

NANJING SINOLIFE UNITED COMPANY LIMITED*

南京中生聯合股份有限公司

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

Stock Code : 3332



INTERIM REPORT
2014

*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**

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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
Yongheng Partners
13th Floor, Changfa Science & Technology Building
222 Zhujiang Road
Nanjing, Jiangsu Province
PRC

Compliance adviser

Ping An of China Capital (Hong Kong) Company Limited
28/F, 169 Electric Road
North Point
Hong Kong

CORPORATE INFORMATION

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	BDO Limited <i>Certified Public Accountants</i> 25th Floor, Wing On Centre 111 Connaught Road Central Hong Kong
Stock code	3332
Company's website	www.zs-united.com

INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of Nanjing Sinolife United Company Limited (the "Company") announces the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2014, together with the comparative figures for the corresponding period in 2013, are set out as follows:

FINANCIAL HIGHLIGHTS

For the first half of 2014

FINANCIAL HIGHLIGHTS

- Turnover increased by 11.6% to RMB96.0 million (First half of 2013: RMB86.0 million)
- Gross profit increased by 15.1% to RMB86.0 million (First half of 2013: RMB74.7 million)
- Profit for the period increased by 10.4% to RMB32.8 million (First half of 2013: RMB29.7 million)
- Basic earnings per share decreased by 20.0% to RMB4 cents (First half of 2013: RMB5 cents)
- The Board proposed not to declare interim dividend for the six months ended 30 June 2014 (First half of 2013: RMB26 million)

RETAIL NETWORK AND PRODUCT INFORMATION



**Coenzyme Q₁₀
Tablets/Capsules**



**Linolenic Acid Soft
Capsules**



Kanger Capsules

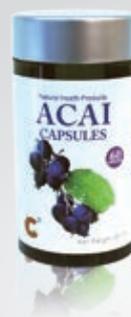


Kanghe Ferment



Weisi Capsules

RETAIL NETWORK AND PRODUCT INFORMATION

**Lvzhi Capsules****Olive Leaf Extract****Lepidium Meyenii
Walp (Maca)****Emu Oil Capsules****Acai Capsules**

RETAIL NETWORK AND PRODUCT INFORMATION



Omega-3 Capsules



Protein powder products



Milk powder products



Organic Tasmania Leatherwood Honey



Algal DHA Composite Oil

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the first half of 2014, the Group capitalised on high growth opportunities in the large and fast-growing supplements industry in People's Republic of China ("PRC" or "China"). The Group managed to sustain a double-digit growth in its revenues and earnings. The Group's turnover increased from RMB86.0 million in the first half of 2013 to RMB96.0 million for the six months ended 30 June 2014, representing a growth of approximately 11.6%. The overall gross profit margin increased slightly from approximately 86.9% in the first half of 2013 to approximately 89.6% for the six months ended 30 June 2014, mainly due to the change in sales mix to sell more nutritional supplements which were developed and manufactured in China. The Group's net profit increased from RMB29.7 million in the first half of 2013 to RMB32.8 million for the six months ended 30 June 2014, representing an increase of approximately 10.4%.

During the first half of 2014, the continuous growth of nutritional supplements industry in China was principally driven by the rising disposal income of consumers and rising awareness of the benefits of nutritional supplements. By leveraging on the branding-focused 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 customer base.

The Group has achieved strong brand recognition in the target markets with diversified product mix. The Group has focused on brand building through the Group's retail stores under its Zhongsheng and Cobayer brands. As of 30 June 2014, the Group offered 63 retained and new products, consisting of 14 Zhongsheng series products and 49 Cobayer series products. Furthermore, the Group has launched three Zhongsheng series products and 12 Cobayer series products during the first half of 2014.

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 incurred research and development costs of RMB0.4 million in the first half of 2013 and it was increased to RMB0.5 million for the six months ended 30 June 2014, mainly due to the strengthening of its marine and plant extracts products, of which the Acai Capsules and *Lepidium Meyenii* Walp are well-received by the market since launched. Furthermore, the Group has cooperated with sizable research institutions to launch new products extracted from the lotus plant cell cultures, such as Baozi Snow Lotus Drink which was launched during the first half of 2014.

The Group continued to participate in various marketing and promotional activities during the first half of 2014 to raise customer awareness of products. The activities included (i) seasonal promotions and discounts during major holidays in China; (ii) participation in trade fairs such as Nanjing elderly fair, Shanghai international health food fair and Jinan elderly fair; and (iii) media advertising, printing advertising in shopping malls and internet advertising.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group has 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 34 cities in 16 provinces and centrally administered municipalities in the PRC as of 30 June 2014. The Group's diversified sales platform in the PRC primarily consists of retail stores under the Zhongsheng brand, in the form of 20 specialty stores, 14 regional sales offices and one department store concession counter, and 42 retail stores under the Cobayer 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. Other than the maintenance of the online Cobayer store at <http://conbair.tmall.com>, the Group has developed a Weixin platform and other joint platform with large enterprises and banks during the first half of 2014.

FINANCIAL REVIEW

Results

The turnover of the Group in the first half of 2014 was RMB96.0 million, representing an increase of approximately 11.6% from RMB86.0 million over the same period in 2013. Profit for the first half of the year increased by approximately 10.4% to RMB32.8 million in 2014 from RMB29.7 million in 2013. The Company's basic earnings per share was RMB4 cents (First half of 2013: RMB5 cents) based on the weighted average number of approximately 818.7 million (First half of 2013: 565.5 million) shares in issue during the first half of 2014. The improvement in financial results during the first half of 2014 was mainly attributable to the increased sales of the nutritional supplements which were developed and manufactured in China.

Turnover

The turnover of the Group increased by approximately 11.6% from RMB86.0 million in the first half of 2013 to RMB96.0 million for the six months ended 30 June 2014. Sales of Zhongsheng series products significantly increased by approximately 55.0% from RMB36.6 million in the first half of 2013 to RMB56.9 million for the six months ended 30 June 2014, which was primarily due to the continuous growth in the sale of Coenzyme Q10 Tablets/Capsules of Zhongsheng series products during the six months ended 30 June 2014. Sales of Australian or New Zealand-made food and nutritional supplements decreased by approximately 20.0% from RMB48.5 million in the first half of 2013 to RMB38.5 million for the six months ended 30 June 2014, which was primarily due to the decrease in marketing and promotional activities of Cobayer series products during the six months ended 30 June 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit

The Group's gross profit increased from RMB74.7 million in the first half of 2013 to RMB86.0 million for the six months ended 30 June 2014. The Group's average gross profit margin increased from approximately 86.9% in the first half of 2013 to approximately 89.6% for the six months ended 30 June 2014. Such increase in gross profit margin was mainly due to the change in product mix and broadening of customer base. The broadening of customer base was due to the increase in marketing channels and new customers, repeated purchase by loyal customers and improvement in the marketing capability of our sales staff.

Other revenue and other gains and losses

The Group's other revenue and other gains and losses decreased from RMB0.6 million in the first half of 2013 to RMB0.2 million in the first half of 2014, which was mainly due to the net exchange loss in Hong Kong dollar conversion to Renminbi, and the effect was offset by the increase in interest income from bank deposits and financial products purchased from banks.

Selling and distribution expenses

The Group's selling and distribution expenses increased by approximately 13.5% from RMB22.2 million in the first half of 2013 to RMB25.2 million for the six months ended 30 June 2014, representing approximately 25.8% and 26.3% of the Group's turnover respectively. Such increase was primarily due to the increase in staff costs from RMB11.3 million in the first half of 2013 to RMB13.6 million for the six months ended 30 June 2014 and the increase in outlet rental and related lease expenses from RMB1.6 million in the first half of 2013 to RMB4.7 million for the six months ended 30 June 2014, as a result of rapid establishment of 14 Cobayer retail stores during the six months ended 30 June 2014. The effect of the foregoing was partially offset by the decrease of the advertising and promotional expenses.

Administrative expenses

The Group's administrative expenses increased by approximately 48.0% from RMB10.8 million in the first half of 2013 to RMB16.0 million for the six months ended 30 June 2014, representing approximately 12.0% and 16.0% of the Group's turnover respectively. Such increase was primarily due to the increase in (i) consultation fee from RMB0.2 million to RMB4.1 million, (ii) travelling and transportation costs from RMB0.4 million to RMB0.8 million, and (iii) the depreciation of property, plant and equipment from RMB1.2 million to RMB1.8 million. The effect of the foregoing was partially offset by the decrease of other administrative expenses.

MANAGEMENT DISCUSSION AND ANALYSIS

Listing expenses

The Group's listing expenses incurred during the six months ended 30 June 2014 included the valuation expenses and consultancy services for legal and other professional advice in relation to the initial public offering of the Group. As the Company was listed on 15 January 2014 (the "Listing Date"), the listing expenses of RMB2.1 million was incurred and recognised in the first half of 2014.

Taxation

Income tax expense decreased by approximately 5.0% from RMB10.6 million in the first half of 2013 to RMB10.0 million for the six months ended 30 June 2014, primarily due to the slight decrease in provision for PRC Enterprise Income Tax and deferred tax on temporary differences. The Group's effective tax rates for the six months ended 30 June 2013 and 2014 were approximately 23%.

Profit for the period

As a result of the foregoing, the Group's profit for the period increased from RMB29.7 million in the first half of 2013 to RMB32.8 million for the six months ended 30 June 2014. The increase was due to the increase in turnover from RMB86.0 million in the first half of 2013 to RMB96.0 million in the first half of 2014 and the effective control of cost of sales.

LIQUIDITY AND CAPITAL RESOURCES

Inventories

The Group's inventories decreased to RMB4.5 million (As at 31 December 2013: RMB7.1 million) as at 30 June 2014, primarily due to the effective control of inventory level by monthly meeting between the sales and purchases department, and also the better forecast of customer demand. The Group's inventories comprise raw materials, work in progress, finished goods and merchandise. During the first half of 2014, inventory turnover was approximately 106 days (First half of 2013: 192 days). The shorter inventory turnover period during the six months ended 30 June 2014 was primarily the result of significant increase in sales of nutritional supplements developed and manufactured in China.

Trade receivables

The Group's trade receivables amounted to RMB4.2 million (As at 31 December 2013: RMB2.1 million) as at 30 June 2014. During the first half of 2014, the sole distributor was generally granted a credit term of 30 days while the shopping malls of the Cobayer retail stores were granted credit term ranging from 15 days to 60 days. Turnover days for trade receivables increased to 6 days (First half of 2013: 1 day), primarily due to the increase in the number of sales from Cobayer series products in Cobayer retail stores located in the shopping malls which involved granting credit period.

MANAGEMENT DISCUSSION AND ANALYSIS

Trade payables

The Group's trade payables amounted to RMB0.4 million (As at 31 December 2013: RMB0.6 million) as at 30 June 2014. Turnover days for trade payables decreased to 9 days (First half of 2013: 17 days), which was primarily reflecting more prompt settlement with suppliers.

Foreign exchange exposure

As the Group conducts business transactions principally in Renminbi, the management 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 2014. During the first half of 2014, a large portion of bank balances are denominated in Hong Kong Dollar raised from the initial public offering of the Group, which have been converted to Renminbi. Hence, the Group recorded an exchange loss of approximately RMB4.0 million (First half of 2013: exchange gain of RMB0.1 million).

Borrowings and pledge of assets

The gearing ratio for the Group was 0% (First half of 2013: 0%) as the Group had no outstanding bank borrowings and pledge of assets as of 30 June 2013 and 30 June 2014.

Capital expenditure

The Group invested RMB2.4 million in the first half of 2014 (First half of 2013: RMB6.2 million) for purchase of property, plant and equipment.

Capital commitments and contingent liabilities

As at 30 June 2014, the Group's capital commitments were RMB1.0 million (As at 31 December 2013: RMB1.1 million), all of which were related to acquisition of property, plant and equipment. The Group had no material contingent liabilities as at 30 June 2014 (As at 31 December 2013: nil).

OUTLOOK

For the second half of 2014, the Group will continue to adopt a branding-focused specialty store business model to attract the majority of existing and potential consumers, and provide customers with health solutions, in order to distinguish itself from the competitors in the nutritional supplements market.

The Group endeavours to seize every opportunity to be the leading nutritional supplements provider in the market by continuously developing new products. As at the date of this report, the Group has (i) submitted one application for new health food product and two applications for new nutritional supplements products to the PRC governmental authority; (ii) one new product in the production stage; and (iii) three new products including Kanghe Barley Seedling Green Juice Drink (Solid Drink), Baozi Snow Lotus Drinks (Fruit Drink) and Kanghe Ferment (Concentrated Fruits Fermented Drink) launched in the markets.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group will continue to participate in sizeable and famous elderly health care exhibitions in different cities such as the PRC's largest nutritional supplements products and health food exhibition to be held in Guangzhou in September 2014 in order to enhance consumer awareness of the Group's nutritional supplements products.

The Board and the Chairman have confidence in the future development of the Group. Having a positive and pragmatic attitude towards its 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 and build professional business management ideas and models, in order to have a better future. Aside any unforeseeable circumstances, the Group is optimistic about its performance in the second half of 2014.

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 regularly, 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 2014, the Group employed a work force of 577. The total salaries and related costs for the six months ended 30 June 2014 amounted to RMB18.9 million (First half of 2013: RMB17.8 million).

OTHER INFORMATION

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

As at 30 June 2014, 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 (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 SFO, or otherwise notified 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 at 30 June 2014 ⁽¹⁾	Approximate shareholding percentage in the relevant class of shares (%)	Approximate shareholding percentage in the total share capital ⁽³⁾ (%)
Mr. Gui Pinghu ("Mr. Gui") ⁽²⁾	Director	Beneficial owner	Domestic shares	476,685,000 (L)	78.00	56.87
		Interest of spouse	Domestic shares	52,965,000 (L)	8.67	6.32
Ms. Zhang Yuan	Director	Beneficial owner	Domestic shares	6,599,550 (L)	1.08	0.79
Ms. Xu Li	Director	Beneficial owner	Domestic shares	5,498,570 (L)	0.90	0.66
Ms. Zhu Feifei	Director	Beneficial owner	Domestic shares	659,340 (L)	0.11	0.08
Ms. Yu Min	Supervisor	Beneficial owner	Domestic shares	659,340 (L)	0.11	0.08
Ms. Wu Xuemei	Supervisor	Beneficial owner	Domestic shares	551,480 (L)	0.09	0.07

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 will be deemed to be interested in the same number of shares in which Ms. Wu Yanmei is interested.
- (3) The percentages are calculated based on 838,169,000 shares of the Company, being the total number of issued shares of the Company after the global offering and taking into account 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.

Save as disclosed above, as at the date of this report, none of the Directors, Supervisors and chief executives of the Company, or any of their spouses, or children under eighteen 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.

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 2014 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 2014, as recorded in the register required to be kept by the Company under section 336 of the SFO, the following persons other than the Directors, Supervisors or the chief executives of the Company, were the substantial shareholders (within the meaning of the Listing Rules) of the Company and had the following interests and short positions in the shares and underlying shares of the Company:

Shareholders	Nature of interest	Class of share	Number of shares held as at 30 June 2014 ⁽¹⁾	Approximate shareholding percentage in the relevant class of share capital (%)	Approximate shareholding percentage in the total share capital ⁽³⁾ (%)
Ms. Wu Yanmei ⁽²⁾	Beneficial owner	Domestic shares	52,965,000 (L)	8.67	6.32
	Interest of spouse	Domestic shares	476,685,000 (L)	78.00	56.87
Shanghai Fosun Chuangfu Shareholding Investment Fund Limited Partnership	Beneficial owner	Domestic shares	61,111,000 (L)	10.00	7.29

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 will be deemed to be interested in the same number of shares in which Mr. Gui is interested.
- (3) The percentages are calculated based on 838,169,000 shares of the Company, being the total number of issued shares of the Company after the global offering and taking into account the further H 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.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules 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 in full with the Model Code throughout the period from the Listing Date and up to the date of this report.

CODE OF CORPORATE GOVERNANCE PRACTICE

In the opinion of the Directors, the Company has complied with all the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules since the Listing Date and up to the date of this report.

INTERIM DIVIDEND

The Board proposed not to declare any interim dividend for the six months ended 30 June 2014 (First half of 2013: RMB26 million).

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

During the period from the Listing Date up to the date of this report, neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's listed securities, save for the capitalization issue which took place immediately before the Listing Date and the issue and allotment of an additional 23,258,000 over-allotment shares of the Company, for the purpose of covering the over-allocation in the international placing on 29 January 2014.

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

The total net proceeds from the Company 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 2014, (i) the net proceeds of accumulated approximately RMB1.2 million has been applied on the marketing and promotional activities so as to enhance the nationwide brand awareness of our Zhongsheng and Cobayer brands; (ii) the net proceeds of approximately RMB1.6 million has been used to expand the sales network by opening Zhongsheng and Cobayer retail stores; (iii) the net proceeds of approximately RMB3.4 million has been used for working capital; and (iv) the remaining net proceeds of approximately RMB330.20 million has been deposited into banks, which are intended to be applied in accordance with the proposed application as set out in the section "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 approximately 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 with written terms of reference in compliance with Rule 3.21 and Rule 3.22 of the Listing Rules and 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 and internal control principles of the Company and to assist the Board to fulfill its responsibilities over audit.

REVIEW OF THE INTERIM RESULTS

The unaudited condensed consolidated financial report of the Group for the six months ended 30 June 2014 has been reviewed by the Audit Committee.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Notes	30 June 2014 RMB'000 (unaudited)	30 June 2013 RMB'000 (audited)
Turnover	3, 4	95,981	85,965
Cost of sales		(9,973)	(11,264)
Gross profit		86,008	74,701
Other revenue and other gains and losses	5	202	581
Selling and distribution expenses		(25,236)	(22,216)
Administrative expenses		(16,018)	(10,750)
Listing expenses		(2,133)	(2,038)
Profit before income tax	6	42,823	40,278
Income tax expense	7	(10,019)	(10,578)
Profit for the period		32,804	29,700
Other comprehensive income that may be reclassified to profit or loss in subsequent periods, after tax			
Exchange differences on translation of foreign operations		162	(412)
Total comprehensive income for the period		32,966	29,288
		RMB	RMB
Earnings per share:			
– Basic and diluted	9	4 cents	5 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Notes	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	10	22,075	21,770
Prepaid land lease payments		4,115	4,165
Intangible assets		–	32
Deferred tax assets		798	1,122
Total non-current assets		26,988	27,089
Current assets			
Inventories		4,459	7,124
Prepaid land lease payments		101	101
Trade and other receivables	11	12,746	12,651
Cash and bank balances		524,105	164,780
Total current assets		541,411	184,656
Total assets		568,399	211,745
Current liabilities			
Trade and other payables	12	8,575	19,505
Amount due to a director		13	12
Income tax payables		6,474	8,346
Total current liabilities		15,062	27,863
Net current assets		526,349	156,793
NET ASSETS		553,337	183,882
Capital and reserves attributable to owners of the Company			
Share capital	13	83,817	61,111
Reserves		469,520	122,771
TOTAL EQUITY		553,337	183,882

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Equity attributable to owners of the Company						
	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
At 1 January 2013	55,000	2,403	35	2,927	(3,871)	63,019	119,513
Issue of shares	6,111	43,889	-	-	-	-	50,000
Dividend declared and paid	-	-	-	-	-	(26,000)	(26,000)
Transaction with owners	-	-	-	-	-	(26,000)	(26,000)
Profit for the period	-	-	-	-	-	29,700	29,700
Exchange difference on translation of foreign operations	-	-	(412)	-	-	-	(412)
Total comprehensive income for the period	-	-	(412)	-	-	29,700	29,288
At 30 June 2013 (audited)	61,111	46,292	(377)	2,927	(3,871)	66,719	172,801
At 1 January 2014	61,111	46,292	(382)	7,463	(3,871)	73,269	183,882
Issue of shares	22,706	334,528	-	-	-	-	357,234
Share issue expenses	-	(20,745)	-	-	-	-	(20,745)
Profit for the period	-	-	-	-	-	32,804	32,804
Exchange difference on translation of foreign operations	-	-	162	-	-	-	162
Total comprehensive income for the period	-	-	162	-	-	32,804	32,966
Transfer to surplus reserve	-	-	-	17	-	(17)	-
At 30 June 2014 (unaudited)	83,817	360,075	(220)	7,480	(3,871)	106,056	553,337

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	30 June 2014 RMB'000 (unaudited)	30 June 2013 RMB'000 (audited)
Net cash generated from operating activities	20,931	35,396
Net cash generated from/ (used in) investing activities	1,767	(23,937)
Net cash generated from financing activities	336,489	24,486
Net increase in cash and bank balances	359,187	35,945
Cash and bank balances at beginning of the period	164,780	93,220
Effect of exchange rate changes on cash and bank balances	138	(782)
Cash and bank balances at end of the period	524,105	128,383
Analysis of balances of cash and cash equivalents at end of period		
Cash and bank balances	524,105	128,383

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

1. BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2014 (the "Interim Financial Statements") have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Listing Rules on the Stock Exchange and the Hong Kong Accounting Standard (the "HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Interim Financial Statements have been prepared under the historical cost convention modified by the revaluation of certain financial instruments.

The accounting policies adopted for preparation of the Interim Financial Statements are consistent with those applied in the preparation of the annual financial statements of the Group for the year ended 31 December 2013 (the "Annual Financial Statements"), except for the adoption of the new and revised Hong Kong Financial Reporting Standards (the "HKFRSs") (which in collective term includes all applicable HKFRSs, Hong Kong Accounting Standards and Interpretations) issued by the HKICPA.

The Interim Financial Statements are unaudited, but have been reviewed by the Audit Committee of the Company.

The Interim Financial Statements should be read in conjunction with the Annual Financial Statements.

2. ADOPTION OF NEW AND REVISED STANDARDS

In the current period, the Group has adopted all the new and revised standards, amendments and interpretations ("new HKFRSs") issued by HKICPA that are relevant to its operation and effective for its accounting period beginning on 1 January 2014.

Amendments to HKAS 32
Amendments to HKFRS 10,
HKFRS 12 and HKAS 27 (2011)

Offsetting Financial Assets and Financial Liabilities
Investment entities

The adoption of the new HKFRSs had no material changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective in these interim financial statements.

HKFRS 9	Financial Instruments ³
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ⁴
HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle ²
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle ¹
HKFRS 15	Revenue from contracts with customers ⁵

Notes:

- ¹ Effective for annual periods beginning on or after 1 July 2014
- ² Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014
- ³ No mandatory effective date yet determined but is available for adoption
- ⁴ Effective for annual periods beginning on or after 1 January 2016
- ⁵ Effective for annual periods beginning on or after 1 January 2017

The Group is in the process of making an assessment of the potential impact of these new and revised HKFRSs upon initial application. However, it is not yet in a position to state whether they would have a material impact on the Group's results of operations and financial position.

3. TURNOVER

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, net of value added tax, during the period.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

4. SEGMENT REPORTING**(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. The Group principally operates in one business segment, which is manufacture and sale of nutritional supplements and sales of packaged health food products in the PRC.

(b) Geographical information

Most of the group companies are domiciled in the PRC and majority of the non-current assets are located in the PRC. All the Group's revenue from external customer are derived in the PRC.

(c) Revenue from major products

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

	30 June 2014 RMB'000 (unaudited)	30 June 2013 RMB'000 (audited)
Nutritional supplements developed and manufactured in China	56,863	36,635
Australian or New Zealand manufactured food and nutritional supplements	38,517	48,510
Others	601	820
	95,981	85,965

(d) Information about major customers

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

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

5. OTHER REVENUE AND OTHER GAINS AND LOSSES

Other revenue and other gains and losses comprise:

	30 June 2014 RMB'000 (unaudited)	30 June 2013 RMB'000 (audited)
Bank Interest income	4,127	180
Short term investment income	–	242
Net exchange (loss)/gain	(3,957)	126
Gain/(loss) on disposal of property, plant and equipment	6	(3)
Compensation income	–	34
Others	26	2
	202	581

6. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	30 June 2014 RMB'000 (unaudited)	30 June 2013 RMB'000 (audited)
Cost of inventories sold	8,270	9,643
Staff costs	18,938	17,820
Amortisation of prepaid land lease payments	50	51
Amortisation of intangible assets	32	33
Auditor's remuneration	54	47
Depreciation of property, plant and equipment	1,985	1,389
Operating lease payments on properties and retail shops (<i>note</i>)	5,683	2,884
Research and development expenses	490	383
Listing expenses	2,133	2,038

Note: Included was contingent rental of RMB2,237,000 incurred during the six months ended 30 June 2014 (First half of 2013: RMB922,000).

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

7. INCOME TAX EXPENSE

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

	30 June 2014 RMB'000 (unaudited)	30 June 2013 RMB'000 (audited)
Current tax – PRC Enterprise Income Tax – provision for the period	9,695	10,077
Current tax – Australia Income Tax – provision for the period	–	–
	9,695	10,077
Deferred tax – origination and reversal of temporary differences	324	501
Income tax expense	10,019	10,578

Provision for PRC Enterprise Income Tax is based on a statutory rate of 25% of the assessable profits of the Group as determined in accordance with the relevant income tax rules and regulations of the PRC for the period.

Provision for Australian Income is calculated at 30% of the assessable profits of the subsidiary in Australia for the period.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

8. DIVIDEND

Dividend paid and payable by the Company for the six months ended 30 June 2013 and 2014 as disclosed in the condensed consolidated statement of changes in equity were as follows:

	30 June 2014 RMB'000 (unaudited)	30 June 2013 RMB'000 (audited)
Special dividend approved and paid/payable during the period	–	26,000

The Directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2014 (First half of 2013: RMB26,000,000).

The dividend rates and the number of shares ranking for dividends in 2013 are not presented as such information is not meaningful for the purpose of the consolidated financial statements.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

9. EARNINGS PER SHARE

The basic earnings per share for the six months ended 30 June 2013 and 2014 are calculated based on the profit for the period of the Company and on the assumption that 55,000,000 shares issued upon the transformation of the Company from a limited liability company to a joint stock limited liability company had been in issue and the subdivision of the Company's shares as disclosed in Note 13(ii) had taken place since 1 January 2013.

	30 June 2014 RMB'000 (unaudited)	30 June 2013 RMB'000 (audited)
Earnings		
Earnings for the purpose of basic and diluted earnings per share	32,804	29,700

	30 June 2014 (unaudited)	30 June 2013
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	818,699,900	565,530,972
Effect of dilutive potential ordinary shares:		
– share options	–	–
Number of shares for the purpose of diluted earnings per share	818,699,900	565,530,972

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 RMB2,359,000 (First half of 2013: RMB6,158,000) and disposal of property, plant and equipment with net book value amounted to RMB69,000 (First half of 2013: RMB8,000).

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

11. TRADE AND OTHER RECEIVABLES

	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
Trade receivables	4,218	2,140
Other receivables	499	381
Deposits and prepayments	8,029	10,130
	12,746	12,651

The ageing analysis of trade receivables (net of impairment losses) as of the end of each reporting period is as follows:

	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
Within 1 month	3,511	1,923
Over 1 month but within 3 months	329	207
Over 3 months but within 1 year	378	5
Over 1 year	-	5
	4,218	2,140

The Group gives a 15-60 days credit period on sales of goods to certain specific customers. In general, the Group has no credit period granted to all other customers, invoices would be due once they have been issued.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

The ageing of trade receivables which are past due but not impaired are as follows:

	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
Within 1 month	572	458
Over 1 month but within 3 months	22	17
Over 3 months but within 1 year	75	5
Over 1 year	–	5
	669	485

The Group and the Company's receivables that were past due but not impaired relate to a number of independent customers that have a good track record. Based on past experience, the Directors consider that no 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. The Group's and the Company's receivables that were neither past due nor impaired related to a number of independent customers that have no recent history of default. The Group and the Company does not hold any collateral over these balances.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

12. TRADE AND OTHER PAYABLES

	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
Trade payables	416	550
Other payables and accruals	8,159	18,955
	8,575	19,505

All trade payables and other payables and accruals are due to be settled within twelve months.

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

	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
Within 1 month	227	37
Over 1 month but within 3 months	15	496
Over 3 months but within 1 year	157	–
Over 1 year	17	17
	416	550

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

13. SHARE CAPITAL

	Number of ordinary shares		RMB'000
	Nominal Value of RMB1	Nominal Value of RMB0.1	
Registered and paid up capital			
At 1 January 2013	55,000,000	–	55,000
Issue of shares (note i)	6,111,100	–	6,111
Subdivision (note ii)	(61,111,100)	611,111,000	–
At 31 December 2013 (audited)	–	611,111,000	61,111
Issue of shares (note iii)	–	227,058,000	22,706
At 30 June 2014 (unaudited)	–	838,169,000	83,817

- (i) Pursuant to the resolution passed on shareholders' meeting on 16 May 2013, the authorised share capital increased from 55,000,000 ordinary shares with par value of RMB1 each to 61,111,100 ordinary shares with par value of RMB1 each. It was resolved that an additional 6,111,100 ordinary shares of RMB1 par value were issued to 上海復星創富股權投資基金合夥企業(有限合夥) (Shanghai Fosun Chuangfu Shareholding Investment Fund Limited Partnership*) at a total consideration of RMB50,000,000.
- (ii) By an ordinary resolution passed on 19 November 2013 by the board of directors, the authorised shares of the Company were sub-divided from RMB1 into RMB0.1 each with the creation of additional 549,999,900 shares of RMB0.1 each in issue. The authorised share capital was increased to 611,111,000 shares of RMB0.1 each.
- (iii) On 15 January 2014, 227,058,000 new ordinary shares of RMB0.1 each were issued at a price of HK\$2 per share under the initial public offering. The Group raised approximately RMB333,180,000, net of related expenses from the share offer.

14. OPERATING LEASE ARRANGEMENTS (AS LESSEE)

The Group leases the majority of its properties. The terms of property leases ranged from one to five years, with an option to renew the lease terms at the expiry date.

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

	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
Within one year	3,580	2,118
After one year but within five years	1,293	1,120
	4,873	3,238

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

15. RELATED PARTY DISCLOSURES

The related party disclosures for the Group during the period are as follows:

- (a) During the first half of 2014, the Group has the following related parties which have transactions with the Group:

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")

- (b) During the first half of 2014, the Group entered into the following significant transactions with its related parties:

	30 June 2014 RMB'000 (unaudited)	30 June 2013 RMB'000 (audited)
Transactions with Controlling Shareholder:		
– Rental expenses paid (<i>note</i>)	47	45
Transaction with a close family member of controlling shareholder:		
– Rent expenses paid (<i>note</i>)	53	–

Note: Rental expenses were charged according to the agreement.

- (c) Compensation of key management personnel

Total emoluments of the Group's Directors and senior management during the period:

	30 June 2014 RMB'000 (unaudited)	30 June 2013 RMB'000 (audited)
– Basic salaries and bonus	1,458	1,174
– Social insurance and housing fund	221	188
	1,679	1,362

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

16. CAPITAL COMMITMENTS

	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
Commitments for the acquisition of property, plant and equipment:		
– Contracted for but not provided	1,022	1,115