



Chunwu
Zhi
春舞枝



*Succulent plants ready for sale

CWZ China Flowers AG
Half-year Report 2015

1. Management Report

1.1. Business and General Economic Conditions

CWZ group is a fast growing telephone and e-commerce provider of fresh cut flowers in the People's Republic of China ("PRC"). In addition, CWZ group is engaged in the planting, marketing and distribution of flowers and plants as a florist and plant provider and, to a minor extent, in the selling of flower related products. The floral and plant products consist of fresh cut flowers, flowering house plants, foliage and bedding plants as well succulent plants, whereas the flower-related products consist in particular of flower tea and personal care products.

CWZ's products comprise of three major product lines which are floral products, plant products and flower-related products. CWZ's floral products offered consist of a large variety of cut flower types. CWZ's aim is to have in its product range always the most popular types of flowers. CWZ's marketing team works closely with other e-commerce operators and suppliers to select and design products that meet the seasonal and holiday needs in its shops on the websites. CWZ's plant products consist in particular of various deciduous trees, bushes and miniature plants in pots such as camellia, cypress, crape myrtle, dippel and orchids. CWZ's flower-related products consist in particular of flower tea and personal care products with flower extracts such as oil, creams and toner.

Initially, CWZ started its retail business with the delivery of flowers based on telephone orders. Following the launch of its internet retail system (www.wodinghua.com and www.531314.com), CWZ has become a leading company for online and telephone orders for flower deliveries in China. The orders are settled mainly by flower province agents located in 31 provinces throughout China who cultivate most of the fresh cut flowers being sold by CWZ. In each province, CWZ cooperates with one flower province agent. The flowers are delivered to the customers via cooperating local flower shops and florists being part of the network.

1.1.1. Group Structure and Business Activities

CWZ China Flowers AG, with its office at Cologne, Germany, is registered with the commercial register of the local court of Cologne under the registration number HRB 79212.

The business object of the Company is the management of companies and the administration of interests in companies, in particular companies active in the following business fields: planting, marketing and retail or wholesale distribution of flowers, plants and other products via telephone orders and internet platforms.

CWZ's products are solely targeted at China's domestic market. Therefore, the economic development of the Chinese mainland is the central influence on the markets in which CWZ operates.

1.1.2. Management and Control

The Company is as the ultimate holding company of the Group the sole shareholder of Chun Wu Zhi Flowers & Plants Co., Ltd. ("CWZ HK"), which is a limited liability company formed under the laws of Hong Kong. CWZ HK is an intermediate holding company and is the sole direct shareholder of Yunnan Wo Ding Hua Management Consulting Co., Ltd. ("Yunnan Management Consulting"), incorporated as a limited liability company under the laws of PRC, Qingliu Wo Ding Hua Management Consulting Co., Ltd. ("Qingliu Management Consulting"), incorporated as a limited liability company under the laws of PRC, and Fujian Chun Wu Zhi Management Consulting Co., Ltd. ("Fujian Management Consulting"), incorporated as a limited liability company under the laws of PRC. Yunnan Management Consulting is the sole shareholder of Wuyishan Huashijie Floral Limited ("CWZ Wuyishan"), incorporated as a limited liability company under the laws of PRC. The operational business of CWZ is exclusively carried out by CWZ's subsidiaries and affiliated entities located in the PRC (jointly referred to as "CWZ PRC").

Yunnan Management Consulting concluded several Control Agreements with Yunnan Chun Wu Zhi Floral Limited ("CWZ Yunnan") and/or its shareholders, the Company's CEO Mr. XIAO Yuchang and the Company's COO Ms. XIAO Liping in order to acquire control over CWZ Yunnan. Neither the Company nor any of its subsidiaries have any equity interest in CWZ Yunnan or its respective

participations. CWZ Yunnan is the sole shareholder of Jiangxi Daohe Gardening Limited (“CWZ Jiangxi”), incorporated as a limited liability company under the laws of PRC.

Qingliu Management Consulting concluded several Control Agreements with Fujian Chun Wu Zhi Floral Limited (“CWZ Fujian”) and/or its shareholders, the Company’s CEO Mr.XIAO Yuchang and the Company’s COO Ms. XIAO Liping in order to acquire control over CWZ Fujian. Neither the Company nor any of its subsidiaries have any equity interest in CWZ Fujian. CWZ Fujian is the sole shareholder of Fuzhou Chun Wu Zhi Biological Technology Co., Ltd., incorporated as a limited liability company under the laws of the PRC (“CWZ Fuzhou”), Guangxi Chun Wu Zhi Jasmine Biological Technology Co., Ltd., incorporated as a limited liability company under the laws of the PRC (“CWZ Guangxi”), Qingzhou Chun Wu Zhi Flowers & Plants Co., Ltd., incorporated as a limited liability company under the laws of the PRC (“CWZ Qingzhou”), Chun Wu Zhi (Sanming) Electronic Commerce Co., Ltd., incorporated as a limited liability company under the laws of the PRC (“CWZ Sanming”) and Fujian Chun Wu Zhi Landscape Engineering Co., Ltd, incorporated as a limited liability company under the laws of the PRC (“CWZ Fujian Landscape”).

The Control Agreements enable Yunnan Management Consulting and Qingliu Management Consulting to:

- Exercise effective control over the business management and shareholder voting rights of CWZ Yunnan and CWZ Fujian respectively;
- Receive substantially all of the economic benefits of CWZ Yunnan and CWZ Fujian respectively through service and licensing fees in consideration for technical and consulting services as well as the intellectual property rights licensed by Yunnan Management Consulting and Qingliu Management Consulting;
- Have an exclusive option to purchase all of the equity interests in CWZ Yunnan and CWZ Fujian respectively when and to the extent permitted under PRC laws, regulations and legal procedures.

The current corporate and VIE structure of CWZ is that CWZ China Flowers AG holds 100% Chun Wu Zhi Flowers and Plants Co. Ltd. Hong Kong, which controls China mainland companies through VIE contracts, either directly or indirectly.



*Greenhouse of Wuyishan Base

1.2. Company Management, Objectives and Strategy

CWZ's headquarter is located in Kunming city, Yunnan province.

The Management Board of CWZ China Flowers AG currently consists of three members. The members of the Management Board and their current areas of responsibility are as follows:

- Mr. Yuchang Xiao, Chief Executive Officer (CEO)
- Ms. Liping Xiao, Chief Operations Officer (COO)
- Mr. Jiong Bian, Chief Financial Officer (CFO)

The members of the Management Board can be reached at CWZ PRC's headquarter address at CWZ Yunnan, 17/F Building A, Huayu Building (Yunnan Xintuo Building), No. 5 Nanping Street, Kunming, Yunnan Province, PRC.

The Supervisory Board, the primary controlling body of CWZ China Flowers AG, has three members. It is chaired by Mr. Jürgen Schrollinger. Deputy Chairman is Mr. Dongyu Peng. The other member of the Board is Mr. Guoqing Deng. The members of the Supervisory Board can be contacted at the Company's address.

In 2013, CWZ significantly expanded its business activities in wholesale by adding planting activities in Jiangxi and Fujian provinces. For the wholesale business, CWZ cultivates and produces mainly floral and plant products by itself on its plantations in the provinces of Fujian, Jiangxi and recently in the province of Shandong as well as engages local farmers and flower province agents for the cultivation of the plant products.

As at 30 June 2015, the plantations cover in total an area of approx. 2.9225 million sqm.

The plant products cultivated are mainly for delivery to local landscaping and project development companies for specific projects. The production of flower-related products is fully outsourced to third party contractors.

CWZ's operating facilities are located in the city of Beijing and in the provinces of Fujian and Jiangxi, with its headquarter in Kunming City, Yunnan province. The marketing centre for CWZ's marketing and strategic business development is located in Beijing.

CWZ is pursuing the following strategic objectives:

- Expansion of floral and plant product range
- Expansion of telephonic sales network
- Widening of production base
- Increase of brand awareness
- Operation of new profitable floral and other agricultural activities

CWZ's products are solely targeted at China's domestic market. Therefore, the economic development of the Chinese mainland is the central influence on the markets in which CWZ operates.

1.3. Development of the General Economy (we need your input)

According to PRC National Bureau of Statistics, China has experienced a slower increase of GDP growth by 7.0% to RMB 29.6868 trillion (Euro 4.3213 trillion, quoted at 6.8699 rmb/Euro by rate of June 30, 2015) in the first half of 2015, compared to 7.4% and RMB 26.9044 trillion (Euro 3.2050 trillion, quoted 8.3946 rmb/Euro by rate of June 30, 2014) in 2014, lagged by decreasing property and manufacturing investment. Market consensus is that growth will be at 7.0% for the whole 2015.

During the first half of 2015, the real annual disposable income of Chinese urban residents increased to RMB 15,699 from RMB 14,959 in the first half of 2014, with a real growth rate of 6.7 %, lower than real growth rate of 7.1% in the first of 2014.

According to China Galaxy Securities, for the first six months in 2015, revenue growth of a sub-sector of landscaping and Gardening continued to plunge by 0.81% but with a 24.99 dramatic drop of net profit, compared to that of the first half of 2014. China Galaxy research contributed the performance to

lower local government debt ratio resulting in lower Investment in public infrastructure and slower property Investment, and the largest Investment bank said that the slide will continue into 2016. (Source: China Galaxy Securities, Sector report, Construction and Decoration, Sept 01, 2015)

However, consumption contributed 60% of GDP growth in the first half of 2015, 5.7 percentage points higher than that of 2014. In addition, online sales growth rate is 48.7%, 7.6 percentage points lower than that of 2014, but growth level is still on high level

Thus, CWZ believes that its core flower delivery business will continue to benefit from the growing customer spending, especially if the young generation embraces western habits faster.

1.4. Earnings, Financing and Assets Position General

CWZ China Flowers AG is a German stock corporation headquartered in Kunming City, Yunnan province, PRC. The registered office of the Company is in Cologne, Germany and the Company is registered with the commercial register of the local court of Cologne under the registration number HRB 79212. The business address is c/o HRG Hansische Revisions-Gesellschaft mbH, Wirtschaftsprüfungsgesellschaft, Ferdinandstraße 25, 20095 Hamburg, Germany. The legislation under which the Company operates is the German Law. Country of incorporation is Germany.

CWZ's unaudited report for the half year of 2015 was prepared and consolidated in accordance with IFRS (International Financial Reporting Standards).

1.4.1. Income Statement from 1 January to 30 June 2015

In the first half of 2015, CWZ China Flowers AG generated revenues of kEUR 6,603 (H1 2014: kEUR 4,000), an increase of kEUR 2,603 or 65.1%.

Gross profit amounted to kEUR 5,360 (H1 2014: kEUR 2,760). Accordingly, the gross margin increased from 69.0 to 81.2 %. Including revaluations, gross profit fell from 77.0 to 74.0%.

Other income totalled kEUR 321 (H1 2014: kEUR 1,181), an decrease of kEUR 860 or 72.8%. Distribution and selling expenses rose to kEUR 457 (H1 2014: kEUR 340). Administrative expenses had a strong increase to kEUR 1,605 (H1 2014: kEUR 826).

Therefore, profit from operations (EBIT) increased by kEUR 50, from kEUR 3,094 to kEUR 3,144.

Profit before tax (EBT) increased by kEUR 77, from kEUR 2,961 to kEUR 3,038.

In the first half of 2015, profit for the period increased by kEUR 130, from kEUR 2,816 to kEUR 2,580.

Total comprehensive income for the period including foreign currency translation differences amounted to kEUR 4,888 (H1 2014: kEUR 2,741).

1.4.2. Notes on the Balance Sheet as of 30 June 2015

The balance sheet total as of the reporting date 30 June 2015 of CWZ China Flowers AG rose to kEUR 39,570 (31 December 2014: kEUR 34,210).

CWZ's non-current assets rose to kEUR 20,528 (31 December 2014: kEUR 16,731). Property, plant and equipment amounted to kEUR 15,233 (31 December 2014: kEUR 11,796).

Current assets amounted to kEUR 19,042 (31 December 2014: kEUR 17,479).

CWZ's equity as of the reporting date amounted to kEUR 29,860 (31 December 2014: kEUR 24,972). Corresponding to an equity ratio of 75.5 % (31 December 2014: 73.0%).

Non-current liabilities increased from kEUR 4,145 to kEUR 4,209.

Current liabilities rose to kEUR 5,501 (31 December 2014: kEUR 5,093).



1.5. Employees

As of 30 June 2015, CWZ group had a total of 208 employees (previous year's period: 187 employees).



Staff trims stems for one festival orders

1.6. Events after the Balance Sheet Date

Since 25 August 2014 the shares of CWZ China Flowers AG are traded on the Entry Standard market segment of the Frankfurt Stock Exchange. A total of 18,110,700 no-par value ordinary bearer shares, with a proportional amount in the Company's share capital of EUR 1.00 per share, was included in the trading. In the course of the capital increase prior to the Company's IPO, 110,700 shares were placed at EUR 9.03 per share. The shares were primarily issued to institutional investors. These shares are entitled to full participation in the profits of business year 2014. The Company's gross proceeds from the share issue amount to just under EUR 1.0 million and will be mainly used to widen the Company's range of flower and plant products, to extend its telephone sales network, and to expand its production sites in the People's Republic of China. The transaction was accompanied by CM Equity AG as Global Coordinator. Designated Sponsor and Deutsche Börse Listing Partner is ACON Actienbank AG.

Material events relevant to the financial situation of the company occurred after the reporting date of 30 June 2015: restructure plan and AGM approval of the restructure, for details please review our website, AGM and its agendas.

1.7. Forecast Report

Due to the ongoing restructure activities, the company will likely convert its flower and plantation business into property and property development. It is difficult to reach a reliable and reasonable financial forecast for now. However, we expect a significant drop of revenue and net profit on the condition that the restructure will take place within 2015.

2. Income Statement

For the half year at June 30, 2015

CWZ China Flowers AG	1H2015	1H2014
Consolidated Statement of comprehensive income	kEUR	kEUR
Revenue	6,603	4,000
Cost of sales	<u>(1,243)</u>	<u>(1,240)</u>
Gross profit	5,360	2,760
Gain / loss arising from changes in fair value of biological assets	<u>(475)</u>	<u>319</u>
Gross profit including revaluations	4,885	3,079
Other income	321	1,181
Distribution and selling expenses	(457)	(340)
Administrative expenses	<u>(1,605)</u>	<u>(826)</u>
Profit from operations	3,144	3,094
Other gains and losses	14	(6)
Finance costs	<u>(120)</u>	<u>(127)</u>
Profit before tax	3,038	2,961
Income tax expense	<u>(222)</u>	<u>(275)</u>
Profit for the period	2,816	2,686
Foreign currency translation differences	<u>2,072</u>	<u>55</u>
Total comprehensive income for the period	4,888	2,741

3. Balance Sheet

For the half year at June 30, 2015

CWZ China Flowers AG	1H2015	1H2014
Consolidated balance sheet	KEUR	KEUR
Assets		
Non-current assets		
Property, plant and equipment	15,233	11,796
Prepaid lease payments	4,957	4,630
Bearer biological assets	81	75
Long-term deferred assets	257	230
	20,528	16,731
Current assets		
Prepaid lease payments	135	125
Consumable biological assets	2,764	3,076
Inventories	111	61
Trade and other receivables	11,159	10,515
Related parties receivables	4,284	3,488
Cash and cash equivalents	589	214
	19,042	17,479
Total assets	39,570	34,210
Equity and liabilities		
Equity		
Share capital	18,111	18,111
Reserves	7,178	4,362
Foreign currency translation reserve	4,571	2,499
	29,860	24,972
Non-current liabilities		
Bank borrowings	2,475	2,548
Deferred government subsidy	1,734	1,597
	4,209	4,145
Current liabilities		
Bank borrowings	582	403
Trade and other payables	4,615	4,573
Related parties payables	137	
Income tax payable	167	117
	5,501	5,093
Total liabilities	9,710	9,238
Total equity and liabilities	39,570	34,210



4. Cashflow Statement

For the half year at June 30, 2015

CWZ China Flowers AG	1H2015	1H2014
Consolidated cashflow statement	kEUR	kEUR
Operating cash flows before movements in working capital	3,525	3,273
Net cash from operating activities	2,412	2,075
Net cash used in investing activities	(2,684)	(3,324)
Net cash used in financing activities	(267)	831
Net increase in cash and cash equivalents	(539)	(418)
Effects of currency translation	914	23
Cash and cash equivalents at beginning of period	214	655
Cash and cash equivalents at end of period	589	260

5. Imprint

Publisher

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