



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**



**2017**  
| 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 (Nanjing) 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 2017 together with the comparative figures for the corresponding period in 2016 which are as follows:

# FINANCIAL HIGHLIGHTS

## FINANCIAL HIGHLIGHTS FOR THE FIRST HALF OF 2017

- Revenue increased by 31.3% to RMB245.3 million (First half of 2016: RMB186.8 million)
- Gross profit increased by 27.9% to RMB167.8 million (First half of 2016: RMB131.2 million)
- Profit for the period increased by 0.5% to RMB40.5 million (First half of 2016: RMB40.3 million)
- Basic earnings per share decreased by 20% to RMB4 cents (First half of 2016: RMB5 cents)
- The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2017 (First half of 2016: nil)

# PRODUCT INFORMATION

## ZHONGSHENG

Kanghe Snow Lotus



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



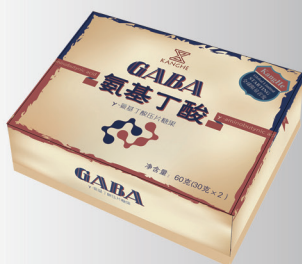
Linolenic Acid Soft Capsules



Zhongsheng Branded Antler Ginseng Capsules



Y-GABA



# PRODUCT INFORMATION

## CONBAIR/COBAYER

Milk Powder Products



Omega-3 Soft Capsules



Algae DHA Oil



ACAI Capsules



# PRODUCT INFORMATION

## GOOD HEALTH

Propolis Capsules



Evening Primrose Oil Capsules



Hi Cal™ Liquid Calcium & Vitamin D



Spirulina Table



Grape Seed 55,000 Capsules



Squalene Capsules





# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The Group's revenue increased by 31.3% from RMB186.8 million in the first half of 2016 to RMB245.3 million in the first half of 2017. Profit for the period increased by approximately 0.5% from RMB40.3 million in the first half of 2016 to RMB40.5 million in 2017. The significant increase in the Group's revenue was mainly attributable to the increase in revenue of Good Health brand and Hejian brand. Due to the further integration strategies of "Zhongsheng" and "Hejian" brands and the increase in the Group's promotion expenses in the first half of 2017, the profit for the period remained about flat as compared with same period of previous year.

In 2017, the Group continued focusing on and applying its brand strategies of multi-channel marketing and diverse product portfolios, deeply cultivating in the global health industry centered in China and New Zealand. We operate business mainly through combining retail shops under Zhongsheng and Cobayer brands and the online model of Hejian brand internally, and the mutual penetration of distributors under Good Health brand, chain pharmacies and travel channels externally. We also conducted continual brand building and marketing by opening flagship stores at major e-commerce platforms at home and abroad and cooperating with large and medium TV shopping platforms at home. As of 30 June 2017, the Group sold an aggregate of 713 existing products and new products, which included 95 Zhongsheng series products, 56 Cobayer series products, 348 Good Health series products, 94 Hejian series products and 120 Living Nature series products.

The Group adopted a market-oriented research and product development strategy in 2017 to meet evolving customer demands and needs while achieving rapid growth. Expenses in relation to the Group's research and development activities in 2017 were mainly generated from new product development. The Group launched a total of 13 new products during the first half of 2017, including 2 Zhongsheng series products, 3 Hejian series products, 6 Good Health series products and 2 Living Nature series products. New products mainly comprised Zhongsheng Acer Truncatum Seed Oil Tablets (Pressed Candy), Zhongsheng Chitosan Oligosaccharide (Pressed Candy), Hejian L-Arabinose (Pressed Candy), Hejian Maitake D Fraction (Pressed Candy), Good Health Viralex Kids Chews and Good Health Pregnancy DHA.

The Group puts more efforts in brand promotion in 2017 by conducting continual brand promotion and marketing at home and abroad via various channels. Such marketing activities include domestically (i) acting as title-sponsor of the "2017 Online Celebrity Contest on Dream Star Project" (2017夢想星計劃網紅大賽); (ii) participation in trade fairs such as the Twenty-first China International Nutritional Health Services Expo 2017 (第二十一屆中國國際營養健康產業2017博覽會) and the Fifth Imported Food Conference (第五屆進口食品展覽會); (iii) cooperating with domestic TV media to conduct TV shopping; and (iv) newspapers and media advertising, print advertising in shopping malls and internet advertising; and externally, (i) advertising on mainstream TV station in New Zealand; (ii) acting as sponsor of sports event such as Northern Mystics, a famous handball team in Auckland; and (iii) advertising on outdoor media, magazines and internet in Australia.

The Group has a fast-growing retail network and diversified sales platform to serve a broad customer base. Currently, the major selling channels of the Group cover brand retail stores, online marketing centre, cross-border e-commerce, TV shopping, overseas large-scale chain pharmacies, health goods supermarkets, tourist shops and distributors.

# MANAGEMENT DISCUSSION AND ANALYSIS

The Group has a diversified brand retail stores with a wide geographic coverage of 20 cities in 12 provinces and centrally administered municipalities in the PRC as of 30 June 2017. Such retail stores primarily consisted of (i) retail stores under the Zhongsheng brand, in the form of 6 specialty stores and 22 district selling centres, which are mainly located in central business districts, well-established residential areas or local transportation centres; (ii) 20 retail stores under the Cobayer brand, which are mainly located in large and premium shopping malls. The Group's overseas diversified distribution platform mainly includes (i) local large chain pharmacies, health goods supermarkets and tourist shops in New Zealand and Australia; (ii) international distribution networks around the world (including the United Kingdom, Germany, the Netherlands, Canada, Korea, Japan, Singapore, South Africa, Vietnam, Thailand, Malaysia, Indonesia, and United Arab Emirates). In 2017, the Group continued to cooperate with e-commerce platforms such as Alibaba, Tmall International, JD.com, Suning, Health Post, and Health Element and has built an established cross-border e-commerce network. The Group also cooperated with dozens of TV media including Global Home Shopping, Orient Shopping, Happy Shopping Experience (好享購物), Jiayou Home Shopping, UGO and Happy Shopping in 2017 and has successfully built TV shopping platforms.

## Acquisition of a subsidiary

### **Shanghai Weiyi Investment & Management Limited Company (上海惟翊投資管理有限公司) ("Shanghai Weiyi")**

Reference is made to (i) the announcement of the Company dated 6 April 2016, 27 April 2016 and 31 March 2017; and (ii) the circulars of the Company dated 3 May 2016 and 27 April 2017 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" or "Good Health"). An extraordinary general meeting, 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 extraordinary general meeting and the abovementioned class meetings, all dated 3 May 2016, were duly passed by way of poll. On 12 June 2017, another extraordinary general meeting was held. All the proposed resolutions set out in the notice of the extraordinary general meeting dated 27 April 2017 were duly passed by way of poll. The Company completed the aforementioned acquisition on 2 August 2017.

## FINANCIAL REVIEW

### Results

The revenue of the Group in the first half of 2017 was RMB245.3 million, representing an increase of approximately 31.3% from RMB186.8 million over the same period in 2016. Profit for the first half of the year increased by approximately 0.5% from RMB40.3 million in 2016 to RMB40.5 million in 2017. The Company's basic earnings per share was RMB4 cents (First half of 2016: RMB5 cents) based on the weighted average number of 946.3 million (First half of 2016: 848.6 million) shares in issue during the year.

### Revenue

The revenue of the Group increased by approximately 31.3% to RMB245.3 million in the first half of 2017 from RMB186.8 million in the first half 2016. Revenue generated from the PRC increased by approximately 25% from RMB123.3 million in the first half of 2016 to RMB154.1 million in the first half of 2017, primarily due to the increased sales of the products under Hejian and Good Health brands in China. Revenue generated from New Zealand increased by approximately 39.2% from RMB54.3 million in the first half of 2016 to RMB75.6 million in the first half of 2017, which was primarily due to the significantly increased sales of Good Health series products.

# MANAGEMENT DISCUSSION AND ANALYSIS



## **Gross profit**

The Group's gross profit increased from RMB131.2 million in the first half of 2016 to RMB167.8 million in the first half of 2017. The Group's average gross profit margin decreased from 70.2% in the first half of 2016 to 68.4% in the first half of 2017. Such decrease in gross profit margin was mainly due to the increased portion of the Group's total revenue generated from Good Health series products and the majority of the sales of Good Health series products through different distribution channels such as pharmacies and supermarkets generated a relatively low gross profit.

## **Other income and other expenditure**

The Group's other income, mainly comprising interest income from the bank deposit and financial products purchased from banks as well as government grants, decreased from RMB6.8 million in the first half of 2016 to RMB3.0 million in the first half of 2017, which was mainly due to (i) decrease in interest income from the bank deposits and financial products; and (ii) decrease in government grants.

## **Selling and distribution expenses**

The Group's selling and distribution expenses increased by approximately 33.9% from RMB50.5 million in the first half of 2016 to RMB67.6 million in the first half of 2017, representing approximately 27.0% and 27.6% of the Group's revenue respectively. Such increase was primarily due to the increase in advertising and promotional expenses from RMB9.6 million in the first half of 2016 to RMB23.8 million in the first half of 2017.

## **Administrative expenses**

The Group's administrative expenses increased by approximately 26.6% from RMB32.7 million in the first half of 2016 to RMB41.4 million in the first half of 2017, representing approximately 17.5% and 16.9% of the Group's revenue respectively. Such increase was primarily due to the increase in staff costs from RMB16.3 million to RMB21.4 million.

## **Income tax expenses**

Income tax expenses decreased by approximately 3.6% from RMB13.8 million in the first half of 2016 to RMB13.3 million in the first half of 2017, which shows no material change. The Group's effective tax rates in the first half of 2016 and the first half of 2017 were 25.5% and 24.7% respectively.

## **Profit for the period**

As a result of the foregoing, the Group's profit for the period increased from RMB40.3 million in the first half of 2016 to RMB40.5 million in the first half of 2017. The reason for the obvious sales growth but stable profit was (i) the significant increase in sales of Good Health series products in the first half of 2017 partially being offset by the decrease in sales of Zhongsheng series products arising from the branding integrations of Zhongsheng and Hejian products; (ii) the significant increase in the marketing and promoting expenses arising from continuous increase in promotional activities for our brands during the period.

# MANAGEMENT DISCUSSION AND ANALYSIS

## LIQUIDITY AND CAPITAL RESOURCES

### Cash flow

In the first half of 2017, cash and cash equivalents of the Group decreased by RMB70.1 million, which was mainly due to the net cash outflow of RMB54.6 million in operating activities, cash outflow of RMB28.0 million in investing activities (mainly for building R&D centre and investment payments for Shanghai Weiyi), and net cash inflow of RMB19.5 million in financing activities (mainly bank borrowings). The cash and bank balances decreased by RMB7.0 million due to the exchange rate fluctuation.

### Inventories

The Group's inventories increased to RMB137.4 million as at 30 June 2017 (As at 31 December 2016: RMB75.2 million). The Group's inventories comprise raw materials, work in progress, finished goods and merchandise. The inventories balances increased by 82.7% as compared to that in the end of 2016, which was primarily due to the increase in inventory level to meet the demand of TV shopping platform. During the first half of 2017, inventory turnover was approximately 247 days (First half of 2016: 272 days).

### Trade receivables

The Group's trade receivables amounted to RMB58.2 million as at 30 June 2017 (As at 31 December 2016: RMB39.7 million), representing an increase of approximately 46.6%. Trade receivables turnover increased to 36 days (First half of 2016: 29 days), mainly due to the increase in the remaining carrying amount of trade receivables of Good Health. During the first half of 2017, the sales of Good Health series products increased significantly. As Good Health usually provides distributors with credit terms of 30 to 60 days, hence there was a large amount of trade receivables of the Group and an increase in the turnover days for trade receivables.

### Trade payables

The Group's trade payables amounted to RMB28.5 million as at 30 June 2017 (As at 31 December 2016: RMB15.5 million). Turnover days for trade payables were 51 days (First half of 2016: 59 days). The Group's remaining payables were mainly amounts payable due from Good Health and Zhongsheng to suppliers.

### Foreign exchange exposure

The Group conducts PRC business transactions principally in Renminbi while the Group conducts overseas business transactions principally in New Zealand Dollar and Australian Dollar. The management of the Group considered the exchange rate risk at the Group's operational level is not significant. The Group had not used any financial instruments for hedging purposes as at 30 June 2017. During the first half of 2017, the Group recorded an exchange loss of approximately RMB7.8 million (First half of 2016: RMB0.7 million), which was primarily due to the lower exchange rate of the Group's bank deposits denominated in United States Dollar and Hong Kong Dollar against RMB.

### Borrowings and pledge of assets

As at 30 June 2017, the Group had outstanding credit bank borrowings with effective interest rate of 5.00%–5.31% of RMB19.5 million (As at 31 December 2016: nil) and no pledge of assets. The Group's bank borrowings to total assets ratio was 1.9% (As at 31 December 2016: 0%). The maturity and interest rate profile of the Group's borrowings are set out in note 15 to the interim condensed consolidated financial statements.

# MANAGEMENT DISCUSSION AND ANALYSIS



## Capital expenditure

The Group invested approximately RMB11.8 million in the first half of 2017 (First half of 2016: RMB10.1 million) for building R&D centre, plant and equipment.

## Capital commitments and contingent liabilities

As at 30 June 2017, the Group's capital commitments were approximately RMB26.7 million (As at 31 December 2016: RMB26.0 million), all of which were commitments for building R&D centre, plant and equipment. The Group had no material contingent liabilities as at 30 June 2017 (As at 31 December 2016: nil).

## OUTLOOK

For the second half of 2017, 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.

The Group will continue to seize every opportunity to be the leading nutritional supplement provider in the market. From the beginning of 2017 to the date of this report, 2 new Zhongsheng series products, 6 new Good Health series products and 3 new Hejian series products have been launched to the markets, such as Zhongsheng Acer Truncatum Seed Oil Tablets (Pressed Candy), Hejian Maitake D Fraction (Pressed Candy), Good Health Viralex Kids Chews, Good Health Pregnancy DHA and so on.

The Board and the Chairman have confidence in the future development of the Group. Having a positive and pragmatic attitude towards the business development by the expansion of sales channels, 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 2017.

## HUMAN RESOURCES MANAGEMENT

Quality and dedicated staff is indispensable asset to the Group's success in the competitive market. By providing comprehensive training and corporate culture education periodically, our employees are able to obtain ongoing 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 2017, the Group employed a work force of 936 employees, including 523 employees of the Group, 262 employees of Shanghai Hejian Nutritional Food Products Company Limited ("Hejian"), 116 employees of GHP and Cobayer in Australia and 35 employees of Living Nature Natural Products Limited. The total salaries and related costs for the six months ended 30 June 2017 amounted to approximately RMB48.5 million (First half of 2016: RMB43.4 million).

## OTHER INFORMATION

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

As at 30 June 2017, 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 Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "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 of the Company	Number of shares held as at 30 June 2017 <sup>(1)</sup>	Approximate shareholding percentage in the relevant class of shares <sup>(3)</sup>	Approximate shareholding percentage in the total share capital <sup>(4)</sup>
					(%)	(%)
Mr. Gui Pinghu	Director	Beneficial owner	Domestic Shares	477,126,590 (L)	70.81%	50.42%
("Mr. Gui") <sup>(2)</sup>		Interest of spouse	Domestic Shares	52,965,000 (L)	7.86%	5.60%
Ms. Zhang Yuan	Director	Beneficial owner	Domestic Shares	6,599,550 (L)	0.98%	0.70%
		Beneficial owner	H Shares	218,000 (L)	0.08%	0.02%
Ms. Xu Li	Director	Beneficial owner	Domestic Shares	5,498,570 (L)	0.82%	0.58%
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) The percentages are calculated based on the total issued shares of the Company of 946,298,370, being the total number of issued shares of the Company after the global offering and 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; (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; and (iii) the new 45,411,600 H shares of the Company issued and allotted on 22 December 2016 pursuant to the subscription agreement set out in the announcement of the Company dated 13 December 2016.
- (4) As at 30 June 2017, the number of issued domestic shares and H shares of the Company was 673,828,770 and 272,469,600 respectively.

Save as disclosed above, as at 30 June 2017, 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 in the first half of 2017 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 18 years of age 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 2017, 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 of the Company	Number of shares held as at 30 June 2017 <sup>(1)</sup>	Approximate shareholding percentage in the relevant class of share capital <sup>(4)</sup> (%)	Approximate shareholding percentage in the total share capital <sup>(3)</sup> (%)
Ms. Wu Yanmei <sup>(2)</sup>	Beneficial owner	Domestic Shares	52,965,000 (L)	7.86%	5.60%
	Interest of spouse	Domestic Shares	477,126,590 (L)	70.81%	50.42%
Ms. Zhou Li	Beneficial owner	Domestic Shares	44,084,321 (L) <sup>(5)</sup>	6.54%	4.66%
Mr. Cheng Xiaowei <sup>(6)</sup>	Interest of spouse	Domestic Shares	44,084,321 (L) <sup>(5)</sup>	6.54%	4.66%
Mr. Ji Changqun	Interest of controlled corporation	H Shares	45,411,600 (L) <sup>(7)</sup>	16.67%	4.80%
Magnolia Wealth International Limited	Interest of controlled corporation	H Shares	45,411,600 (L) <sup>(7)</sup>	16.67%	4.80%
Fullshare Holdings Limited	Interest of controlled corporation	H Shares	45,411,600 (L) <sup>(7)</sup>	16.67%	4.80%
Five Seasons XVII Limited	Interest of controlled corporation	H Shares	45,411,600 (L) <sup>(7)</sup>	16.67%	4.80%
Five Seasons XIV Limited	Beneficial owner	H Shares	45,411,600 (L) <sup>(7)</sup>	16.67%	4.80%
Shanghai Fosun Capital Equity Investment Fund Partnership Enterprise (LP)	Beneficial owner	Domestic Shares	61,111,000 (L) <sup>(8)</sup>	9.07%	6.46%
Shanghai Fosun Capital Investment Management Co., Ltd.	Interest of controlled corporation	Domestic Shares	61,111,000 (L) <sup>(8)</sup>	9.07%	6.46%

## OTHER INFORMATION

Shareholders	Nature of interest	Class of share of the Company	Number of shares held as at 30 June 2017 <sup>(1)</sup>	Approximate shareholding percentage in the relevant class of share capital <sup>(4)</sup> (%)	Approximate shareholding percentage in the total share capital <sup>(3)</sup> (%)
Shanghai Fosun Industrial Investment Co., Ltd.	Interest of controlled corporation	Domestic Shares	61,111,000 (L) <sup>(8)</sup>	9.07%	6.46%
Shanghai Fosun High Technology (Group) Co., Ltd.	Interest of controlled corporation	Domestic Shares	61,111,000 (L) <sup>(8)</sup>	9.07%	6.46%
Fosun International Limited	Interest of controlled corporation	Domestic Shares	61,111,000 (L) <sup>(8)</sup>	9.07%	6.46%
Fosun Holdings Limited	Interest of controlled corporation	Domestic Shares	61,111,000 (L) <sup>(8)</sup>	9.07%	6.46%
Fosun International Holdings Ltd.	Interest of controlled corporation	Domestic Shares	61,111,000 (L) <sup>(8)</sup>	9.07%	6.46%
Mr. Guo Guangchang	Interest of controlled corporation	Domestic Shares	61,111,000 (L) <sup>(8)</sup>	9.07%	6.46%
Mr. Chen Xuelin	Beneficial owner	H Shares	27,576,000 (L)	10.12%	2.91%
First Beijing Investment (Cayman) Limited	Investment manager	H Shares	15,896,000 (L) <sup>(9)</sup>	5.83%	1.68%
First Manhattan Co.	Investment manager	H Shares	15,896,000 (L) <sup>(9)</sup>	5.83%	1.68%
First Manhattan LLC	Interest of controlled corporation	H Shares	15,896,000 (L) <sup>(9)</sup>	5.83%	1.68%

### 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) The percentages are calculated based on the total issued shares of the Company of 946,298,370, being the total number of issued shares of the Company after the global offering and 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; (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; and (iii) the new 45,411,600 H shares of the Company issued and allotted on 22 December 2016 pursuant to the subscription agreement set out in the announcement of the Company dated 13 December 2016.



## OTHER INFORMATION

- (4) As at 30 June 2017, the number of issued domestic shares and H shares of the Company was 673,828,770 and 272,469,600 respectively.
- (5) 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.
- (6) 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.
- (7) On 13 December 2016, the Company and Five Seasons XIV Limited entered into a subscription agreement, pursuant to which Five Seasons XIV Limited has conditionally agreed to subscribe for 45,411,600 new H shares. The allotment was completed on 22 December 2016.

Five Seasons XIV Limited was wholly owned by Five Seasons XVII Limited, which was wholly owned by Fullshare Holdings Limited. Fullshare Holdings Limited was held as to approximately 46.58% by Magnolia Wealth International Limited, which was wholly owned by Mr. Ji Changqun.

Accordingly, Five Seasons XVII Limited, Fullshare Holdings Limited, Magnolia Wealth International Limited and Mr. Ji Changqun were deemed to hold interests in the 45,411,600 H shares of the Company held by Five Seasons XIV Limited under the SFO.

- (8) These 61,111,000 domestic shares of the Company were held by Shanghai Fosun Capital Equity Investment Fund Partnership Enterprise (LP), which was held as to approximately 1.05% by Shanghai Fosun Capital Investment Management Co., Ltd.. Shanghai Fosun Capital Investment Management Co., Ltd. is the general partner of Shanghai Fosun Capital Equity Investment Fund Partnership Enterprise (LP). Shanghai Fosun Capital Investment Management Co., Ltd. was as to 99.1% by Shanghai Fosun Industrial Investment Co., Ltd.. Shanghai Fosun Industrial Investment Co., Ltd. was held as to 100% by Shanghai Fosun High Technology (Group) Co., Ltd..

Shanghai Fosun High Technology (Group) Co., Ltd. was wholly owned by Fosun International Limited which was held as to 71.48% 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 Capital Equity Investment Fund Partnership Enterprise (LP) under the SFO.

- (9) First Beijing Investment (Cayman) Limited, through its subsidiaries, held these 15,896,000 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 15,896,000 H shares 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.

## OTHER INFORMATION

### 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 Directors' and supervisor's information since the date of publication of the Company's 2016 annual report is set out below:

- Resignation of Mr. Gui Pinghu as director of UK1964 Ltd.;
- Resignation of Ms. Zhang Yuan as director of Nature's Infinite Balance Limited;
- Resignation of Ms. Yu Min as director of Xian Aoka Biological Technology Company Limited\* (西安澳卡生物科技有限公司); and
- Appointment of Mr. Tao Xingrong as the joint general manager of the Legal Affairs Department of Shanghai Fosun High Technology (Group) Co., Ltd.

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 2017 and up to the date of this report.

### CODE OF CORPORATE GOVERNANCE PRACTICE

The Company's corporate governance practices are based on the principles as set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 to the Listing Rules.

In the opinion of the Directors, the Company has complied with the code provisions of the CG Code throughout the six months ended 30 June 2017 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 2017 (First half of 2016: nil).

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

For the six months ended 30 June 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## OTHER INFORMATION

### 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. It consists of three independent non-executive Directors, namely 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 assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors, and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2017 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 2017

	Notes	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
<b>REVENUE</b>	3, 4	<b>245,256</b>	186,809
Cost of sales		<b>(77,427)</b>	(55,635)
<b>Gross profit</b>		<b>167,829</b>	131,174
Other income and gains	4	<b>2,972</b>	6,775
Selling and distribution expenses		<b>(67,634)</b>	(50,500)
Administrative expenses		<b>(41,379)</b>	(32,743)
Other expenses		<b>(8,167)</b>	(881)
Share of profits and losses of a joint venture		<b>143</b>	328
Profit before tax	5	<b>53,764</b>	54,153
Income tax expense	6	<b>(13,275)</b>	(13,818)
<b>Profit for the period</b>		<b>40,489</b>	40,335
Attributable to:			
Equity holders of the parent		<b>33,193</b>	37,772
Non-controlling interests		<b>7,296</b>	2,563
<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		<b>(1,042)</b>	6,269
<b>Total comprehensive income for the period</b>		<b>39,447</b>	46,604
Attributable to:			
Equity holders of the parent		<b>32,708</b>	41,912
Non-controlling interests		<b>6,739</b>	4,692
		<b>RMB</b>	RMB
<b>Earnings per share:</b>			
— Basic and diluted	8	<b>4 cents</b>	5 cents

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2017

	Notes	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	5, 9	78,739	70,695
Prepaid land lease payments		10,587	10,710
Goodwill		147,292	153,387
Other intangible assets		76,381	77,575
Investment in a joint venture		6,525	6,304
Deferred tax assets		11,853	13,085
Pledged deposit		1,263	1,216
Prepaid investment payments		20,000	–
Other non-current assets		5,638	7,297
Total non-current assets		358,278	340,269
<b>Current assets</b>			
Inventories		137,375	75,177
Trade receivables	10	58,227	39,674
Prepaid land lease payments		247	247
Prepayments, deposits and other receivables	11	17,935	9,996
Other current assets		3,636	–
Pledged deposits		368	367
Cash and cash equivalents	12	447,799	517,934
Total current assets		665,587	643,395
Total assets		1,023,865	983,664
<b>Current liabilities</b>			
Trade payables	13	28,452	15,538
Other payables and accruals	14	122,735	51,346
Interest-bearing loans and borrowings	15	19,500	–
Tax payables		15,477	18,020
Total current liabilities		186,164	84,904
<b>NET CURRENT ASSETS</b>		<b>479,423</b>	558,491
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>837,701</b>	898,760

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2017

	Notes	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		16,744	17,244
Provision		725	707
Total non-current liabilities		17,469	17,951
<b>NET ASSETS</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital	16	94,630	94,630
Reserves		661,279	728,594
Non-controlling interests		64,323	57,585
<b>TOTAL EQUITY</b>		<b>820,232</b>	880,809

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2017

	Notes	Attributed to equity holders of the parent						Total	Non-controlling interests	Total equity
		Share capital	Capital reserve	Translation reserve	Surplus reserve	Merger reserve	Retained profits			
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2017		<b>94,630</b>	<b>544,223</b>	<b>5,173</b>	<b>49,777</b>	<b>(3,871)</b>	<b>133,292</b>	<b>823,224</b>	<b>57,585</b>	<b>880,809</b>
Profit for the period		-	-	-	-	-	<b>33,193</b>	<b>33,193</b>	<b>7,296</b>	<b>40,489</b>
Exchange difference on translation of foreign operations		-	-	<b>(484)</b>	-	-	-	<b>(484)</b>	<b>(558)</b>	<b>(1,042)</b>
Total comprehensive income for the period		-	-	<b>(484)</b>	-	-	<b>33,193</b>	<b>32,709</b>	<b>6,739</b>	<b>39,447</b>
Dividend declared	7	-	-	-	-	-	<b>(100,024)</b>	<b>(100,024)</b>	-	<b>(100,024)</b>
At 30 June 2017 (unaudited)		<b>94,630</b>	<b>544,223</b>	<b>4,689</b>	<b>49,777</b>	<b>(3,871)</b>	<b>66,461</b>	<b>755,909</b>	<b>64,323</b>	<b>820,232</b>
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		6,272	123,728	-	-	-	-	130,000	-	130,000
Dividend declared	7	-	-	-	-	-	(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

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2017

	Notes	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
<b>Net cash used in operating activities</b>		<b>(54,604)</b>	(12,163)
<b>Net cash used in investing activities</b>		<b>(27,961)</b>	(14,295)
<b>Net cash generated from/(used in) financing activities</b>		<b>19,500</b>	(2,629)
<b>Net decrease in cash and cash equivalents</b>		<b>(63,065)</b>	(29,087)
<b>Cash and cash equivalents at beginning of the period</b>		<b>517,934</b>	532,326
<b>Effect of exchange rate changes on cash and cash equivalents</b>		<b>(7,070)</b>	1,181
<b>Cash and cash equivalents at end of the period</b>	12	<b>447,799</b>	504,420



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2017



## 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 manufacturing and sale of nutritional supplements and health food products in the PRC, Australia and New Zealand.

### Information About Subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place of incorporation or establishment and place of operation/or of incorporation and establishment/type of legal entity	Fully paid share capital/ registered capital	Percentage of equity attributable to the Company		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 STATEMENTS

for the six months ended 30 June 2017



## 1. CORPORATE AND GROUP INFORMATION (CONTINUED)

### Information about subsidiaries (Continued)

Name	Place of incorporation or establishment and place of operation/or of incorporation and establishment/type of legal entity	Fully paid share capital/registered capital	Percentage of equity attributable to the Company		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 STATEMENTS

for the six months ended 30 June 2017

## 1. CORPORATE AND GROUP INFORMATION (CONTINUED)

### Information about subsidiaries (Continued)

Name	Place of incorporation or establishment and place of operation/or of incorporation and establishment/type of legal entity	Fully paid share capital/registered capital	Percentage of equity attributable to the Company		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
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	New Zealand 22 December 1987 Limited liability company	NZD2,200,002	–	60%**	Manufacture, processing and sale of health food products
中生聯合（香港）有限公司	Hong Kong 23 March 2015 Limited liability company	HKD1	100%	–	Trading of food products
上海禾健營養食品有限公司	The PRC 30 May 2007 Limited liability company	RMB20,000,000	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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2017

## 1. CORPORATE AND GROUP INFORMATION (CONTINUED)

### Information about subsidiaries (Continued)

Name	Place of incorporation or establishment and place of operation/or of incorporation and establishment/type of legal entity	Fully paid share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Living Nature Natural Products Limited	New Zealand 1987 Limited liability company	NZD14,784,444	100%	–	Manufacture, and sale of cosmetics and skin care products

\* 上海惟翊投资管理有限公司 (“Shanghai Weiyi”) is a limited liability company which is owned as to 60% by the Company.

\*\* Good Health Products Limited (“GHP”) is a limited liability company incorporated in New Zealand in which the entire equity interest was owned by Shanghai Weiyi.

## 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 2017 (the “period”) have been prepared in accordance with HKAS 34 *Interim Financial Reporting*.

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 2016.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2017

## 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 2016, except for the adoption of new standards and interpretations effective as of 1 January 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these amendments apply for the first time in 2017, they do not have a material impact on the interim condensed consolidated financial statements of the Group. The nature and the impact of each amendment is described below:

#### ***Amendments to HKAS 7 Statement of Cash Flows: Disclosure Initiative***

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The Group is not required to provide additional disclosures in its condensed interim consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ended 31 December 2017.

#### ***Amendments to HKAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses***

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

The Group applied the amendments retrospectively. However, their application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2017

## 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 manufacture and sale of nutritional supplements and the sale of packaged health food products in the PRC, New Zealand and Australia.

### (b) Geographical Information

Most of the group companies are domiciled in the PRC and the majority of the 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:

	30 June 2017 RMB'000 (unaudited)	30 June 2016 RMB'000 (unaudited)
Mainland China	154,086	123,256
New Zealand	75,600	54,271
Australia	9,524	1,687
Others	6,046	7,595
	<b>245,256</b>	186,809

### (c) Non-Current Assets

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Mainland China	147,531	128,431
New Zealand	16,818	29,191
Australia	1,358	1,358
	<b>165,707</b>	158,980

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, prepaid investment payments and other non-current assets.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2017

## 3. OPERATING SEGMENT INFORMATION (CONTINUED)

### (d) Information About Major Customers

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

## 4. 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:

	30 June 2017 RMB'000 (unaudited)	30 June 2016 RMB'000 (unaudited)
<b>Revenue</b>		
Sale of goods	<b>245,111</b>	185,776
Rendering of services	<b>145</b>	1,033
	<b>245,256</b>	186,809
<b>Other income and gains</b>		
Bank interest income	<b>2,343</b>	4,715
Short-term investment income	<b>9</b>	160
Government grants*	<b>596</b>	1,890
Other	<b>24</b>	10
	<b>2,972</b>	6,775

\* 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 STATEMENTS

for the six months ended 30 June 2017

## 5. PROFIT BEFORE TAX

Profit before tax is arrived at after charging:

	30 June 2017 RMB'000 (unaudited)	30 June 2016 RMB'000 (unaudited)
Cost of inventories sold	<b>75,008</b>	52,682
Staff costs	<b>48,548</b>	43,387
Amortisation of prepaid land lease payments	<b>123</b>	123
Amortisation of intangible assets	<b>1,868</b>	1,148
Auditor's remuneration	-	205
Depreciation of property, plant and equipment	<b>3,619</b>	2,680
Operating lease payments on properties and retail shops	<b>9,106</b>	8,571
Research and development expenses	<b>1,346</b>	1,263

## 6. INCOME TAX EXPENSE

The amounts of income tax expense in the condensed consolidated statement of comprehensive income represent:

	30 June 2017 RMB'000 (unaudited)	30 June 2016 RMB'000 (unaudited)
Current		
— PRC	<b>8,754</b>	12,583
— New Zealand	<b>7,426</b>	4,528
— Australia	-	-
	<b>16,180</b>	17,111
Deferred tax	<b>(2,905)</b>	(3,293)
Income tax expense	<b>13,275</b>	13,818

One of the Group's subsidiaries obtained the certificate of new and hi-tech 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 STATEMENTS

for the six months ended 30 June 2017

## 7. DIVIDEND

Dividend declared by the Company for the six months ended 30 June 2017 and 2016 as disclosed in the condensed consolidated statement of changes in equity were as follows:

	30 June 2017 RMB'000 (unaudited)	30 June 2016 RMB'000 (unaudited)
Dividend approved during the period	<b>100,024</b>	129,007

Pursuant to the annual general meeting on 5 June 2017, the Company's shareholders approved the distribution of a final dividend of RMB6.00cents (2016: RMB6.75cents) per share, amounting to RMB56,777,902 (2016: RMB60,809,857) and a special dividend of RMB4.57 cents (2016: RMB7.57cents) per share, amounting to RMB43,245,836 (2016: RMB68,197,128), which has not been paid at the end of the reporting period.

## 8. EARNINGS PER SHARE

The basic earnings per share for the six months ended 30 June 2017 and 2016 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 946,298,370 (2016: 848,621,962) in issue during the year, as adjusted to reflect the rights issue during the year.

	30 June 2017 RMB'000 (unaudited)	30 June 2016 RMB'000 (unaudited)
<b>Earnings</b>		
Earnings for the purpose of basic earnings per share calculation	<b>40,489</b>	40,335

	30 June 2017 (unaudited)	30 June 2016 (unaudited)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic earnings per share calculation	<b>946,298,370</b>	848,621,962

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2017

## 9. 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 RMB11,779,678 (First half of 2016: RMB11,161,469) excluding property, plant and equipment acquired through a business combination (see Note 20).

## 10. TRADE RECEIVABLES

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Trade receivables	58,808	40,255
Impairment	(581)	(581)
	<b>58,227</b>	39,674

In general, the entities in the Group has no credit period granted to the retail customers, and invoices would be due once they have been issued. The credit period offered by the Group to its distributors 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 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Within 1 month	52,382	26,840
Over 1 month but within 3 months	4,824	11,154
Over 3 months but within 1 year	427	1,376
Over 1 year	594	304
	<b>58,227</b>	39,674

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2017



## 10. TRADE RECEIVABLES (CONTINUED)

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

	<b>30 June 2017 RMB'000 (unaudited)</b>	31 December 2016 RMB'000 (audited)
At beginning of the period	<b>581</b>	284
Impairment losses recognised	–	297
	<b>581</b>	581

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB581,000 (2016: RMB581,000) with a carrying amount before provision of RMB581,000 (2016: RMB581,000).

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

	<b>30 June 2017 RMB'000 (unaudited)</b>	31 December 2016 RMB'000 (audited)
Neither past due nor impaired	<b>47,880</b>	32,836
Less than 1 month past due	<b>6,294</b>	3,657
1 to 3 months past due	<b>3,223</b>	2,352
Over 3 months past due	<b>830</b>	829
	<b>58,227</b>	39,674

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.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2017



## 11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Prepayments	8,848	3,992
Deposits and other receivables	9,035	5,868
Interest receivable	52	136
	<b>17,935</b>	9,996

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.

## 12. 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 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Cash at bank and in hand	427,734	243,275
Time deposits	21,695	276,242
	<b>449,429</b>	519,517
Less: Pledged time deposit	(367)	(367)
Pledged fixed term deposit	(1,263)	(1,216)
Cash and cash equivalents	<b>447,799</b>	517,934

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2017



## 13. TRADE PAYABLES

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

	<b>30 June 2017 RMB'000 (unaudited)</b>	31 December 2016 RMB'000 (audited)
Within 1 month	<b>10,804</b>	11,645
Over 1 month but within 3 months	<b>11,855</b>	2,577
Over 3 months but within 1 year	<b>4,038</b>	1,078
Over 1 year	<b>1,755</b>	238
	<b>28,452</b>	15,538

The trade payables are non-interest-bearing and are normally settled on 30–60 day terms.

## 14. OTHER PAYABLES AND ACCRUALS

	<b>30 June 2017 RMB'000 (unaudited)</b>	31 December 2016 RMB'000 (audited)
Deferred income	–	293
Other payables	<b>10,397</b>	14,495
Accrued payroll	<b>3,914</b>	19,266
Other tax payables	<b>16,268</b>	9,222
Dividend payable	<b>84,514</b>	–
Interest payable	<b>12</b>	–
Advance from customers	<b>7,630</b>	8,070
	<b>122,735</b>	51,346

Other payables are non-interest-bearing.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2017

## 15. INTEREST-BEARING LOANS AND BORROWINGS

	30 June 2017		
	Effective interest rate (%)	Maturity	RMB'000
Current Bank loans — unsecured	5.00-5.31	2018	19,500

## 16. SHARE CAPITAL

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
272,469,600 (2016: 272,469,600) H shares of RMB0.1 each	27,247	27,247
673,828,770 (2016: 673,828,770) Domestic shares of RMB0.1 each	67,383	67,383
	<b>94,630</b>	94,630

## 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")
Brandfolio Limited	A joint venture of the Group

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

	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Commission paid to a joint venture	2,379	2,691
Management fee income from the joint venture	145	1,033
Transactions with the Controlling Shareholder: — Rental expenses paid to Mr. Gui	—	47

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2017



## 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 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Within one year	14,012	15,747
In the second to fifth years, inclusive	16,360	25,907
After five years	5,993	7,691
	<b>36,365</b>	49,345

## 19. COMMITMENTS

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

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Contracted, but not provided for:		
Land and buildings	26,691	25,962
Plant and machinery	-	-
Authorised, but not contracted:		
Capital contributions payable to non-controlling interests	70,000	70,000
	<b>96,691</b>	95,962

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2017

## 20. BUSINESS COMBINATION

### Information on Prior Year Acquisition

#### (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 manufacture of cosmetics and skincare products. The acquisition has been accounted for using the acquisition method. The interim condensed consolidated financial statements include the result 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)
Total identifiable net assets at fair value	8,793
Goodwill arising on acquisition	10,757
Total purchase consideration of the acquisition	19,550
Satisfied by cash	19,550



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2017

## 20. BUSINESS COMBINATION (CONTINUED)

### Information on Prior Year Acquisition (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 RMB100,331 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 RMB 192,749,738 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 RMB537,010 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 2 June 2016, the Group acquired 100% interests in Hejian. Hejian is a limited liability company incorporated in China that specialises 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 result of Hejian for the one month period from the acquisition date.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2017

## 20. BUSINESS COMBINATION (CONTINUED)

### Information on Prior Year Acquisition (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>	42,777
Goodwill arising on acquisition	87,223
<b>Total purchase consideration of the acquisition</b>	130,000
Satisfied by shares at fair value	130,000

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2017

## 20. BUSINESS COMBINATION (CONTINUED)

### Information on Prior Year Acquisition (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.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2017

## 21. 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 2017

#### Financial assets

	Loans and receivables RMB'000	Available- for-sale financial assets RMB'000	Total RMB'000
Available-for-sale investments	–	–	–
Trade receivables	58,227	–	58,227
Financial assets included in prepayments, deposits and other receivables	7,929	–	7,929
Cash and cash equivalents	447,799	–	447,799
Pledged deposits	1,631	–	1,631
Long term deposits	707	–	707
	<b>516,293</b>	<b>–</b>	<b>516,293</b>

#### Financial liabilities

	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade payables	28,452	28,452
Interest-bearing loans and borrowings	19,500	19,500
Financial liabilities included in other payables and accruals	9,092	9,092
	<b>57,044</b>	<b>57,044</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2017

## 21. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

**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
	548,779	3,000	551,779

### **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
	31,314	31,314