limited liability company	RMB100,000	100%	-	Retailing of health food products
青島中生康健生物製品有限公司	The PRC 24 June 2011 Limited liability company	RMB100,000	100%	-	Retailing of health food products
上海康赫生物科技有限公司	The PRC 18 November 2013 Limited liability company	RMB500,000	100%	-	Retailing of health food products
天津康爾生物科技有限公司	The PRC 20 August 2014 Limited liability company	RMB10,000	100%	-	Retailing of health food products

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT

for the six months ended 30 June 2016

## 1. CORPORATE AND GROUP INFORMATION (CONTINUED)

### Information about subsidiaries (Continued)

Name	Place of incorporation or establishment and place of operation/date of incorporation and establishment/type of legal entity	Fully paid share capital/registered capital	Percentage of equity attributable to the Group		Principal activities
			Direct	Indirect	
合肥澳卡生物科技有限公司	The PRC 17 July 2014 Limited liability company	RMB10,000	100%	-	Retailing of health food products
瀋陽中生美好生物科技有限公司	The PRC 30 October 2014 Limited liability company	RMB10,000	100%	-	Retailing of health food products
上海惟翊投資管理有限公司	The PRC 21 October 2014 Limited liability company	RMB120,000,000	60%	-	Investment holding
西安澳卡生物科技有限公司	The PRC 26 December 2014 Limited liability company	RMB10,000	100%	-	Retailing of health food products
杭州澳卡生物科技有限公司	The PRC 15 April 2015 Limited liability company	RMB10,000	100%	-	Retailing of health food products
福州中生美好生物科技有限公司	The PRC 15 April 2015 Limited liability company	RMB10,000	100%	-	Retailing of health food products
南京宅易購電子商務有限公司	The PRC 21 April 2015 Limited liability company	RMB1,000,000	100%	-	Retailing of health food products
Good Health Products Limited ("GHP")	New Zealand 22 December 1987 Limited liability company	NZ\$2,200,002	-	60%	Manufacture, processing and sale of health food products
Sinolife United (Hong Kong) Company Limited	Hong Kong 23 March 2015 Limited liability company	HK\$1	100%	-	Trading of food products



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT

for the six months ended 30 June 2016

## 1. CORPORATE AND GROUP INFORMATION (CONTINUED)

### Information about subsidiaries (Continued)

Name	Place of incorporation or establishment and place of operation/date of incorporation and establishment/type of legal entity	Fully paid share capital/registered capital	Percentage of equity attributable to the Group		Principal activities
			Direct	Indirect	
上海禾健營養食品有限公司	The PRC 30 May 2007 Limited liability company	RMB6,000,000	100%	-	Retailing of health food products
上海集騰信息科技有限公司	The PRC 30 September 2011 Limited liability company	RMB1,000,000	-	100%	Information technology maintenance services
上海禾健時代郵購有限公司	The PRC 1 March 2011 Limited liability company	RMB500,000	-	100%	Wholesale and retail of food products
Living Nature Natural Products Limited	New Zealand 1987 Limited liability company	NZ\$14,784,444	100%	-	Manufacture, and sale of cosmetics and skin care products

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

### 2.1 BASIS OF PREPARATION

These unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2016 (the "Period") have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and HKAS 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). These unaudited interim condensed consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

These unaudited interim condensed consolidated financial statements do not include all information and disclosures required in the Group's annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2015.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT

for the six months ended 30 June 2016

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

### 2.2 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015, except for the adoption of new standards and interpretations effective as of 1 January 2016.

Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKFRS 11	<i>Joint Arrangements: Accounting for Acquisition of Interests</i>
<i>Annual Improvements 2012–2014 Cycle</i>	Amendments to a number of HKFRSs

The adoption of the above revised standards and new interpretation has had no significant financial effect on these financial statements.

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

## 3. OPERATING SEGMENT INFORMATION

### (a) Reportable segments

The Group determines its operating segments based on the reports reviewed by the chief operating decision maker that are used to make strategic decisions. For management purposes, the Group operates in one business unit based on its products, and has one reportable segment which is the manufacturing and sale of nutritional supplements and the sale of packaged health food products in the People's Republic of China ("PRC" or "China"), Australia and New Zealand.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT

for the six months ended 30 June 2016

## 3. OPERATING SEGMENT INFORMATION (CONTINUED)

### (b) Geographical information

Most of the group companies are domiciled in the PRC and the majority of their non-current assets are located in the PRC and New Zealand. The Group's revenue from external customers is primarily derived in the PRC and New Zealand.

The following is an analysis of the Group's revenue from its major markets:

	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Mainland China	123,256	133,511
New Zealand	54,271	14,174
Australia	1,687	379
Others	7,595	969
	<b>186,809</b>	<b>149,033</b>

### (c) Non-current assets

	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000 (audited)
Mainland China	104,308	39,629
New Zealand	36,896	26,992
Australia	1,776	835
	<b>142,980</b>	<b>67,456</b>

The non-current asset information above is based on the locations of the assets and excludes goodwill, investment in a joint venture, deferred tax assets, pledged deposit and other non-current assets.

### (d) Information about major customers

No revenue from transactions with a single external customer amounted to 10% or more of the Group's revenue.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT

for the six months ended 30 June 2016

## 4. BUSINESS COMBINATION

### (a) Acquisition of Living Nature Natural Products Ltd (“LN”)

On 31 May 2016, the Group acquired 100% interests in LN. LN is a limited liability company incorporated in New Zealand that specialises in the manufacturing of cosmetics and skincare products. The acquisition has been accounted for using the acquisition method. The interim condensed consolidated financial statements include the financial results of LN for the one-month period from the acquisition date.

The fair values of the identifiable assets and liabilities of LN as at the date of acquisition were:

	Fair value recognised on acquisition RMB'000
<b>Assets</b>	
Property, plant and equipment	2,386
Intangible assets – trademark	4,413
Intangible assets – license	1,059
Intangible assets – customer relationship	1,456
Inventories	4,176
Trade receivables	2,059
Prepayments, deposits and other receivables	105
Cash and cash equivalents	44
	15,698
<b>Liabilities</b>	
Trade payables	(577)
Other payables and accruals	(1,554)
Amount due to the shareholder	(2,629)
Deferred tax liabilities	(2,145)
	(6,905)
<b>Total identifiable net assets at fair value</b>	8.793
Goodwill arising on acquisition	10,757
<b>Total purchase consideration of the acquisition</b>	19,550
Satisfied by cash	19,550

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT

for the six months ended 30 June 2016

## 4. BUSINESS COMBINATION (CONTINUED)

### (a) Acquisition of Living Nature Natural Products Ltd ("LN") (Continued)

An analysis of the cash flows in respect of the acquisition is as follows:

	RMB'000
Total purchase consideration of the acquisition	19,550
Cash and bank balance acquired	(44)
<hr/>	
Net cash outflow on acquisition (included in cash flows from investing activities)	19,506

From the date of acquisition, LN has contributed RMB1,025,670 to the Group's revenue and RMB134,683 to the loss for the six months ended 30 June 2016. If the acquisition had taken place at the beginning of the year, revenue and profit before tax of the Group for the period would have been RMB192,749,738 and RMB54,173,081 respectively.

The goodwill recognised is primarily attributed to the expected synergies and other benefits from combining the assets and activities of LN with those of the Group. The goodwill is not deductible for income tax purposes.

The Group incurred transaction costs of RMB537,100 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in profit or loss and are part of operating cash flows in the statement of cash flows.

### (b) Acquisition of Shanghai Hejian Nutritional Food Products Company Limited ("Hejian")

On 3 June 2016, the Group completed the acquisition of 100% interests in Hejian. Hejian is a limited liability company incorporated in China that is principally engaged in the retailing of nutritional supplements. The acquisition has been accounted for using the acquisition method. The purchase consideration for the acquisition was in the form of shares. 62,717,770 domestic shares of the Company were issued at a fair value of RMB130,000,000, as disclosed in note 16 to the financial statements. The interim condensed consolidated financial statements include the financial results of Hejian for the one-month period from the acquisition date.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT

for the six months ended 30 June 2016

## 4. BUSINESS COMBINATION (CONTINUED)

### (b) Acquisition of Shanghai Hejian Nutritional Food Products Company Limited ("Hejian") (Continued)

The fair values of the identifiable assets and liabilities of Hejian as at the date of acquisition were:

	Fair value recognised on acquisition RMB'000
<b>Assets</b>	
Property, plant and equipment	6,278
Intangible assets — trademark	39,400
Intangible assets — customer relationship	12,040
Intangible assets — health food certificate	182
Deferred tax assets	5,375
Other non-current assets	4,608
Inventories	13,061
Trade receivables	322
Prepayments, deposits and other receivables	4,464
Available-for-sale investments	3,000
Cash and cash equivalents	10,030
	98,760
<b>Liabilities</b>	
Trade payables	(8,964)
Other payables and accruals	(24,787)
Tax payables	(6,930)
Deferred income	(958)
Deferred tax liabilities	(13,664)
Other non-current liabilities	(680)
	(55,983)
<b>Total identifiable net assets at fair value</b>	<b>42,777</b>
Goodwill arising on acquisition	87,223
<b>Total purchase consideration of the acquisition</b>	<b>130,000</b>
Satisfied by shares at fair value	130,000

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT

for the six months ended 30 June 2016

## 4. BUSINESS COMBINATION (CONTINUED)

### (b) Acquisition of Shanghai Hejian Nutritional Food Products Company Limited ("Hejian") (Continued)

An analysis of the cash flows in respect of the acquisition is as follows:

	RMB'000
Cash and bank balance acquired	10,030
Net cash inflow on acquisition (included in cash flows from investing activities)	10,030

From the date of acquisition, Hejian has contributed RMB15,691,976 to the Group's revenue and RMB10,160,405 to the consolidated profit before tax for the six months ended 30 June 2016. If the acquisition had taken place at the beginning of the year, revenue and profit before tax of the Group for the period would have been RMB238,817,584 and RMB62,763,069, respectively.

The goodwill recognised is primarily attributed to the expected synergies and other benefits from combining the assets and activities of Hejian with those of the Group. The goodwill is not deductible for income tax purposes.

The Group incurred transaction costs of RMB1,853,999 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in profit or loss and are part of operating cash flows in the statement of cash flows.

### Information on prior year acquisition

#### Acquisition of Good Health Products Ltd. ("GHP")

On 29 May 2015, Shanghai Weiyi Investment & Management Limited Company (上海惟翊投资管理有限公司), a 60% owned subsidiary of the Group, acquired 100% interests in GHP. GHP is a limited liability company incorporated in New Zealand that specialises in the manufacturing of nutritional supplements. The acquisition has been accounted for using the acquisition method.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT

for the six months ended 30 June 2016

## 4. BUSINESS COMBINATION (CONTINUED)

### Information on prior year acquisition (Continued)

#### Acquisition of Good Health Products Ltd. ("GHP") (Continued)

The fair values of the identifiable assets and liabilities of GHP as at the date of acquisition were as follows:

	Fair value recognised on acquisition RMB'000
<b>Assets</b>	
Property, plant and equipment	3,998
Cash	5,277
Trade receivables	19,655
Inventories	24,297
Prepayments	779
Deferred tax assets	1,225
Intangible assets — trademark	16,985
Intangible assets — distribution network	3,344
Investment in a joint venture	7,956
	83,516
<b>Liabilities</b>	
Long-term loans and borrowings	(6,116)
Deferred tax liabilities	(5,790)
Income tax payable	(1,392)
Trade and other payables	(16,421)
	(29,719)
<b>Total identifiable net assets at fair value</b>	53,797
Goodwill arising on acquisition	53,889
<b>Purchase consideration transferred</b>	107,686
Analysis of cash flows on acquisition:	
	RMB'000
Total purchase consideration of the acquisition	107,686
Cash and bank balance acquired	(5,277)
Deposits paid for the acquisition in 2014	(11,292)
	91,117
Net cash outflow on acquisition (included in cash flows from investing activities)	91,117



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT

for the six months ended 30 June 2016

## 4. BUSINESS COMBINATION (CONTINUED)

### Information on prior year acquisition (Continued)

#### Acquisition of Good Health Products Ltd. ("GHP") (Continued)

From the date of acquisition, GHP has contributed RMB15,523,299 to the Group's revenue and RMB5,018,860 to the consolidated profit before tax for the six months ended 30 June 2015. If the acquisition had taken place at the beginning of 2015, revenue and profit before tax of the Group for the period would have been RMB201,088,431 and RMB77,807,036, respectively.

The Group incurred transaction costs of RMB1,310,244 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in profit or loss and are part of operating cash flows in the statement of cash flows.

## 5. REVENUE, OTHER INCOME AND GAINS

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

An analysis of revenue, other income and gains is as follows:

	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
<b>Revenue</b>		
Sale of goods	185,776	149,033
Rendering of services	1,033	-
	<b>186,809</b>	<b>149,033</b>
<b>Other income and gains</b>		
Bank interest income	4,715	6,707
Short-term investment income	160	173
Government grants*	1,890	183
Others	10	-
	<b>6,775</b>	<b>7,063</b>

\* Various government grants have been received for boosting local economic development from local government. There are no unfulfilled conditions or contingencies relating to these grants.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT

for the six months ended 30 June 2016

## 6. PROFIT BEFORE TAX

Profit before tax is arrived at after charging:

	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Cost of inventories sold	52,682	20,506
Staff costs	43,387	32,452
Amortisation of prepaid land lease payments	123	103
Amortisation of intangible assets	1,148	222
Auditor's remuneration	205	956
Depreciation of property, plant and equipment	2,680	2,052
Operating lease payments on properties and retail shops (note)	8,571	7,868
Research and development expenses	1,263	418

Note: Included was contingent rental of RMB1,338,000 incurred during the six months ended 30 June 2016 (First half of 2015: RMB2,306,260).

## 7. INCOME TAX EXPENSE

(a) The amount of income tax expenses in the condensed consolidated statement of comprehensive income represent:

	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Current		
– PRC	12,583	19,616
– New Zealand	4,528	1,220
– Australia	–	–
	17,111	20,836
Deferred tax	(3,293)	(2,291)
Income tax expenses	13,818	18,545

One of the Group's subsidiaries obtained the certificate of High and New Technology Enterprises in 2015 and was approved by tax authorities to enjoy the preferential tax rate of 15%. Another subsidiary of the Group was deemed as small and micro business and was entitled to enjoy the reduced tax rate of 4%. Except for the aforementioned subsidiaries, the income tax of the Company and its subsidiaries incorporated in the PRC are subject to the statutory rate of 25% of the assessable profits as determined in accordance with the relevant income tax rules and regulations of the PRC. New Zealand Income tax is calculated at 28% of the assessable profits of the subsidiary operating in New Zealand. Australia Income tax is calculated at 30% of the assessable profits of the subsidiary operating in Australia. The subsidiary in Australia has suffered operating loss and no income tax provision was made in both current and comparing period.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT

for the six months ended 30 June 2016

## 8. DIVIDEND

Dividend declared by the Company for the six months ended 30 June 2016 and 2015 as disclosed in the condensed consolidated statement of changes in equity were as follows:

	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Dividend approved during the period	129,007	99,994

Pursuant to the annual general meeting on 6 June 2016, the Company's shareholders approved the distribution of a final dividend of RMB6.75 cents (2015: RMB6.05 cents) per share, amounting to RMB60,809,857 (2015: RMB50,709,225) and a special dividend of RMB7.57 cents (2015: RMB5.88 cents) per share, amounting to RMB68,197,128 (2015: RMB49,284,337), which has not been paid at the end of the reporting period.

## 9. EARNINGS PER SHARE

The basic earnings per share for the six months ended 30 June 2016 and 2015 are calculated based on the profit for the period of attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 848,621,962 (2015: 838,169,000) in issue during the year, as adjusted to reflect the new shares issued during the year.

	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
<b>Earnings</b>		
Earnings for the purpose of basic earnings per share calculation	40,335	48,392

	30 June 2016 (unaudited)	30 June 2015 (unaudited)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic earnings per share calculation	848,621,962	838,169,000

## 10. PROPERTY, PLANT AND EQUIPMENT

No impairment losses were recognised in respect of property, plant and equipment for both periods. During the period, additions to property, plant and equipment amounted to RMB11,161,469 (First half of 2015: RMB4,020,945) excluding property, plant and equipment acquired through a business combination (see Note 4).

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT

for the six months ended 30 June 2016

## 11. TRADE RECEIVABLES

	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000 (audited)
Trade receivables	34,573	26,714
Impairment	(411)	(284)
	<b>34,162</b>	<b>26,430</b>

In general, the entities in the Group other than GHP and LN has no credit period granted to the customers, invoices would be due once they have been issued. The credit period offered by GHP to its customers is generally 30 to 60 days. The credit period offered by LN to its customers is generally 30 to 90 days. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

The ageing analysis of trade receivables (net of impairment losses) as of the end of each reporting period, based on the invoice date and net of provisions, is as follows:

	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000 (audited)
Within 1 month	26,234	24,500
Over 1 month but within 3 months	6,081	1,547
Over 3 months but within 1 year	1,735	380
Over 1 year	112	3
	<b>34,162</b>	<b>26,430</b>

The movements in provision for impairment of trade receivables are as follows:

	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000 (audited)
At beginning of the year	284	-
Impairment losses recognised	127	284
	<b>411</b>	<b>284</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT

for the six months ended 30 June 2016

## 11. TRADE RECEIVABLES (CONTINUED)

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB411,000 (2015: RMB284,000) with a carrying amount before provision of RMB411,000 (2015: RMB284,000).

The ageing analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000 (audited)
Neither past due nor impaired	25,560	17,679
Less than 1 month past due	4,564	6,821
1 to 3 months past due	2,547	1,547
Over 3 months past due	1,491	383
	<b>34,162</b>	<b>26,430</b>

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

## 12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000 (audited)
Prepayments	7,962	5,902
Deposits and other receivables	8,839	5,217
Interest receivable	159	294
	<b>16,960</b>	<b>11,413</b>

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT

for the six months ended 30 June 2016

## 13. CASH AND CASH EQUIVALENTS

For the purpose of the interim condensed statement of cash flows, cash and cash equivalents are comprised of the followings:

	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000 (audited)
Cash at bank and in hand	284,208	312,217
Time deposits	221,411	221,255
	<b>505,619</b>	533,472
Less: pledged deposits	(1,199)	(1,146)
Cash and cash equivalents	<b>504,420</b>	532,326

## 14. TRADE PAYABLES

The ageing analysis of trade payables as of the end of each reporting period is as follows:

	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000 (audited)
Within 1 month	20,100	9,726
Over 1 month but within 3 months	1,372	1,158
Over 3 months but within 1 year	2,387	1,596
Over 1 year	20	94
	<b>23,879</b>	12,574

The trade payables are non-interest-bearing and are normally settled on 120-day terms.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT

for the six months ended 30 June 2016

## 15. OTHER PAYABLES AND ACCRUALS

	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000 (audited)
Other payables	7,435	8,926
Accrued payroll	13,526	4,161
Other tax payables	23,749	12,563
Dividends payables	108,640	-
Advance from customers	4,920	224
	<b>158,270</b>	<b>25,874</b>

Other payables are non-interest-bearing.

## 16. SHARE CAPITAL

	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000 (audited)
227,058,000 (2015: 227,058,000) H shares of RMB0.1 each	22,706	22,706
673,828,770 (2015: 611,111,000) Domestic shares of RMB0.1 each (note)	67,383	61,111
	<b>90,089</b>	<b>83,817</b>

Note: In June 2016, the Group issued 62,717,770 domestic shares with total consideration of RMB130,000,000 to acquire 100% shares of Hejian. Please refer to Note 4(b) for details.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT

for the six months ended 30 June 2016

## 17. RELATED PARTY DISCLOSURES

Details of the Group's principal related parties are as follows:

Name	Relationship
Gui Pinghu (桂平湖) ("Mr. Gui")	Controlling shareholder and director of the Company ("Controlling Shareholder")
Gui Ke (桂客)	Son of Mr. Gui ("close family member")
Brandfolio Limited	A joint venture of the Group

- (a) In addition to the transactions detailed elsewhere in the financial statements, the Group had the following transactions with related parties during the period.

	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Commission paid to a joint venture	2,691	-
Management fee income from the joint venture	1,033	-
Transactions with the Controlling Shareholder: – Rental expenses paid to Mr. Gui	47	47
Transaction with a close family member of controlling shareholder: – Rental expenses paid to Gui Ke	-	17

- (b) Compensation of key management personnel of the Group:

	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Basic salaries and bonus	1,106	1,302
Social insurance and housing fund	303	278
	1,409	1,580

- (c) **Commitments with related parties**

On 1 January 2014, the Company has entered into a three year lease agreement as a lessee with Mr. Gui, who was the Controlling Shareholder of the Group. The annual lease payment was RMB94,730.



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT

for the six months ended 30 June 2016

## 18. OPERATING LEASE ARRANGEMENTS (AS LESSEE)

### As lessee

The Group leases the majority of its shops and office properties under operating lease arrangements. The terms of property leases range from one to five years.

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

	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000 (audited)
Within one year	14,641	9,664
After one year but within five years	14,996	5,093
	<b>29,637</b>	<b>14,757</b>

## 19. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000 (audited)
Contracted, but not provided for:		
Land and buildings	42,285	44,602
Plant and machinery	-	274
	<b>42,285</b>	<b>44,876</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT

for the six months ended 30 June 2016

## 20. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

**As at 30 June 2016**

### *Financial assets*

	Loans and receivables RMB'000	Available- for-sale financial assets RMB'000	Total RMB'000
Available-for-sale investments	–	3,000	3,000
Trade receivables	34,162	–	34,162
Financial assets included in prepayments, deposits and other receivables	7,511	–	7,511
Cash and cash equivalents	504,420	–	504,420
Pledged deposits	1,199	–	1,199
Long term deposits	1,487	–	1,487
	<b>548,779</b>	<b>3,000</b>	<b>551,779</b>

### *Financial liabilities*

	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade payables	23,879	23,879
Financial liabilities included in other payables and accruals	7,435	7,435
	<b>31,314</b>	<b>31,314</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT

for the six months ended 30 June 2016

## 20. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

**As at 31 December 2015**

### *Financial assets*

	Loans and receivables RMB'000	Available- for-sale financial assets RMB'000	Total RMB'000
Trade receivables	26,430	-	26,430
Financial assets included in prepayments, deposits and other receivables	5,511	-	5,511
Cash and cash equivalents	532,326	-	532,326
Pledged deposits	1,146	-	1,146
Long term deposits	1,487	-	1,487
	566,900	-	566,900

### *Financial liabilities*

	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade payables	12,574	12,574
Financial liabilities included in other payables and accruals	8,926	8,926
	21,500	21,500