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

ANNUAL REPORT 2013

* For identification purposes only

Contents

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* 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

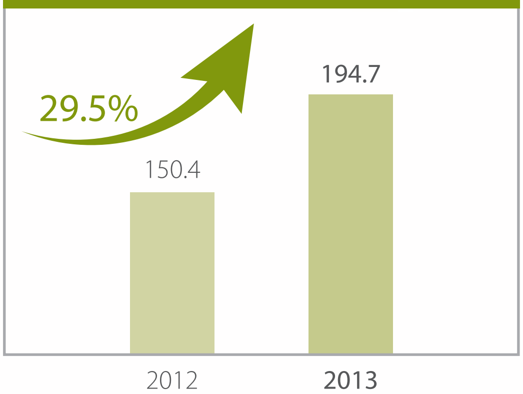
CORPORATE INFORMATION

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

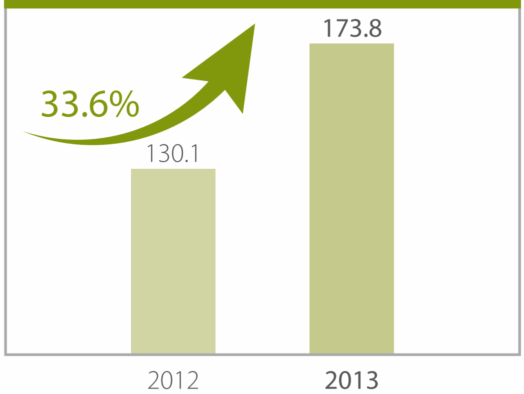
- Turnover increased by 29.5% to RMB194.7 million (2012: RMB150.4 million)
- Gross profit increased by 33.6% to RMB173.8 million (2012: RMB130.1 million)
- Profit for the year increased by 23.8% to RMB70.8 million (2012: RMB57.2 million)
- Basic earnings per share increased by 20% to RMB12 cents (2012: RMB10 cents)
- The Board proposed not to declare any final dividend for the year ended 31 December 2013 (2012: nil)

FINANCIAL HIGHLIGHTS

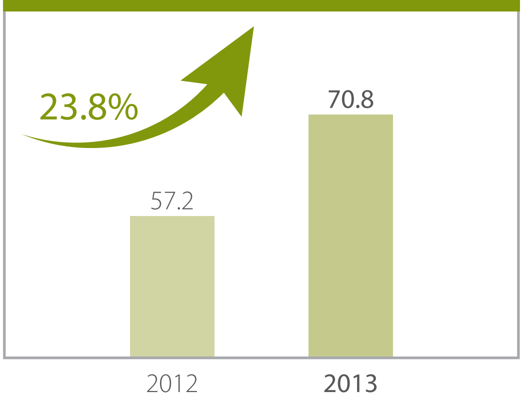
Turnover (RMB'million)



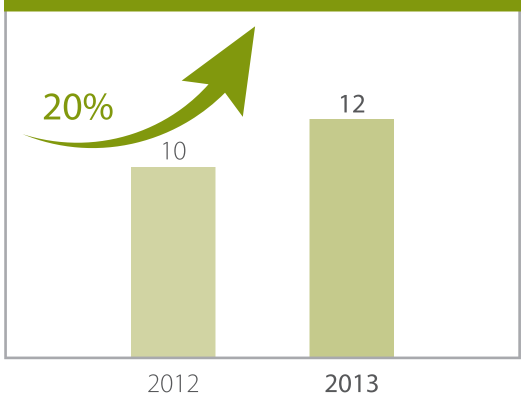
Gross profit (RMB'million)



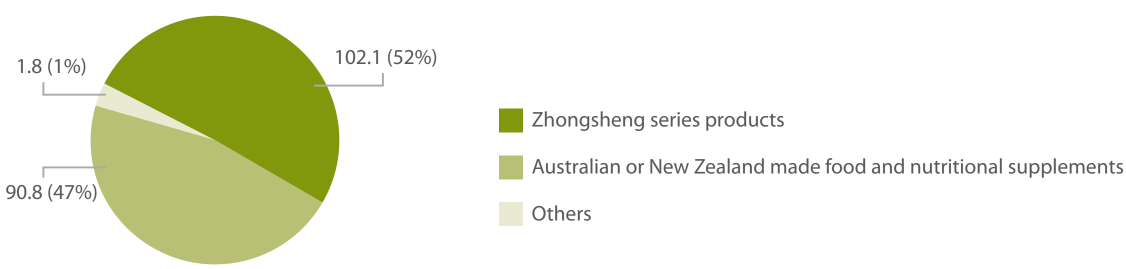
Profit for the year (RMB'million)



Basic earnings per share (Cents)



Sales analysis by product categories (RMB'million)



To Shareholders,

On behalf of the Board (the "Board") of directors (the "Directors"), I am pleased to present the audited annual results of Nanjing Sinolife United Company Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2013 (the "Year").

BUSINESS REVIEW

Benefiting from the Group's competitive advantages and the fast-growing industry trend in China, the Group has achieved favourable results in 2013. The Group's turnover increased from RMB150.4 million in 2012 to RMB194.7 million in 2013 and the profit for the year increased from RMB57.2 million in 2012 to RMB70.8 million in 2013, representing an increase of 29.5% and 23.8% respectively.

During the Year, the Group capitalised on high growth opportunities in the large and fast-growing supplements industry in China. The growth of nutritional supplements industry in China is principally driven by the rising disposable income of consumers, the increasing average age and life expectancy of the population in China, growing population under sub-health condition in China and rising awareness of the benefits of nutritional supplements. By leveraging on the branding-focused specialty store business model, broad and diversified product mix, wide spectrum of customers and solid knowledge and experience in the nutritional supplements industry, 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 and with diversified product mix. The Group has focused on brand building through the Group's retail stores under its Zhongsheng and Cobayer brands. The Group positions the products in the Zhongsheng series as safe and reliable nutritional supplements for middle-aged and senior customers, while the products in the Cobayer series product as high end, efficient and convenient natural nutritional supplements focusing on younger individuals and families. As of 31 December 2013, the Group offered 63 products, consisting of 19 products from Zhongsheng series and 31 products from Cobayer series. In addition, the Group has launched 9 products of the Cobayer series during 2013.

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 RMB0.2 million in 2012 which increased to RMB0.9 million in 2013.

Strong branding recognition and reputation are essential to the Group's success. The Group strived to maintain a high level of customer satisfaction and customer loyalty. In 2013, the Group has devoted substantial resources on customer interactions by providing personalised healthcare solutions and product selection advice.

The Group continued to participate in a variety of marketing and promotional activities in 2013 to increase customer awareness of the products including (i) seasonal promotions and discounts on major public holidays in the People's Republic of China (the "PRC"); (ii) participation in trade fairs for its two products series; and (iii) media, print and internet advertising.

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 geographical coverage of 32 cities in 15 provinces and centrally administered municipalities in the PRC as of 31 December 2013. The Group has diversified sales platform in the PRC, with 20 specialty stores, 13 regional sales offices and one department store concession counter under the Zhongsheng series, and 28 retails stores under the Cobayer series. Majority of the sales points of Zhongsheng series stores are mainly located in central business districts, well-established residential areas or local transportation centres. Majority of the sales points of Cobayer series stores are mainly located in large and premium shopping malls. Furthermore, the Group has one exclusive distributor in Shanghai. The Group has developed the online Cobayer store at http://conbair.tmall.com, which commenced operation in May 2013.

In order to meet the sales expansion, the Group intends to expand the production facilities in Nanjing, Jiangsu Province, via (i) construction of a new production line; (ii) establishment of a research and development and testing centre; and (iii) establishment of an information and logistics control center, which is expected to be completed by the end of 2015. With the new production facilities, the Group expects that it will be able to manufacture products in the forms of soft gelatin capsules, canned powder and miniature bottled drinks with an annual capacity of approximately 800,000 units, 650,000 units and 2,000,000 units respectively.

OUTLOOK

In 2013, with the succession of PRC leadership and the global economy in the progress of recovering from the financial crisis, economic restructuring and transformation are the critical factors for the economic growth of the PRC.

In order to distinguish itself from the competitors and competitive environment in the nutritional supplements market, the Group will continue to adopt a branding-focused specialty store business model to maintain the majority of existing customers and attract potential consumers, and provide customers with health resolutions, which are expected to enhance the loyalty and trust of the customers.

Looking ahead, the Group endeavours to seize every opportunity to be a leading nutritional supplements provider in the market. In the coming year, the Group will endeavour to implement the following key measures to maintain and enhance its competitiveness in the market:

1. Continue to maintain the leading position in the nutritional supplements product research and development, with an emphasis on promoting the Coenzyme Q_{10} Tablets/Capsules and Linolenic Acid Soft Capsules products in the Zhongsheng series, which are the leading high-technology nutritional supplements products.

2. Enhance the effort to solidify the Cobayer series in the market by a target expansion to 40 Cobayer sales points in large and premium shopping malls of the first-tier cities, with an emphasis on "originally imported from Australia". Through the offering of variety of choices of Australia featured nutritional supplements to meet the different needs of the customers on health products.

3. Cooperate actively with the e-commerce website http://tmall.taobao.com and other local and international online shop providers, to develop more extensive and effective sales channels.

4. Obtain support from provincial and municipal governments and authorities, and to strengthen the efforts in cooperation with multi-platform, banks, pension community and exhibitions to promote the brand and products.

5. Enhance the research and development on products extracted from ocean and plants to incorporate the comprehensive development of traditional Chinese medicine into biotechnology.

6. Enhance the market-oriented approach by implementation of innovative marketing strategics, the use of new media and effective internal control.

7. Continue to expand the branding-focused specialty stores, through allocating more resources to explore new regional markets and distribution network to improve the revenue generated per specialty store.

In 2014, the Board and the Chairman have full confidence in the future development of the Group. Having a positive and pragmatic attitude towards the business development by the expansion of sales network, the Group endeavours to strengthen national sales coverage, implement strategy to attract the outstanding talents, expand professional management team and marketing team, and create professional business management ideas and models. The Group has the confidence and ability to tackle various difficulties and challenges, seize opportunities to develop and maximise the business value of its shareholders.

APPRECIATION

On behalf of the Board, I would like to express my sincere appreciation for the steadfast support from many parties, including the shareholders, customers, business partners, management and employees. We believe that all the achievements made by the Group are the results of the team work and dedicated support from all the above parties.

Finally, with PRC under a stable growing economic environment in this global economic recovery period, continuous support from the shareholders and our established branding position in the PRC market, we firmly believe that we are able to achieve the desired objectives.

Mr. Gui Pinghu
Chairman of the Board

27 March 2014

Healthy living

RETAIL NETWORK AND PRODUCT INFORMATION

CONBAIR	BEIJING (1)	SHANGHAI (2)	JIANGSU (12)	GUANGDONG (2)
	SHANDONG (2)	ZHEJIANG (2)	YUNNAN (1)	CHONGQING (1)
	LIAONING (1)	FUJIAN (1)	ANHUI (1)	SHAANXI (1)
	HENAN(1)			
ZHONGSHENG	BEIJING (1)	JIANGSU (19)	GUANGDONG (3)	SHANDONG (2)
	ZHEJIANG (7)	SICHUAN (1)	HUBEI (1)	
DISTRIBUTOR	SHANGHAI (1)			

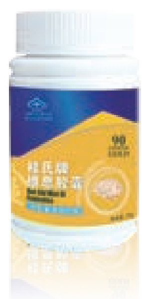
RETAIL NETWORK AND PRODUCT INFORMATION

Coenzyme Q_{10} Tablets/Capsules

Linolenic Acid Soft Capsules

Grapeseed Capsules

Weisi Capsules



Squalene Capsules

Blueberry Capsules

Liver Tonic (Milk Thistle) Capsules

Olive Leaf Extract

Emu Oil Capsules

Saw Palmetto Capsules

Omega-3 Capsules

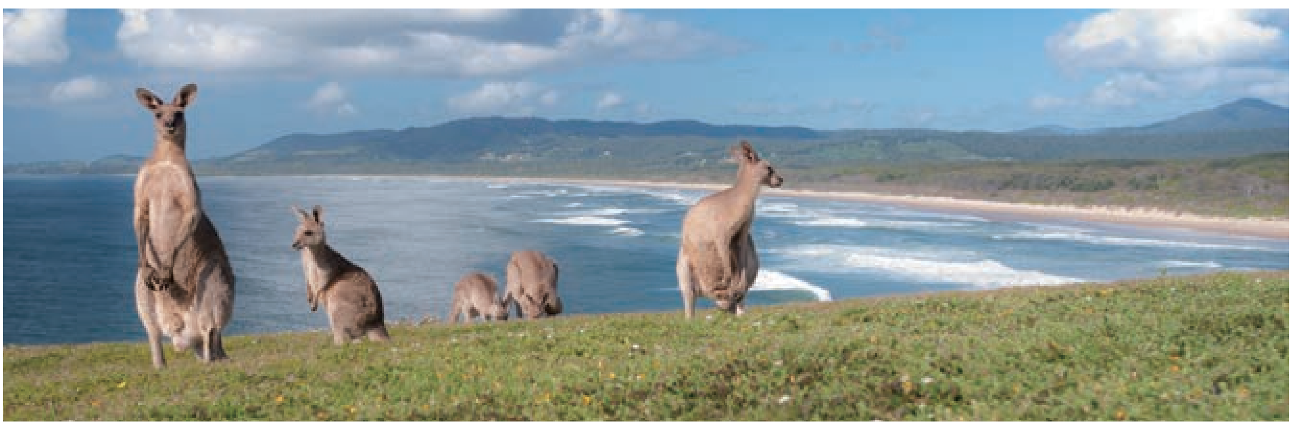
Protein powder products

RETAIL NETWORK AND PRODUCT INFORMATION

Milk powder products

Organic Tasmania Leatherwood Honey

Algal DHA Composite Oil



FINANCIAL REVIEW

Results

The turnover of the Group in 2013 was RMB194.7 million, representing an increase of approximately 29.5% from RMB150.4 million in 2012. Profit for the year increased by approximately 23.8% to RMB70.8 million in 2013 from RMB57.2 million in 2012. The Company's basic earnings per share ("Share") was RMB12 cents (2012: RMB10 cents) based on the weighted average number of 588.5 million (2012: 550.0 million) shares in issue during the Year. The increase in financial results in 2013 was mainly attributable to the rapid sales in the second half of 2013.

Turnover

The turnover of the Group increased by approximately 29.5% from RMB150.4 million in 2012 to RMB194.7 million in 2013. Sales of Zhongsheng series products increased by approximately 6.7% from RMB95.7 million in 2012 to RMB102.1 million in 2013, which was primarily due to the growth in the sale of Coenzyme Q_{10} Tablets/Capsules, Grapeseed Capsules and Weisi Capsules of Zhongsheng series products during the Year. Sales of Australian or New Zealand made food and nutritional supplements increased by approximately 71.0% from RMB53.1 million to RMB90.8 million in 2013, which was primarily due to rapid growth in the sales of Olive Leaf Extract and Emu Oil Capsules of Cobayer series products during the Year.

Gross profit

The Group's gross profit increased from RMB130.1 million in 2012 to RMB173.8 million in 2013. The Group's average gross profit margin increased from 86.5% in 2012 to 89.3% in 2013. Such increase in gross profit margin was mainly due to the change in product mix and increase in customer base. The increase in customer base included the increase in market channels, increase in new customers, repeated purchase by loyal customers and improvement in the marketing capability of the sales staff.

Other revenue and other gains and losses

The Group's other revenue and other gains and losses increased from RMB1.5 million in 2012 to RMB2.3 million in 2013, which was mainly due to 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 17.1% from RMB34.0 million in 2012 to RMB39.8 million in 2013, which represented approximately 22.6% in 2012 and 20.4% in 2013 of the Group's turnover. Such increase was primarily due to the increase in staff costs from RMB17.2 million in 2012 to RMB23.4 million in 2013 and the increase in outlet rental and related lease expenses from RMB1.8 million in 2012 to RMB4.1 million in 2013, as a result of rapid establishment of 23 Cobayer retail stores during the Year. The effect of the foregoing was partially offset by the decrease in the other selling and distribution expenses.

Administrative expenses

The Group's administrative expenses increased by approximately 31.1% from RMB20.6 million in 2012 to RMB27.0 million in 2013, which represented approximately 13.7% in 2012 and 13.9% in 2013 of the Group's turnover. Such increase was primarily due to the increase in (i) consultation fee from RMB0.5 million in 2012 to RMB1.8 million in 2013; (ii) staff costs from RMB9.9 million in 2012 to RMB11.7 million in 2013; (iii) the research and development cost from RMB0.2 million in 2012 to RMB0.9 million in 2013; and (iv) depreciation of property, plant and equipment from RMB1.6 million in 2012 to RMB3.1 million in 2013.

Listing expenses

The Group's listing expenses incurred during the Year 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 ("Listing Date"), the listing expenses of RMB14.3 million were incurred and recognised in 2013.

Taxation

Income tax expense increased by approximately 22.8% from RMB19.7 million in 2012 to RMB24.2 million in 2013 primarily due to the increase in profit before taxation. The Group's effective tax rates in 2012 and 2013 were approximately 25%.

Profit for the year

As a result of the foregoing, the Group's profit for the year increased from RMB57.2 million in 2012 to RMB70.8 million in 2013. The increase was due to the increase in turnover from RMB150.4 million in 2012 to RMB194.7 million in 2013 and effective control of relevant increase in the selling and distribution expenses.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow

In 2013, net cash increased by RMB71.6 million. RMB82.1 million was generated from operating activities, while RMB0.8 million and RMB9.0 million was used in investing activities and financing activities respectively, and a decrease in cash and bank balances of RMB0.7 million was resulted from exchange rate fluctuation.

Inventories

The Group's inventories decreased to RMB7.1 million (2012: RMB13.7 million) as at 31 December 2013 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 goods merchandise. During the Year, inventory turnover was approximately 182 days (2012: 222 days). The shorter inventory turnover period during the Year was primarily the result of the decrease in inventory at the year end.

Trade receivables

The Group's trade receivables amounted to RMB2.1 million (2012: RMB0.5 million) as at 31 December 2013. During the Year, the sole distributor was generally granted a credit term of 30 days while the shopping malls where Cobayer retails stores were located were granted a credit term ranging from 15 days to 60 days. Turnover days for trade receivables increased to 2.4 days (2012: 0.9 day), primarily due to the increased sales of Cobayer series product which involved in granting credit period for shopping malls.

Trade payables

The Group's trade payables amounted to RMB0.6 million (2012: RMB0.9 million) as at 31 December 2013. Turnover days for trade payables remained unchanged at 13 days (2012: 13 days), which reflected stable settlement with suppliers in the year 2012 and 2013.

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 31 December 2013.

Borrowings and pledge of assets

The gearing ratio for the Group was 0% (2012: 0%) as the Group had no outstanding bank borrowings and pledge of assets as of 31 December 2013 (2012: Nil).

Capital expenditure

The Group invested approximately RMB2.9 million in 2013 (2012: RMB2.4 million) for purchase of property, plant and equipment.

Capital commitments and contingent liabilities

As at 31 December 2013, the Group's capital commitments were approximately RMB1.1 million (2012: nil), all of which were related to acquisition of property, plant and equipment. The Group had no material contingent liabilities as at 31 December 2013 (2012: nil).

HUMAN RESOURCES MANAGEMENT

Quality and dedicated staff are indispensable assets to the Group's success in the competitive market. By providing comprehensive training and corporate culture education periodically, the employees are able to obtain on-going training and development in the nutritional supplements industry. Furthermore, the Group offers competitive remuneration packages commensurate with industry practice and provides various fringe benefits to all employees. The Group reviews its human resources and remuneration policies periodically to ensure they are in line with market practice and regulatory requirements. As at 31 December 2013, the Group employed a work force of 530. The total salaries and related costs for the Year amounted to approximately RMB36.8 million (2012: RMB28.4 million).

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

DIRECTORS

The Board consists of eight Directors, including four executive Directors, one non-executive Director and three independent non-executive Directors.

The information of the Directors is set out as follows:

Name	Age	Date of joining	Position/Title	Date of appointment	Roles and responsibilities
Mr. Gui Pinghu (桂平湖)	54	May 24, 1999	Chairman and Executive Director	May 24, 1999	Chairman of the Strategy and Development Committee; strategic development of the Company
Ms. Zhang Yuan (張源)	44	May 25, 1999	Chief executive officer and Executive Director	June 17, 2011	General manager, being responsible for the management, organisation and implementation of Board decisions
Ms. Xu Li (徐麗)	39	January 1, 2002	Executive Director	October 25, 2012	Sales director; member of the Nomination Committee
Ms. Zhu Feifei (朱飛飛)	32	July 29, 2003	Executive Director	October 25, 2012	Chief production officer; member of the Remuneration Committee
Mr. Xu Chuntao (許春濤)	44	May 16, 2013	Non-executive Director	May 16, 2013	Representative of the pre-IPO investor of the Company
Mr. Jiang Fuxin (蔣伏心)	57	October 25, 2012	Independent non-executive Director	October 25, 2012	Chairman of the Nomination Committee; member of each of the Audit Committee and Strategy and Development Committee
Ms. Feng Qing (馮晴)	45	January 25, 2013	Independent non-executive Director	January 25, 2013	Chairman of the Remuneration Committee; member of each of the Audit Committee and Nomination Committee
Mr. Vincent Cheng (鄭嘉福)	50	August 10, 2013	Independent non-executive Director	August 10, 2013	Chairman of the Audit Committee; Member of each of the Remuneration Committee and Strategy and Development Committee

Executive Directors

Mr. Gui Pinghu (桂平湖), aged 54, the founder of the Group, is the chairman and was appointed as an executive Director on May 24, 1999. Mr. Gui is also the director of Cobayer Health Food Company. He is primarily responsible for the strategic development of the Company. He graduated from a college in Nanjing, majoring in Chinese in July 1989 and was awarded a degree of Executive Master of Business Administration, which was a part-time programme from Fudan University in June 2010.

From November 1992 to October 1994, he was the general manager of Hainan East & West Advertisement Art Company* (海南東西方廣告藝術公司). Subsequently, he became the general manager of 南京湯山花園酒店 (Nanjing Tangshan Garden Hotel*) between January 1995 and December 1996. During the period between January 1997 and December 1998, he was the general manager of 南京新創模具廠 (Nanjing Xin Chuang Mould and Die Factory*). In May 1999, he established the Company and has since then been the Director. He has more than 10 years of experience in the nutritional supplements industry.

Ms. Zhang Yuan (張源), aged 44, was appointed as an executive Director and the chief executive officer on June 17, 2011. Ms. Zhang is also the director of Nanjing Zhongsheng Bio-Tech Co. Limited* (南京中生生物科技有限公司), Hangzhou Zhongyan Biological Products Co. Limited* (杭州中研生物製品有限公司), Beijing Zhongsheng Wonderful Health Technology Co. Limited* (北京中生美好健康科技有限公司), Guangzhou Zhongyuan Bio-Tech Co. Limited* (廣州中院生物科技有限公司) and Zhenjiang Zhongsheng Health Bio-Tech Co. Limited* (鎮江中生健康科技有限公司). Ms. Zhang is primarily responsible for the management, organisation and implementation of Board decisions. As at the date of this annual report, Ms. Zhang was interested in 1.08% of the domestic shares of the Company ("Domestic Shares").

Ms. Zhang has more than 10 years of experience in the nutritional supplements industry. She was appointed as the office supervisor in May 1999 and the deputy general manager in January 2008.

Ms. Zhang obtained a degree of Executive Master of Business Administration, which was a part-time programme from Nanjing University in June 2012.

Ms. Xu Li (徐麗), aged 39, was appointed as an executive Director on October 25, 2012. Ms. Xu is also the director of Suzhou Zhongsheng Health & Biological Products Co. Limited* (蘇州中生健康生物製品有限公司), Wuxi Zhongyan Health Products Co. Limited* (無錫中研健康品有限公司), Changzhou Zhongsheng Wonderful Bio-Health Products Co. Limited* (常州中生美好生物製品有限公司), Jinan Zhongsheng Chinese Commerce Biological Products Co. Limited* (濟南中生華商生物製品有限公司), Shenzhen Zhongsheng Chinese Commerce Bio-Tech Co. Limited* (深圳市中生華商生物科技有限公司), Wuhan Zhongsheng Chinese Commerce Biological Technology Co. Limited* (武漢中生華商生物科技有限公司) and Qingdao Zhongsheng Biological Products Co. Limited*(青島中生康健生物製品有限公司). Ms. Xu is primarily responsible for marketing of the Group. As at the date of this annual report, Ms. Xu was interested in 0.9% of the Domestic Shares.

Ms. Xu has more than 10 years of experience in the nutritional supplements industry. She joined the Company as the sales manager in January 2002. In January 2010, she was promoted to be the marketing general manager. In October 2012, she was promoted to be the vice general manager and sales director.

Ms. Xu obtained a diploma in Economic Management from PRC Jiangsu Province Party School* (中共江蘇省委黨校) in July 1999 and took a course in relation to Business Administration at the Nanjing Normal University in September 2009, both of which were part-time programmes. She is currently studying for an Executive Master of Business Administration in Zhejiang University.

Ms. Zhu Feifei (朱飛飛), aged 32, was appointed as an executive Director on October 25, 2012. Ms. Zhu is primarily responsible for the production of the Group. As at the date of this annual report, Ms. Zhu was interested in 0.11% of the Domestic Shares.

In July 2003, she joined us as a sales clerk of the sales department. She was promoted to be the chief production officer in January 2008. She was appointed as a Director in October 2012. Ms. Zhu graduated from a part-time programme of the Open University of China majoring in Business Administration in January 2008.

Non-executive Directors

Mr. Xu Chuntao (許春濤), aged 44, was appointed as a non-executive Director on May 16, 2013. Mr. Xu is the representative of Shanghai Fosun, the pre-IPO investor of the Company.

Mr. Xu joined the Shanghai Chest Hospital as a doctor in July 1993. He joined Fosun Capital Investment & Management Company Limited* (上海復星創富投資管理有限公司), an investment and asset management company in January 2012 and is currently the company's investment director. Mr. Xu obtained a bachelor degree in Clinical Medicine from Shanghai Medical College of Fudan University (復旦大學上海醫學院) (formerly known as Shanghai Medical University* (上海醫科大學)) in July 1993. He was awarded a master degree in Business Administration from the Charles Darwin University (formerly known as Northern Territory University) in October 1998.

Independent non-executive Directors

Mr. Jiang Fuxin (蔣伏心), aged 57, was appointed as an independent non-executive Director on October 25, 2012. Mr. Jiang graduated from East China Normal University, majoring in History of Foreign Economics Theories in December 1986 and subsequently obtained a master degree in Economics from East China Normal University in September 1987. He was awarded a doctoral degree in Agricultural Studies from Nanjing Agricultural University in July 1996, which was a part-time programme. He was engaged as a teaching assistant and a lecturer of Nanjing Normal University in March 1980 and September 1987 respectively. He was promoted to the position of assistant professor of Nanjing Normal University in September 1989 and a professor in December 1994.

Mr. Jiang was an independent non-executive director of Nanjing Xinjiekou Department Store Co., Ltd.* (南京新街口百貨商店股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 600682)) which is principally engaged in general merchandise retailing business between October 2007 and October 2013. As at the date of this annual report, Mr. Jiang was also an independent non-executive director of Jiangsu Yanghe Brewery Joint-Stock Co., Ltd.* (江蘇洋河酒廠股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 002304)) which is principally engaged in brewery business.

Ms. Feng Qing (馮晴), aged 45, was appointed as an independent non-executive Director on January 25, 2013. Ms. Feng graduated from Nanjing Agricultural University majoring in Food Science in July 1989 and obtained a master degree in Science from Nanjing Agricultural University in July 1996. She was awarded a doctoral degree in Agricultural Science by the Nagoya University in Japan in March 2002.

She joined the Shanghai Normal University as a professional technical staff in July 1996. She worked at the department of pharmacology and toxicology at Geisel School of Medicine at Dartmouth (formerly known as Dartmouth Medical School) between July 2003 and April 2008. Since September 2009, she has been a professor of the School of Public Health, Department of Nutrition and Food Safety at Nanjing Medical University.

Mr. Vincent Cheng (鄭嘉福), formerly known as Cheng Ka Fuk Vincent (鄭嘉福) *FCPA (Aust), FCPA (HK), FCIS, FTI (HK)*, aged 50, was appointed as an independent non-executive Director on August 10, 2013. Mr. Cheng obtained a master degree in Business Administration from Deakin University in Australia (as a joint program of Deakin University and CPA Australia) in May 2003, and a bachelor of arts degree in Accountancy from the City University of Hong Kong (formerly known as City Polytechnic of Hong Kong) in November 1993. Mr. Cheng was admitted as a fellow of CPA Australia in December 2000 and a fellow of HKICPA in April 2008.

From December 1987 to September 2000, Mr. Cheng was employed with a financial planning firm and was promoted to chief accountant (Hong Kong) before he left such group. In October 2000, Mr. Cheng joined Vitapharm Research Pty Ltd in Australia, a company which is engaged in chemical and pharmaceutical business (formerly known as Vital BioTech Holdings Limited, Vital Pharmaceutical Holdings Limited and Vital Group Holdings Limited respectively) ("Vital"), as project manager. Mr. Cheng was responsible for fund raising activities and relationship management in Vital, and he left Vital in February 2002 after its listing on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited ("GEM").

In May 2003, Mr. Cheng joined Continental Holdings Limited (together with its group members, the "Continental Group"), a company engaged in consumer goods business and listed on the Main Board of the Stock Exchange of Hong Kong Limited ("Stock Exchange") (stock code: 513), as a project manager. During his tenure with the Continental Group, he held various posts including the head of its finance and accounts department, the company secretary, and the qualified accountant. Mr. Cheng left the Continental Group in July 2010.

During the period between September 22, 2006 and October 5, 2009, Mr. Cheng was a director of Bowie Dynamics Holdings Limited ("Bowie"). In February 2010, Bowie was dissolved by deregistration based on its own application pursuant to section 291AA of the Companies Ordinance (previously Chapter 32 of the Laws of Hong Kong and was repealed on 3 March 2014). Under section 291AA of the Companies Ordinance, an application to deregister a private company can only be made if (a) all the members of the company agree to the deregistration; (b) the company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) the company has no outstanding liabilities. Mr. Cheng confirmed that there was no wrongful act on his part leading to the dissolution of Bowie by deregistration and that, as far as Mr. Cheng is aware, no actual or potential claim has been or will be made against him as a result of such dissolution. The Directors are of the view that Mr. Cheng has the character, experience and integrity and is able to demonstrate a standard of competence commensurate with his position as a director of a listed issuer.

In January 2011, he was appointed as the deputy finance director of a multi-disciplinary architecture firm and is currently its finance director. In December 2011, Mr. Cheng was appointed as the independent non-executive Director of Flying Financial Service Holdings Limited, a company engaging in the provision of integrated short-term financing services and listed on the GEM (stock code: 8030).

SUPERVISORS

The board of supervisors ("Supervisors") of the Company currently consists of five members. The following table sets out certain information about the Supervisors.

Name	Age	Date of joining	Position/Title	Date of appointment	Roles and responsibilities
Ms. Yu Min (余敏)	35	September 16, 2002	Chairman of the board of Supervisors	October 25, 2012	Customers relations manager
Mr. Tao Xingrong (陶興榮)	37	May 16, 2013	Supervisor	May 16, 2013	Representative of the pre-IPO investor of the Company
Ms. Wu Xuemei (吳雪梅)	35	September 25, 2005	Supervisor	October 25, 2012	Vice sales manager of Nanjing
Ms. Lu Jiachun (陸佳純)	35	June 20, 2001	Employee representative Supervisor	October 25, 2012	Accounting clerk
Ms. Chen Xiu (陳秀)	29	August 30, 2003	Employee representative Supervisor	May 16, 2013	Supervision specialist

Ms. Yu Min (余敏), aged 35, was appointed as the chairman of the board of Supervisors on October 25, 2012. Ms. Yu is also the director of Chengdu Zhongsheng. Ms. Yu graduated from 金陵科技學院 (Jinling Institute of Technology) (formerly known as Nanjing Agricultural School* (南京市農業專科學校)) majoring in accounting in June 1999.

In 2002, Ms. Yu joined the Company as an accounting clerk and remained in such position between September 2002 and September 2004. In September 2004, she became the sales manager of Nanjing and was promoted as the manager of the customer service team in January 2008. She was subsequently appointed as the chairman of the board of Supervisors and customer relations manager in October 2012.

Mr. Tao Xingrong (陶興榮), aged 37, was appointed as one of the Supervisors on May 16, 2013. Mr. Tao was awarded a bachelor degree in Commercial Law from Zhejiang Gongshang University (浙江工商大學) (formerly known as Hangzhou Commerce College* (杭州商學院)) in July 1999. He obtained the Judicial Professional Qualification Certificate* (司法職業資格證書) in September 2002.

Prior to joining Fosun Capital Investment & Management Company Limited* (上海復星創富投資管理有限公司), an investment and asset management company in August 2007, Mr. Tao was the legal clerk of Jiangsu Province Nantong Intermediate People's Court of the PRC* (江蘇省南通市中級人民法院). He is currently the general manager of legal affairs of Fosun Capital Investment & Management Company Limited.

Ms. Wu Xuemei (吳雪梅), aged 35, was appointed as one of the Supervisors on October 25, 2012. Ms. Wu graduated from a self-learning programme of the Nanjing Normal University majoring in English in June 2003.

In September 2005, Ms. Wu joined the Company as sales clerk and was promoted to be the deputy sales manager of Nanjing in January 2010. In October 2012, she was appointed as a member of the board of Supervisors.

Ms. Lu Jiachun (陸佳純), aged 35, was appointed as the employee representative Supervisor on October 25, 2012. Ms. Lu obtained a bachelor degree in Business Administration from a part-time programme of the Open University of China in October 2005.

Ms. Lu has been an accounting clerk of the Group since June 2001. In October 2012, she was appointed as a member of the board of Supervisors.

Ms. Chen Xiu (陳秀), aged 29, was appointed as the employee representative Supervisor on May 16, 2013. Ms. Chen graduated from Jiangsu Institute of Commerce (江蘇經貿職業技術學院) (formerly known as Jiangsu Vocational and Technical Institute of Economics and Commerce* (江蘇商業管理幹部學院)) majoring in Accounting in July 2004.

Ms. Chen joined the Group in August 2003 as a customer service clerk. Since July 2009, she has been a supervision specialist (監督專員).

As at the date of this annual report, each of Ms. Yu Min and Ms. Wu Xuemei was interested in 0.11% and 0.09% of the Domestic Shares.

SENIOR MANAGEMENT

Name	Age	Date of joining	Position/Title	Date of appointment	Roles and responsibilities
Ms. Zhi Hui (支卉)	33	June 4, 2002	Human resources manager, company secretary	October 25, 2012	Human resources management and company secretarial matters
Mr. Song Jiming (宋繼明)	60	March 21, 2005	Compliance officer	March 21, 2005	Compliance assurance
Mr. Li Bin (李斌)	34	July 1, 2013	Chief financial officer	July 1, 2013	Finance management
Mr. Wu Jun (吳俊)	30	September 4, 2006	Financial controller	September 1, 2013	Finance management

Ms. Zhi Hui (支卉), aged 33, has more than 10 years of experience in the nutritional supplements industry. She joined the Group in June 2002 as an office clerk. She was promoted as the human resources manager in January 2008. In October 2012, she became the secretary to the Board and served as the human resources manager concurrently. As at the date of this annual report, Ms. Zhi was interested in 0.072% of the Domestic Shares.

Ms. Zhi graduated from Sanjiang University majoring in modern company secretary in June 2002.

Mr. Song Jiming (宋繼明), aged 60, has more than seven years of experience in the nutritional supplements industry. In May 1992, he joined Xinjiang Bohu Reed Industry Co., Ltd* (新疆博湖葦業股份公司) a paper production company. From December 1999 to February 2005, he was the secretary to the board of such company. In March 2005, he joined the Group as the compliance officer. As at the date of this annual report, Mr. Song was interested in 0.045% of the Domestic Shares.

Mr. Li Bin (李斌), aged 34, was appointed as the chief financial officer in July 2013. Mr. Li has more than nine years of accounting experience. He obtained a bachelor degree in Accounting from the Nanjing University of Finance and Economics in August 2003 and was admitted as a Certified Management Accountant of the U.S. in July 2012.

Prior to joining the Group, Mr. Li was the financial controller of the finance department of Nanjing SIXIN Scientific-Technological Application Research Institute Co., Ltd.* (南京四新科技應用研究所有限公司), a company engaging in the development and production of Silicone and non-Silicone foam control agents between October 2003 and March 2007. He worked in the finance department of CEEG (Nanjing) New Energy Co., Ltd.* (中電電氣（南京）新能源有限公司), a company that engages in the research and development, production, sale and services of solar energy components between June 2007 and September 2009 and the finance department of the solar energy business unit of Jiangsu Sainty International Group Machinery Import and Export Corporation Limited* (江蘇舜天國際集團機械進出口股份有限公司), a company that engages in import and export trade between October 2009 and October 2010.

Mr. Wu Jun (吳俊), aged 30, was appointed as the financial controller in September 2013. Mr. Wu has more than six years of experience in the nutritional supplements industry. He joined the Group in September 2006 as an accounting clerk of the finance department of Hangzhou Zhongsheng and became an accounting clerk of the finance department of Nanjing Zhongsheng in August 2008. He was promoted as the finance manager of the Company in January 2011.

Mr. Wu graduated from Nanjing University of Technology (南京工業大學) majoring in project management in June 2006.

JOINT COMPANY SECRETARIES

Ms. Zhi Hui (支卉), serves as the secretary to the Board and one of the joint company secretaries. Please refer to the paragraph headed "Senior management" above for her biography.

Ms. Kam Mei Ha Wendy (甘美霞), *FCS (PE), FCIS*, aged 46, was appointed as a joint company secretary of the Company on November 7, 2013. Ms. Kam is a director of the Corporate Services Division at Tricor Services Limited ("Tricor"). Tricor is a global professional services provider specializing in business, corporate and investor services. Ms. Kam has experience in a diversified range of corporate services and has been providing professional secretarial services for over 20 years. She holds a Practitioner's Endorsement Certificate from The Hong Kong Institute of Chartered Secretaries. She is a Chartered Secretary and a fellow member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom.

BOARD COMMITTEES

The Board delegates certain responsibilities to various committees. In accordance with the relevant PRC laws and regulations and the corporate governance practice prescribed in the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), the Company has formed four Board committees, namely the Audit Committee, the Remuneration Committee, the Nomination Committee, and the Strategy and Development Committee.

Audit Committee

The Company established an Audit Committee with written terms of reference. The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment and removal of the external auditor, review the financial statements and material advice in respect of financial reporting and oversee the internal control procedures of the Company. At present, the Audit Committee comprises Mr. Vincent Cheng, Mr. Jiang Fuxin and Ms. Feng Qing, the independent non-executive Directors. Mr. Vincent Cheng is the chairman of the Audit Committee.

Remuneration Committee

The Company established a Remuneration Committee with written terms of reference. The primary functions of the Remuneration Committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group, review performance based remuneration and ensure none of the Directors determine their own remuneration. At present, the Remuneration Committee comprises Ms. Feng Qing, and Mr. Vincent Cheng, the independent non-executive Directors, and Ms. Zhu Feifei, an executive Director. Ms. Feng Qing is the chairman of the Remuneration Committee.

Nomination Committee

The Company established a Nomination Committee with written terms of reference. The primary functions of the Nomination Committee are to make recommendations to the Board regarding candidates to fill vacancies on the Board. At present, the Nomination Committee comprises Mr. Jiang Fuxin and Ms. Feng Qing, the independent non-executive Directors, and Ms. Xu Li, an executive Director. Mr. Jiang Fuxin is the chairman of the Nomination Committee.

Strategy and Development Committee

The Company established a Strategy and Development Committee with written terms of reference. The primary duties of the Strategy and Development Committee are mainly to review and recommend actions on long-term operational strategies and developments as well as major investment decisions. At present, the Strategy and Development Committee comprises Mr. Gui, the Chairman and an executive Director, and Mr. Vincent Cheng and Mr. Jiang Fuxin, the independent non-executive Directors. Mr. Gui is the chairman of the Strategy and Development Committee.

EMPLOYEES

The Group maintains good working relations with its staff. It has not experienced any significant problems with the recruitment and retention of experienced employees. In addition, it has not suffered from any material disruption of its normal business operations as a result of labour disputes or strikes.

In the PRC, in accordance with relevant national and local labour and social welfare laws and regulations, the Group is required to pay in respect of its employees in the PRC various social security funds including basic pension insurance, basic medical insurance, unemployment insurance, occupational injury insurance, hospital insurance and insurance for maternity leave.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and engages in the sale of nutritional supplements and health food products. Particulars of the principal activities of its principal subsidiaries are set out in note 27 to the consolidated financial statements of this annual report.

RESULTS AND DIVIDENDS

The results of the Group for 2013 are set out in the consolidated statement of comprehensive income on page 49 of this annual report.

The Board resolved not to recommend the payment of a final dividend for the Year (2012: nil). In view of the Company's financial performance and future continuous development, and that the Company was only listed in January 2014, the Board has decided to retain funds for daily operations.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the Group's property, plant and equipment during 2013 are set out in note 16 to the consolidated financial statements of this annual report.

SHARE CAPITAL

Details of the movements in the issued share capital of the Company during 2013 are set out in note 25 to the consolidated financial statements of this annual report.

RESERVES

The amount of the Company's reserves available for distribution as at 31 December 2013 was RMB6.9 million. Details of the movements in the reserves of the Group during 2013 are set out in the consolidated statement of changes in equity on page 52 of this annual report.

CHARITABLE DONATIONS

Charitable donations made by the Group during 2013 amounted to approximately RMB791,000.

BORROWINGS

The Group had no bank borrowings as at 31 December 2013 (2012: nil).

MAJOR CUSTOMERS AND SUPPLIERS

For 2013, the total turnover attributable to the Group's five largest customers was less than 30% and attributable to the Group's largest customer was less than 10%.

For 2013, the total purchases attributable to the Group's five largest suppliers were less than 30% and attributable to the Group's largest supplier was less than 10%.

For 2013, none of the Directors or any of their associates or any shareholders who, to the knowledge of the Directors, owns more than 5% of the Company's issued share capital, had any interest in the five largest suppliers or customers.

DIRECTORS

The Directors during 2013 and up to the date of this annual report are as follows:

Executive Directors

Mr. Gui Pinghu *(Chairman)*
Ms. Zhang Yuan
Ms. Xu Li
Ms. Zhu Feifei

Non-executive Director

Mr. Xu Chuntao (appointed on 16 May 2013)

Independent Non-executive Directors

Mr. Jiang Fuxin
Ms. Feng Qing (appointed on 25 January 2013)
Mr. Vincent Cheng (appointed on 10 August 2013)
Mr. Feng Qiaogen (resigned on 20 July 2013)

No Director will be proposed for re-election at the forthcoming annual general meeting.

SUPERVISORS

For 2013, the Supervisors of the Company are as follows:

Ms. Yu Min *(Chairman)*
Mr. Tao Xingrong
Ms. Wu Xuemei
Ms. Lu Jiachun
Ms. Chen Xiu

The board of Supervisors of the Company has been set up since 25 October 2012 and has held two meetings during 2013. Details of the meetings and events conducted by the board of Supervisors during 2013 are set out in the board of Supervisors report of this annual report.

Details of biography of Directors, Supervisors and the senior management are set out on pages 21 to 26 of this annual report.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors has entered into a service contract with the Company for a term of three years and shall be elected by shareholders at the general meeting. Directors are eligible for re-election upon expiry of their terms of office, which the successive terms of office of independent non-executive Directors shall not exceed six years, in accordance with the Company's articles of association (the "Articles").

Each of the Supervisors has entered into a service contract with the Company for a term of three years and may be re-elected.

No Director or Supervisor has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

REMUNERATION OF THE DIRECTORS

The remuneration of each Director is approved at annual general meetings. Other emoluments will be determined by the members of the remuneration committee with reference to the duties, responsibilities, performance of the Directors and the results of the Group.

Details of the emoluments of Directors, Supervisors and the highest paid individual are set out in note 12 to the consolidated financial statements of this annual report.

EMOLUMENTS POLICY

The Group's emolument policies are formulated on the performance of individual employee and on the basis of the salary trends in PRC, and will be reviewed regularly. Subject to the Group's profitability, the Group may also distribute discretionary bonus to its employees as an incentive for their contribution to the Group.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, a confirmation of his or her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors are independent in accordance with Rule 3.13 of the Listing Rules.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or its subsidiaries were a party subsisted at the end of 2013 or at any time during the same year in which any Director or Supervisor had a material interest.

MANAGEMENT CONTRACT

Other than the service contracts of the Directors, the Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company during 2013.

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

As the Company was not listed on the Stock Exchange as at 31 December 2013, Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance ("SFO") and section 352 of the SFO were not applicable to the Directors, Supervisors or chief executives of the Company as at 31 December 2013.

As at the date of this directors' report, 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 SFO) as recorded in the register required to be kept under section 352 of SFO, or otherwise notified the Company and the 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 Listing Rules, are set out below:

Name	Capacity	Nature of Interest	Class of share	Number of shares held as at 27 March 2014(1)	Approximate shareholding percentage in the relevant class of shares (%)	Approximate shareholding percentage in the total share capital(3) (%)
Mr. Gui Pinghu	Director	Beneficial owner	Domestic shares	476,685,000(L)	78.00%	56.87%
("Mr. Gui")(2)		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 the total issued shares of the Company of 838,169,000, 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 directors' 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 in 2013 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 the Company was not listed on the Stock Exchange as at 31 December 2013, Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO were not applicable to the Company as at 31 December 2013.

As at the date of this directors' report, 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 27 March 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 Ms. 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 the total issued shares of the Company of 838,169,000, 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.

CONNECTED TRANSACTION

During 2013, there was no connected transaction of the Group that required for the reporting, annual reviews, announcement and independent shareholders' approval under Chapter 14A of the Listing Rules.

AUDIT COMMITTEE

The Company established its Audit Committee on 3 February 2013. The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Jiang Fuxin, Ms. Feng Qing and Mr. Vincent Cheng.

The audit committee has adopted a written terms of references which are in compliance with the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Listing Rules. The audit committee is primarily responsible for the review and supervision of the financial reporting process and internal control system. It has reviewed the accounting principles, accounting standards and methods adopted by the Company together with the management, discussed the matters concerning the internal controls, as well as reviewed the Group's audited annual results for 2013.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or applicable laws of the PRC where the Company is incorporated.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

No contract of significance has been entered into between the Company or any of its subsidiaries and the controlling shareholders (as defined under the Listing Rules) during 2013.

NON-COMPETITION UNDERTAKING

Each of the controlling shareholders, Mr. Gui Pinghu and Ms. Wu Yanmei, has given an irrevocable non-compete undertaking (the "Non-Competition Undertaking") in favour of the Company and has confirmed that none of them is engaged in, or interested in any business which, competes or may compete with the Company's business. All the independent non-executive Directors have reviewed the matters relating to the enforcement of the Non-Competition Undertaking and consider that the terms of the Non-Competition Undertaking has been complied by each of the controlling shareholders.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code 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 Directors confirmed that they have complied with the Model Code throughout the period from the Listing Date to the date of this annual report.

CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the CG Code since the Listing Date and up to the date of this directors' report.

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

The H Shares of the Company were listed on the Stock Exchange on the Listing Date. Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during 2013.

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

The total net proceeds from the initial public offering after the issue of the over-allotment shares amounted to approximately HK$428.7 million (RMB336.4 million). The Company did not have any proceeds from the initial public offering as at 31 December 2013 since the Company was only listed on 15 January 2014. The net proceeds from the initial public offering (i) approximately 43% will be used to expand the production facilities in Nanjing, Jiangsu Province; (ii) approximately 34% will be used to finance the marketing and promotional activities for the next two years; (iii) approximately 18% will be used to strengthen and expand the sales network and exploration of new regions in the next few years; and (iv) the remaining amount of approximately 5% will be used as the working capital and other general corporate purposes, details of the above have been 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 25% of the Company's total issued share capital was held by public as at the date of this report.

AUDITOR

The Company has appointed BDO Limited as the auditor of the Company for 2013. A resolution will be proposed for approval by shareholders at the forthcoming annual general meeting to reappoint BDO Limited as the auditor of the Company.

On behalf of the Board

Mr. Gui Pinghu
Chairman
Hong Kong, 27 March 2014

* *For identification purposes only*

In 2013, the board of Supervisors fully performed its supervisory duties on members of the Board of Directors, managers and other senior executives of the Company as authorised at the general meeting in accordance with the Company laws of the PRC ("Company Law") and the Articles.

I. DAILY WORK OF THE BOARD OF SUPERVISORS

In 2013, the board of Supervisors convened two meetings.

On 19 April 2013, it considered and nominated Mr. Tao Xingrong as the candidate for a Supervisor of the First Session of the board of Supervisors;

On 8 June 2013, it considered the Work Report of the board of Supervisors of the Company for 2012, the Financial Settlement Report for 2012, the Financial Budget Plan for 2013, the proposal on Fair Reporting of Connected Transactions of the Company for 2012 and the proposal on Estimated Connected Transactions of the Company for 2013.

II. LAWFUL OPERATION OF THE COMPANY

The board of Supervisors of the Company attended all meetings of the Board of Directors during the Year, and fully performed its supervisory duties on the production and operation of the Company. It earnestly performed its duties of supervision and inspection, and effectively discharged its supervisory duties on the development strategies and the significant decisions of the Company on a timely basis, thus fully delivering its duties in the development of the Company in 2013.

In the opinion of the board of Supervisors:

1. In 2013, with strong support from all its shareholders, as well as the diligent work of all its staff, the operation and production of the Company were in compliance with the Company Law and the Articles, and the procedures for making decisions on production and operation of the Company are lawful and effective, thus making satisfactory achievements in this respect.

2. During the Reporting Period, each member of the Board of Directors, manager and other senior executives of the Company diligently performed its duties in the Company and, for the benefit of the Company, strictly observed relevant laws, regulations and the Articles, and regulated the work procedures for regulating production, operation and management of the Company, thereby protecting the interest of the Company and its shareholders.

III. INSPECTION ON FINANCIAL STATUS OF THE COMPANY

The board of Supervisors reviewed the 2013 Financial Settlement Report and the 2013 Audit Report to be considered at the 2013 Annual General Meeting. In the opinion of the board of Supervisors, the financial report of the Company reflects its financial position and operating results that are complete, true and accurate. The annual operating results of the Company have been audited by BDO Limited who has also issued an audit report on the Company which is true, objective and fair.

IV. INDEPENDENT OPINION OF THE BOARD OF SUPERVISORS ON CONNECTED TRANSACTIONS OF THE COMPANY

The board of Supervisors is of the view that the Group had no connected transaction in 2013 which was subject to the reporting, annual review, announcement and independent shareholders' approval requirements as set out in Chapter 14A of the Listing Rules.

V. REVIEW OF THE BOARD OF SUPERVISORS ON THE INTERNAL CONTROL SELF-ASSESSMENT REPORT

The board of Supervisors has conducted a review on the Company, and considered that the Company has established an appropriate internal control system in all important aspects and the internal control management system has operated effectively, thus ensuring its consistent implementation and normal production and operation.

VI. IMPLEMENTATION OF RESOLUTIONS ADOPTED AT THE SHAREHOLDERS' MEETINGS

The members of the board of Supervisors had no objection to the contents of resolutions submitted to the shareholders' meetings. The board of Supervisors supervised the implementation of resolutions adopted at the shareholders' meetings, and considered that the Board of Directors was able to implement the relevant resolutions earnestly.

On behalf of the board of Supervisors

Ms. Yu Min
Chairman

27 March 2014

The Board of Directors of the Company is committed to achieving high corporate governance standards.

The Board believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders and to enhance corporate value and accountability.

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

The Shares were listed on the Stock Exchange on 15 January 2014 and therefore the CG code was not applicable to the Company for the year ended 31 December 2013. In preparation for the listing of the Company's shares, the Company has devoted efforts to formulating various policies and procedures in compliance with the CG Code.

In the opinion of the Directors, since the Listing Date and up to the date of this annual report, the Company has complied with all the applicable code provisions of the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code governing the securities dealing by its Directors and relevant employees who are likely to possess inside information in relation to the Company or its securities. Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the period from the Listing Date to the date of the Board meeting approving the annual results announcement for the year 2013.

BOARD OF DIRECTORS

The Board of the Company comprises the following Directors:

Executive Directors:
Mr. Gui Pinghu (Chairman)
Ms. Zhang Yuan (Chief Executive Officer)
Ms. Xu Li
Ms. Zhu Feifei

Non-executive Director:
Mr. Xu Chuntao

Independent non-executive Directors:
Mr. Jiang Fuxin
Ms. Feng Qing
Mr. Vincent Cheng

The biographical information of the Directors are set out in the section headed "Directors" on pages 20 to 23 of this annual report.

None of the members of the Board is related to one another.

Chairman and Chief Executive Officer

The positions of Chairman and Chief Executive Officer are held by Mr. Gui Pinghu and Ms. Zhang Yuan respectively. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The Chief Executive Officer focuses on the Company's business development and daily management and general operations.

Independent Non-executive Directors

Since the Listing Date and up to the date of this annual report, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors are independent.

Non-executive Directors and Directors' Re-election

Code provision A.4.1 of the CG Code stipulates that non-executive Directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all Directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

According to Article 93 of the Articles, Directors shall be elected by shareholders at shareholders' general meeting and their term of office shall be three years.

Each of the current Directors of the Company is appointed under his/her service contract or letter of appointment for a specific term ending on 24 October 2015, subject to the provisions in the Articles.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors of the Board take decisions objectively in the interests of the Company.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the joint company secretaries and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

Continuous Professional Development of Directors

Directors keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed director will receive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

In preparation for the Company's listing on the Stock Exchange, all the Directors have been provided with the relevant training conducted by the Hong Kong lawyers to ensure that they are fully aware of their responsibilities and obligations as a director of a listed company as well as the compliance practice under the Listing Rules.

In addition, relevant reading materials including legal and regulatory update/seminar handouts have been provided to the Directors for their reference and studying.

BOARD COMMITTEES

The Board has established four committees, namely, the Audit Committee, Remuneration Committee, Nomination Committee and Strategy and Development Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

The majority of the members of each Board committee are independent non-executive Directors.

Audit Committee

The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors, and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Audit Committee consists of three independent non-executive Directors, namely Mr. Jiang Fuxin, Ms. Feng Qing and Mr. Vincent Cheng. The chairman of the Audit Committee is Mr. Vincent Cheng.

The attendance of each of the current members of the Audit Committee at the Audit Committee meetings for the Year is shown in the section headed "Attendance Record of Directors and Committee Members" below.

Since the Listing Date and up to the date of this annual report, the Audit Committee held a meeting on 27 March 2014, to review the annual financial results and reports in respect of the Year and significant issues on the financial reporting and compliance procedures, internal control and risk management systems, scope of work and appointment of external auditors, and arrangements for employees to raise concerns about possible improprieties.

Since the Listing Date and up to the date of this annual report, the Audit Committee also met the external auditors on 27 March 2014 without the presence of the executive Directors.

Remuneration Committee

The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration.

The Remuneration Committee consists of two independent non-executive Directors, namely Ms. Feng Qing and Mr. Vincent Cheng and one executive Director, Ms. Zhu Feifei. The chairman of the Remuneration Committee is Ms. Feng Qing.

The attendance of each of the current members of the Remuneration Committee at the Remuneration Committee meeting for the Year is shown in the section headed "Attendance Record of Directors and Committee Members" below.

Since the Listing Date and up to the date of this annual report, the Remuneration Committee held a meeting on 27 March 2014 to review and make recommendation to the Board on the remuneration policy and structure of the Company, and the remuneration packages of the Directors and senior management and other related matters.

Details of the remuneration of each Director and senior management by band for the Year are set out in note 12 to the financial statements of the Company.

Nomination Committee

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of directors, and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board diversity policy, including but not limited to skills, experience, knowledge, expertise, culture, independence, age and gender. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

The Nomination Committee consists of two independent non-executive Directors, namely Mr. Jiang Fuxin and Ms. Feng Qing and one executive Director, namely Ms. Xu Li. Mr. Jiang Fuxin is the chairman of the Nomination Committee.

The attendance of each of the current members of the Nomination Committee at the Nomination Committee meeting for the Year is shown in the section headed "Attendance Record of Directors and Committee Members" below.

Since the Listing Date and up to the date of this annual report, the Nomination Committee held a meeting on 27 March 2014 to review the structure, size and composition of the Board and the independence of the independent non-executive Directors.

Strategy and Development Committee

The principal duties of the Strategy and Development Committee are to conduct researches and submit proposals concerning the long-term development strategies and material investment decisions of the Company.

The Strategy and Development Committee consists of two independent non-executive Directors, namely Mr. Jiang Fuxin and Mr. Vincent Cheng and one executive Director, namely Mr. Gui Pinghu. The chairman of the Strategy and Development Committee is Mr. Gui Pinghu.

The attendance of each of the current members of the Strategy and Development Committee at the Strategy and Development Committee meeting for the Year is shown in the section headed "Attendance Record of Directors and Committee Members" below.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code and disclosure in this corporate governance report.

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each of the current Directors at the Board and Board Committee meetings and the general meetings of the Company held during the Year is set out in the table below:

	Attendance/Number of Meetings						
Name of Director	**Board**	**Nomination Committee**	**Remuneration Committee**	**Audit Committee**	**Strategy and Development Committee**	**Annual General Meeting**	**Other General Meetings (if any)**
Gui Pinghu	19/19	N/A	N/A	N/A	1/1	1/1	12/12
Zhang Yuan	19/19	N/A	N/A	2/2	N/A	1/1	12/12
Xu Li	19/19	1/1	N/A	N/A	N/A	1/1	12/12
Zhu Feifei	19/19	N/A	1/1	N/A	N/A	1/1	12/12
Xu Chuntao*note*	14/15	N/A	N/A	N/A	N/A	1/1	9/9
Jiang Fuxin	19/19	1/1	N/A	2/2	1/1	1/1	12/12
Feng Qing*note*	18/18	1/1	1/1	0/2	N/A	1/1	11/11
Vincent Cheng*note*	11/12	N/A	N/A	N/A	N/A	N/A	7/7

Note: The appointment of the following Directors, who were appointed in 2013, took effect on the following dates:–

Directors	**Appointment date**
Ms. Feng Qing (independent non-executive Director)	25-Jan-2013
Mr. Xu Chuntao (non-executive Director)	16-May-2013
Mr. Vincent Cheng (independent non-executive Director)	10-Aug-2013

They have been invited to attend the relevant Board and Board Committee meetings and the general meetings of the Company upon their appointments.

Apart from regular Board meetings, the Chairman also held meetings with the non-executive Directors (including independent non-executive Directors) without the presence of executive Directors on 27 March 2014.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the Year.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 47 and 48.

AUDITORS' REMUNERATION

The remuneration paid to the Company's external auditors in respect of audit services for the Year amounted to RMB1,050,000.

INTERNAL CONTROLS

During the Year, the Board conducted a review of the effectiveness of the internal control system of the Company, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

COMPANY SECRETARY

Ms. Zhi Hui, one of the joint company secretaries, is experienced in the health food and nutritional supplements industry and has a thorough understanding of the operation of the Board and the Company.

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, Ms. Kam Mei Ha Wendy of Tricor Services Limited, an external service provider, has been engaged by the Company as its joint company secretary. The primary contact person at the Company is Ms. Zhi Hui, another joint company secretary of the Company.

NON-COMPETITION UNDERTAKING

The controlling shareholders, Mr. Gui Pinghu and Ms. Wu Yanmei, have given the Non-Competition Undertaking in favour of the Company and have confirmed that none of them is engaged in, or interested in any business which, competes or may compete with the Company's business. Each of the controlling shareholders has undertaken under the Non-Competition Undertaking that he or she shall provide to the Company and the Directors from time to time (including the independent non-executive Directors) with all information necessary for the annual review by the independent non-executive Directors with regard to compliance of the terms of the Non-Competition Undertaking by the controlling shareholders and the enforcement of the Non-Competition Undertaking.

Each of the controlling shareholders has confirmed compliance with the terms of the Non-competition Undertaking and that during the year review, there was no matter which required to be deliberated by the Board in relation to the compliance and enforcement of the Non-competition Undertaking. All the independent non-executive Directors have reviewed the matters relating to the enforcement of the Non-Competition Undertaking and consider that the terms of the Non-Competition Undertaking has been complied by each of the controlling shareholders.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. At the annual general meetings, Directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries.

Convening Extraordinary General Meeting

Pursuant to Articles 55 and 67 of the Articles, shareholder(s) individually or collectively holding 10% or more of the outstanding shares of the Company carrying voting rights may request the Board to convene an extraordinary general meeting by sending a written requisition with an explanation of the matters proposed to be discussed at the meeting.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address:
30/F, Deji Building
188 Chang Jiang Road
Xuanwu District
Nanjing
Jiangsu Province
PRC
(For the attention of the Company Secretary)

Fax: 86-25-86819167
Email: sinolife@zs-united.com

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Shareholders may call the Company at 86-25-86819188 for any assistance.

Constitutional Document

Since the Listing Date and up to the date of this annual report, the Company has not made any changes to the Articles. An up to date version of the Articles is also available on the Company's website and the Stock Exchange's website.

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TO THE SHAREHOLDERS OF NANJING SINOLIFE UNITED COMPANY LIMITED
(南京中生聯合股份有限公司)
(Incorporated in The People's Republic of China with limited liability)

We have audited the consolidated financial statements of Nanjing Sinolife United Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 49 to 102, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BDO Limited
香港立信德豪會計師事務所有限公司

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2013 and of the profit and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants

Ng Wai Man
Practising Certificate Number P05309

Hong Kong, 27 March 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Turnover	7	**194,736**	150,372
Cost of sales		**(20,909)**	(20,276)
Gross profit		**173,827**	130,096
Other revenue and other gains and losses	8	**2,309**	1,484
Selling and distribution expenses		**(39,807)**	(34,047)
Administrative expenses		**(27,018)**	(20,621)
Listing expenses		**(14,314)**	–
Profit before income tax	9	**94,997**	76,912
Income tax expense	10	**(24,211)**	(19,675)
Profit for the year		**70,786**	57,237
Other comprehensive income that may be reclassified to profit or loss in subsequent periods, after tax			
Exchange differences on translation of foreign operations		**(417)**	(11)
Total comprehensive income for the year		**70,369**	57,226
		RMB	RMB
Earnings per share:			
– Basic and diluted	14	**0.12**	0.10

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Non-current assets			
Property, plant and equipment	16	**21,770**	18,476
Prepaid land lease payments	17	**4,165**	4,266
Intangible assets	18	**32**	98
Deposit for acquisition of property, plant and equipment		**–**	3,795
Deferred tax assets	20	**1,122**	1,569
		27,089	28,204
Current assets			
Inventories	21	**7,124**	13,684
Prepaid land lease payments		**101**	101
Trade and other receivables	22	**12,651**	3,731
Amounts due from directors	28(iii)	**–**	691
Cash and bank balances	23	**164,780**	93,220
		184,656	111,427
Current liabilities			
Trade and other payables	24	**19,505**	10,037
Amount due to a director	28(ii)	**12**	3,983
Income tax payables		**8,346**	6,098
		27,863	20,118
Net current assets		**156,793**	91,309
Net assets		**183,882**	119,513
Capital and reserves			
Share capital	25	**61,111**	55,000
Reserves	26	**122,771**	64,513
Total equity		**183,882**	119,513

On behalf of the Board

Gui Pinghu
Chairman and Executive Director

Zhang Yuan
Chief Executive Officer and Executive Director

	Notes	2013 RMB'000	2012 RMB'000
Non-current assets			
Property, plant and equipment	16	**11,409**	12,025
Deposit for acquisition of investment property		**–**	3,795
Investment property	19	**3,613**	–
Interests in subsidiaries	27	**31,640**	31,540
		46,662	47,360
Current assets			
Inventories	21	**7,405**	15,763
Trade and other receivables	22	**7,267**	312
Amounts due from directors	28(iii)	**–**	691
Amounts due from subsidiaries	28(i)	**588**	99
Cash and bank balances	23	**77,110**	37,847
		92,370	54,712
Current liabilities			
Trade and other payables	24	**15,446**	3,478
Amount due to a director	28(ii)	**–**	161
Amounts due to subsidiaries	28(i)	**933**	7,604
Income tax payables		**848**	2,654
		17,227	13,897
Net current assets		**75,143**	40,815
Net assets		**121,805**	88,175
Capital and reserves			
Share capital	25	**61,111**	55,000
Reserves	26	**60,694**	33,175
Total equity		**121,805**	88,175

On behalf of the Board

Gui Pinghu
Chairman and Executive Director

Zhang Yuan
Chief Executive Officer and Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	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 2012	26,000	–	46	5,087	229	63,831	95,193
Issue of share capital	1,000	5,194	–	–	–	–	6,194
Deemed distribution to controlling shareholder *(Note 26(v))*	–	–	–	–	(4,100)	–	(4,100)
Capitalisation of shares	28,000	(2,791)	–	(5,087)	–	(20,122)	–
Dividend declared and paid *(Note 15)*	–	–	–	–	–	(35,000)	(35,000)
Transaction with owners	28,000	(2,791)	–	(5,087)	(4,100)	(55,122)	(39,100)
Profit for the year	–	–	–	–	–	57,237	57,237
Exchange difference on translation of foreign operations	–	–	(11)	–	–	–	(11)
Total comprehensive income	–	–	(11)	–	–	57,237	57,226
Transfer to surplus reserve	–	–	–	2,927	–	(2,927)	–
At 31 December 2012 and 1 January 2013	**55,000**	**2,403**	**35**	**2,927**	**(3,871)**	**63,019**	**119,513**
Issue of share capital	**6,111**	**43,889**	**–**	**–**	**–**	**–**	**50,000**
Dividend declared and paid *(Note 15)*	**–**	**–**	**–**	**–**	**–**	**(56,000)**	**(56,000)**
Transaction with owners	**–**	**–**	**–**	**–**	**–**	**(56,000)**	**(56,000)**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**70,786**	**70,786**
Exchange difference on translation of foreign operations	**–**	**–**	**(417)**	**–**	**–**	**–**	**(417)**
Total comprehensive income	**–**	**–**	**(417)**	**–**	**–**	**70,786**	**70,369**
Transfer to surplus reserve	**–**	**–**	**–**	**4,536**	**–**	**(4,536)**	**–**
At 31 December 2013	**61,111**	**46,292**	**(382)**	**7,463**	**(3,871)**	**73,269**	**183,882**

* These reserve accounts comprise the consolidated reserves in the consolidated statements of financial position.

	Note	2013 RMB'000	2012 RMB'000
Operating activities			
Profit before income tax		**94,997**	76,912
Adjustment for:			
Depreciation		**3,368**	1,982
Amortisation of prepaid land lease payments		**101**	100
Amortisation of intangible assets		**66**	65
Waiver of long outstanding trade and other payables		**–**	(49)
Loss on disposal of property, plant and equipment		**76**	–
Excess written off to profit or loss arising from the acquisition of business		**–**	20
Short term investment income		**(775)**	(318)
Interest income		**(1,313)**	(985)
Operating profit before working capital changes		**96,520**	77,727
Decrease/(increase) in inventories		**6,560**	(2,740)
(Increase)/decrease in trade and other receivables		**(9,051)**	2,934
Increase in trade and other payables		**9,567**	1,446
Increase in amounts due from related parties		**–**	(647)
Decrease in amounts due to related parties		**–**	(266)
Cash generated from operations		**103,596**	78,454
Income tax paid		**(21,520)**	(20,531)
Net cash generated from operating activities		**82,076**	57,923
Investing activities			
Payments to acquire property, plant and equipment		**(2,948)**	(2,390)
Deposit paid to acquire property, plant and equipment		**–**	(3,795)
Proceeds from disposal of property, plant and equipment		**5**	–
Purchase of a subsidiary, net of cash and bank balances acquired		**–**	552
Redemption of short term investments		**–**	9,000
Short term investment income received		**775**	318
Interest received		**1,313**	985
Net cash (used in)/generated from investing activities		**(855)**	4,670

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	Note	2013 RMB'000	2012 RMB'000
Financing activities			
Proceeds from issue of shares		**50,000**	6,194
Net repayment from directors		**(2,993)**	599
Deemed distribution to controlling shareholders		**–**	(4,100)
Dividend paid to owners of the Company		**(56,000)**	(35,000)
Net cash used in financing activities		**(8,993)**	(32,307)
Net increase in cash and bank balances		**72,228**	30,286
Cash and bank balances at beginning of the year		**93,220**	62,775
Effect of exchange rate changes on cash and bank balances		**(668)**	159
Cash and bank balances at end of the year	23	**164,780**	93,220

1. GENERAL INFORMATION

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

The Group is principally engaged in the manufacture and sale of nutritional supplements and health food products in the PRC.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted all of new and revised standards, amendments and interpretation (hereinafter collectively referred to as "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for the accounting periods beginning on or after 1 January 2013 in the preparation of the consolidated financial statements throughout the year.

The HKICPA has also issued the following new and revised HKFRSs that are not yet effective, potentially relevant to the Group but have not been early adopted in the preparation of the consolidated financial statements.

Amendments to HKAS 32	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets[1]
HKFRS 9	Financial Instruments[2]

Notes:

1 Effective for annual periods beginning on or after 1 January 2014.

2 No mandatory effective date yet determined but is available for adoption.

Amendments to HKAS 32 – Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement.

Amendments to HKAS 36 – Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets

The amendments limit the requirements to disclose the recoverable amount of an asset or cash generating unit (CGU) to those periods in which an impairment loss has been recognised or reversed, and expand the disclosures where the recoverable amount of impaired assets or CGUs has been determined based on fair value less costs of disposal.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

HKFRS 9 – Financial Instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

The Group is in the process of making an assessment of the potential impact of the new/revised HKFRSs and the directors so far concluded that the application of the new/revised HKFRSs will have no material impact on the results and the financial position of the Group.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with the HKFRSs and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost.

(c) Functional and presentation currency

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

(i) Merger accounting for common control combination

The consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of comprehensive income include the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

(ii) Acquisition method of accounting for non-common control combination

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by- transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (Continued)

(ii) Acquisition method of accounting for non-common control combination (Continued)

The results of subsidiaries acquired or disposed of are included in the consolidated statements of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

In the Company's statements of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Buildings	20 years
Leasehold improvements	Over shorter of 5 years and the remaining lease terms
Plant and machinery	5 to 10 years
Office equipment	3 to 5 years
Motor vehicles	4 to 5 years

Construction in progress is stated at cost less any accumulated impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Investment property

Investment property is a property held either to earn rentals or for capital appreciation or for both, or held for undetermined future use, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. Depreciation is charged so as to write off the cost of investment property net of expected residual value over the estimated useful live using straight-line method. The useful live, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

(e) Intangible assets

(i) Acquired intangible assets

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation on registered licenses is provided on a straight-line basis over their useful lives of 10 years. Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses. The amortisation expense is recognised in profit or loss and included in administrative expenses.

(ii) Impairment

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired (Note 4(m)).

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

As lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

As lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

(g) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs to completion and estimated costs necessary to make the sale.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial instruments

(i) Financial assets

The Group has one category of financial assets being loans and receivables.

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset.

Loans and receivables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtors' financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial instruments (Continued)

(iii) Financial liabilities

The Group has one category of financial liabilities being financial liabilities at amortised cost. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost including trade and other payables, amounts due to related parties and a director are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortization process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(i) Revenue recognition

Revenue from sales of goods is recognised on transfer of risks and rewards of ownership, which is at the time of delivery and the title is passed to customer.

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items directly recognised in other comprehensive income in which case the taxes are also directly recognised in other comprehensive income.

(k) Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which case, the exchange differences are also recognised directly in other comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Foreign currency (Continued)

On preparing the consolidated financial statements, the results of foreign operations are translated into the presentation currency of the Group (i.e. Renminbi) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising on the translation are recognised directly in other comprehensive income and accumulated as translation reserve within equity. Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to the translation reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the translation reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

(l) Employee benefits

(i) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(ii) Pension obligations

For employees in the People's Republic of China (the "PRC"), the Group contributes a certain percentage of their payroll costs to a state-sponsored retirement plans. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due and are/are not reduced by contributions forfeited by those employees who leave the plan prior to vesting fully in the contributions.

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment of other assets

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- investment property; and
- intangible assets with finite useful lives.

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised as income immediately.

(n) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Related parties (Continued)

(b) (Continued)

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

Close family members of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

(o) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key sources of estimation uncertainty are discussed below.

(i) Impairment of property, plant and equipment

The Group tests annually whether property, plant and equipment have suffered any impairment. Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to profit or loss.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(ii) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives, and related depreciation charges for its property, plant and equipment. The estimates are based on the historical experience of the actual useful lives of property, plant and equipment and intangible assets of similar nature and functions. Management will increase the depreciation and amortisation charges where useful lives are less than previously estimated lives. It will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore affect the depreciation charges in future periods.

(iii) Provision for obsolete inventories

The management estimates the net realisable value of inventories based primarily on the latest market prices and current market conditions. The Group carries out an inventory review at the end of each period and makes allowance on obsolete and slow moving items to write off or write down inventories to their net realisable values. Where the expectation on the net realisable value is lower than the cost, an impairment may arise.

(iv) Income taxes and deferred tax

The Group is subject to income taxes in Mainland China and Australian jurisdictions. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of businesses. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when our management determines it is likely that future taxable profits will be available against the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different. When the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets and income tax charges in the period in which such estimates are changed.

6. 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 the manufacture and sale of nutritional supplements and sale 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 customers are derived in the PRC.

(c) Revenue from major products

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

	2013 RMB'000	2012 RMB'000
Nutritional supplements developed and manufactured in China	**102,144**	95,744
Australian or New Zealand manufactured food and nutritional supplements	**90,810**	53,129
Others	**1,782**	1,499
	194,736	150,372

(d) Information about major customers

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

7. TURNOVER

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

8. OTHER REVENUE AND OTHER GAINS AND LOSSES

	2013 RMB'000	2012 RMB'000
Bank interest income	**1,313**	985
Short term investment income	**775**	318
Government grant	**260**	–
Loss on disposal of property, plant and equipment	**(76)**	–
Net exchange gain	**1**	111
Others	**36**	21
Waiver of long outstanding trade and other payables	**–**	49
	2,309	1,484

9. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	2013 RMB'000	2012 RMB'000
Cost of inventories sold	**17,207**	17,840
Staff costs *(Note 11)*	**36,818**	28,392
Amortisation of prepaid land lease payments	**101**	100
Amortisation of intangible assets	**66**	65
Auditor's remuneration	**1,175**	329
Depreciation of property, plant and equipment	**3,368**	1,982
Operating lease payments on properties and retail shops *(note)*	**8,994**	4,025
Research and development expenses	**903**	219

Note: Included was contingent rental of RMB2,755,000 incurred during the year (2012: RMB677,000).

10. INCOME TAX EXPENSE

(a) The amounts of taxation in the consolidated statement of comprehensive income represent:

	2013 RMB'000	2012 RMB'000
Current tax –		
PRC Enterprise Income Tax		
– Provision for the year	**23,284**	19,319
– Under provision in prior year	**479**	–
Current tax –		
Australia Income Tax		
– Provision for the year	**–**	188
	23,763	19,507
Deferred tax		
– origination and reversal of temporary difference	**448**	168
Income tax expense	**24,211**	19,675

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 year.

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

10. INCOME TAX EXPENSE (CONTINUED)

(b) The income tax expense for the year can be reconciled to the profit per the consolidated statement of comprehensive income as follows:

	2013 RMB'000	2012 RMB'000
Profit before income tax	**94,997**	76,912
Tax on profit before income tax, calculated at PRC Enterprise Income Tax rate	**23,749**	19,228
Effect of different tax rates of subsidiaries operating in other jurisdictions	**114**	96
Tax effect of expenses not deductible for tax purposes	**382**	802
Tax effect of deductible temporary differences not recognised	**–**	(4)
Under provision in prior year	**479**	–
Others	**(513)**	(447)
Income tax expense	**24,211**	19,675

11. STAFF COSTS

	2013 RMB'000	2012 RMB'000
Staff costs (including directors) comprise:		
Wages and salaries	**28,252**	21,152
Social insurance and housing fund	**6,060**	3,866
Other benefits	**2,506**	3,374
	36,818	28,392

12. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND HIGHEST PAID INDIVIDUALS

(a) Directors' and supervisors' emoluments

The emoluments of every director and supervisor for the year are set out below:

Year ended 31 December 2013

	Fees RMB'000	Basic salaries and bonus RMB'000	Social insurance and housing fund RMB'000	Housing and other allowances and benefits in kind RMB'000	Total RMB'000
Name of Executive Directors					
Mr. Gui Ping Hu *(note i)*	–	650	84	–	734
Ms. Zhu Feifei *(note i)*	–	135	18	–	153
Ms. Xu Li *(note i)*	–	244	29	–	273
Ms. Zhang Yuan *(note i)*	–	279	30	–	309
Total	–	1,308	161	–	1,469
Name of Non executive Director					
Mr. Xu Chuntao *(note ii)*	–	–	–	–	–
Name of Independent Non-executive Directors					
Mr. Jiang Fuxin *(note i)*	60	–	–	–	60
Ms. Feng Qing *(note iii)*	60	–	–	–	60
Mr. Zheng Jiafu *(note v)*	50	–	–	–	50
Mr. Feng Qiaogen *(notes i and iv)*	–	–	–	–	–
Total	170	–	–	–	170
Name of Supervisors					
Ms. Yu Min *(note i)*	–	132	25	–	157
Ms. Wu Xuemei *(note i)*	–	134	21	–	155
Ms. Lu Jiachun *(note i)*	–	76	20	–	96
Ms. Chen Xiu *(note ii)*	–	78	18	–	96
Total	–	420	84	–	504

12. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND HIGHEST PAID INDIVIDUALS (CONTINUED)

(a) Directors' and supervisors' emoluments (Continued)

Year ended 31 December 2012

	Fees RMB'000	Basic salaries and bonus RMB'000	Social insurance and housing fund RMB'000	Housing and other allowances and benefits in kind RMB'000	Total RMB'000
Name of Executive Directors					
Mr. Gui Ping Hu *(note i)*	–	537	80	–	617
Ms. Zhu Feifei *(note i)*	–	135	12	–	147
Ms. Xu Li *(note i)*	–	207	20	–	227
Ms. Zhang Yuan *(note i)*	–	219	21	–	240
Total	–	1,098	133	–	1,231
Name of Independent Non-executive Directors					
Mr. Jiang Fuxin *(note i)*	60	–	–	–	60
Mr. Feng Qiaogen *(notes i and iv)*	60	–	–	–	60
Total	120	–	–	–	120
Name of Supervisors					
Ms. Yu Min *(note i)*	–	119	21	–	140
Ms. Wu Xuemei *(note i)*	–	138	16	–	154
Ms. Lu Jiachun *(note i)*	–	72	16	–	88
Ms. Chen Xiu *(note ii)*	–	73	15	–	88
Total	–	402	68	–	470

Notes:

(i) Appointed on 25 October 2012. The director's fee for the forthcoming 12 months was paid to the director on the date of appointment and will be payable on the same date of each year subsequently.

(ii) Appointed on 16 May 2013 as representatives of 上海復星創富股權投資基金合夥企業(有限合夥) (Shanghai Fosun Chuangfu Shareholding Fund Limited Partnership*) and not entitled to any emoluments.

12. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND HIGHEST PAID INDIVIDUALS (CONTINUED)

(a) Directors' and supervisors' emoluments (Continued)

Notes: (Continued)

(iii) Appointed on 25 January 2013.

(iv) Appointed as Executive Director on 25 October 2012 and resigned on 20 July 2013.

(v) Appointed on 15 August 2013.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the years ended 31 December 2012 and 2013 included three directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two highest paid individuals during the year are as follows:

	2013 RMB'000	2012 RMB'000
Wages and salaries	**366**	395
Social insurance and housing fund	**34**	36
	400	431

The emoluments of each of the above highest paid individuals were all within the band from nil to RMB1,000,000 during the year.

The number of directors and senior management whose remuneration fell within the following bands were as follows:

	2013	2012
Nil to RMB1,000,000	**22**	18

During the year no emoluments were paid by the Group to the directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, none of the directors waived or agreed to waive any emoluments during the year.

13. PROFIT FOR THE YEAR

The consolidated profit for the year ended 31 December 2013 includes a profit of approximately RMB39,630,000 (2012: RMB45,606,000), which has been dealt with in the financial statements of the Company.

14. EARNINGS PER SHARE

The basic earnings per share for the year is calculated based on the profit for the year 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 25(iv) had been taken place since 1 January 2012.

	2013	**2012**
Profit for the year (RMB'000)	**70,786**	57,237
Weighted average number of ordinary shares in issue	**588,508,301**	550,000,000
Basic earnings per share (RMB)	**0.12**	0.10

There were no dilutive potential ordinary shares in issue during the years ended 31 December 2012 and 2013, the amount of diluted earnings per share is the same as basic earnings per share for both of the years.

15. DIVIDENDS

The dividends paid or payable during the year by the Company were as follows:

	2013 **RMB'000**	**2012** **RMB'000**
Special dividend approved and paid/payable during the year	**56,000**	35,000

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

16. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in-progress RMB'000	Total RMB'000
At 1 January 2012, net of accumulated depreciation	16,464	4	724	359	521	–	18,072
Additions	–	639	–	658	1,093	–	2,390
Depreciation	(1,047)	(39)	(239)	(287)	(370)	–	(1,982)
Exchange realignment	–	–	–	–	(4)	–	(4)
At 31 December 2012, net of accumulated depreciation	15,417	604	485	730	1,240	–	18,476
31 December 2012:							
Cost	21,818	669	4,513	2,058	4,074	–	33,132
Accumulated depreciation	(6,401)	(65)	(4,028)	(1,328)	(2,834)	–	(14,656)
Net carrying amount	15,417	604	485	730	1,240	–	18,476
At 1 January 2013, net of accumulated depreciation	**15,417**	**604**	**485**	**730**	**1,240**	**–**	**18,476**
Additions	**3,795**	**1,857**	**–**	**747**	**193**	**151**	**6,743**
Depreciation	**(1,213)**	**(1,170)**	**(185)**	**(353)**	**(447)**	**–**	**(3,368)**
Disposals	**(71)**	**–**	**–**	**(3)**	**(7)**	**–**	**(81)**
At 31 December 2013, net of accumulated depreciation	**17,928**	**1,291**	**300**	**1,121**	**979**	**151**	**21,770**
31 December 2013:							
Cost	**25,513**	**2,526**	**4,513**	**2,779**	**4,058**	**151**	**39,540**
Accumulated depreciation	**(7,585)**	**(1,235)**	**(4,213)**	**(1,658)**	**(3,079)**	**–**	**(17,770)**
Net carrying amount	**17,928**	**1,291**	**300**	**1,121**	**979**	**151**	**21,770**

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Company

	Buildings RMB'000	Leasehold improve-ments RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1 January 2012, net of accumulated depreciation	11,716	–	115	229	12,060
Additions	–	516	354	138	1,008
Depreciation	(748)	(64)	(98)	(133)	(1,043)
At 31 December 2012, net of accumulated depreciation	10,968	452	371	234	12,025
31 December 2012:					
Cost	15,580	516	996	1,095	18,187
Accumulated depreciation	(4,612)	(64)	(625)	(861)	(6,162)
Net carrying amount	10,968	452	371	234	12,025
At 1 January 2013, net of accumulated depreciation	**10,968**	**452**	**371**	**234**	**12,025**
Additions	**182**	**730**	**433**	**–**	**1,345**
Depreciation	**(930)**	**(746)**	**(181)**	**(104)**	**(1,961)**
Disposals	**–**	**–**	**–**	**–**	**–**
At 31 December 2013, net of accumulated depreciation	**10,220**	**436**	**623**	**130**	**11,409**
31 December 2013:					
Cost	**15,580**	**1,246**	**1,418**	**1,095**	**19,339**
Accumulated depreciation	**(5,360)**	**(810)**	**(795)**	**(965)**	**(7,930)**
Net carrying amount	**10,220**	**436**	**623**	**130**	**11,409**

17. PREPAID LAND LEASE PAYMENTS

	2013 RMB'000	2012 RMB'000
Carrying amount at beginning of year	**4,367**	4,467
Release to profit or loss during the year	**(101)**	(100)
Carrying amount at end of year	**4,266**	4,367
Less: Amounts classified as current assets	**(101)**	(101)
	4,165	4,266

The prepaid land lease payments represented the Group's interest in medium-term leasehold land in the PRC.

18. INTANGIBLE ASSETS

	Registered license RMB'000
Cost:	
At 1 January 2012, 31 December 2012 and 2013	1,050
Accumulated amortisation and impairment:	
At 1 January 2012	(887)
Charge for the year	(65)
At 31 December 2012	(952)
Charge for the year	(66)
At 31 December 2013	(1,018)
Carrying amount:	
At 31 December 2013	32
At 31 December 2012	98

19. INVESTMENT PROPERTY

The Company

	RMB'000
Cost:	
At 1 January 2012 and 31 December 2012	–
Addition	3,795
At 31 December 2013	3,795
Accumulated depreciation:	
At 1 January 2012 and 31 December 2012	–
Charge for the year	(182)
At 31 December 2013	(182)
Carrying amount:	
At 31 December 2013	3,613
At 31 December 2012	–

Investment property is situated in the PRC and held on a medium-term leasehold land. The investment property is depreciated over an estimated useful life of 20 years. Currently the investment property is rented to a subsidiary. At the end of the reporting period, the directors consider no impairment of the investment property is necessary.

20. DEFERRED TAX ASSETS

Details of the deferred tax assets recognised in the consolidated statements of financial position and movements during the year are as follows:

	Unrealised profit on inter-company transactions RMB'000
At 1 January 2012	1,737
Charged to profit or loss	(168)
At 31 December 2012	1,569
Charged to profit or loss	(447)
At 31 December 2013	1,122

21. INVENTORIES

The Group

	2013 RMB'000	2012 RMB'000
Raw materials	**780**	639
Work-in-progress	**–**	172
Finished goods	**416**	887
Goods merchandise	**5,928**	11,986
	7,124	13,684

21. INVENTORIES (CONTINUED)

The Company

	2013 RMB'000	2012 RMB'000
Goods merchandise	**7,405**	15,763

22. TRADE AND OTHER RECEIVABLES

The Group

	2013 RMB'000	2012 RMB'000
Trade receivables	**2,140**	474
Other receivables	**381**	283
Deposits and prepayments	**10,130**	2,974
	12,651	3,731

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

	2013 RMB'000	2012 RMB'000
Within 1 month	**1,923**	165
Over 1 month but within 3 months	**207**	296
Over 3 months but within 1 year	**5**	9
Over 1 year	**5**	4
	2,140	474

22. TRADE AND OTHER RECEIVABLES (CONTINUED)

The Group (Continued)

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.

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

	2013 RMB'000	2012 RMB'000
Within 1 month	458	13
Over 1 month but within 3 months	17	5
Over 3 months but within 1 year	5	9
Over 1 year	5	4
	485	31

The Group recognised impairment loss on individual assessment based on the accounting policy stated in Note 4(h)(ii).

The Company

	2013 RMB'000	2012 RMB'000
Trade receivables	744	31
Other receivables	46	74
Deposits and prepayments	6,477	207
	7,267	312

22. TRADE AND OTHER RECEIVABLES (CONTINUED)

The Company (Continued)

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

	2013 RMB'000	2012 RMB'000
Within 1 month	671	13
Over 1 month but within 3 months	63	5
Over 3 months but within 1 year	5	9
Over 1 year	5	4
	744	31

The Company gives 30 days credit period on sales of goods to certain specific customers. In general, the Company has no credit period granted to customers, invoices would be due once they have been issued.

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

	2013 RMB'000	2012 RMB'000
Within 1 month	427	13
Over 1 month but within 3 months	17	5
Over 3 months but within 1 year	5	9
Over 1 year	5	4
	454	31

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.

23. CASH AND BANK BALANCES

The Group

	2013 RMB'000	2012 RMB'000
Time deposits	**20,000**	9,000
Cash at banks and on hand	**144,780**	84,220
	164,780	93,220

The currency analysis of cash and bank balances are shown as follows:

	2013 RMB'000	2012 RMB'000
Renminbi	**162,613**	87,913
Australian dollars	**2,167**	5,307
	164,780	93,220

Cash and bank balances comprise cash and bank balances held by the Group with an original maturity within 3 months. Bank balances carry interest rate at 0.35 – 0.385% per annum as at 31 December 2013 (2012: 0.35 – 0.5% per annum).

Time deposits at banks of the Group were non-pledged time deposits with original maturity of more than three months. The time deposits carry fixed interest rates of 3.25% per annum as at 31 December 2013 (2012: 3.5% per annum).

The Company

Bank balances carry interest rate at 0.35 – 0.385% per annum as at 31 December 2013 (2012: 0.35 – 0.385% per annum).

24. TRADE AND OTHER PAYABLES

The Group

	2013 RMB'000	2012 RMB'000
Trade payables	550	885
Other payables and accruals	18,955	9,152
	19,505	10,037

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:

	2013 RMB'000	2012 RMB'000
Within 1 month	37	230
Over 1 month but within 3 months	496	443
Over 3 month but within 1 year	–	86
Over 1 year	17	126
	550	885

The Company

	2013 RMB'000	2012 RMB'000
Trade payables	1	–
Other payables and accruals	15,445	3,478
	15,446	3,478

25. SHARE CAPITAL

	Number of ordinary shares		
	Nominal value of RMB1	Nominal value of RMB0.1	RMB'000
Registered and paid up capital			
At 1 January 2012	26,000,000	–	26,000
Issue of shares *(note i)*	1,000,000	–	1,000
Share capitalisation *(note ii)*	28,000,000	–	28,000
At 31 December 2012	55,000,000	–	55,000
Issue of shares *(note iii)*	6,111,100	–	6,111
Subdivision *(note iv)*	(61,111,100)	611,111,000	–
At 31 December 2013	–	611,111,000	61,111

Notes:

(i) Pursuant to the resolution passed on shareholders' meeting on 2 July 2012, the authorised share capital increased from RMB26,000,000 to RMB27,000,000. It was resolved that an additional paid-in capital of RMB1,000,000 was subscribed to 南京中研投資合夥企業 (有限合夥) (Nanjing Zhongyan Investment Limited Partnership*) at a total consideration of RMB6,193,700.

(ii) Pursuant to the resolution passed on shareholders' meeting on 8 October 2012, the Company was transformed from a limited liability company to a joint stock limited liability company. As part of the transformation, the Company's paid-in capital of RMB27,000,000 was converted into 27,000,000 ordinary shares of RMB1 par value and 28,000,000 new ordinary shares of RMB1 each were allotted and issued to the original shareholders according to their original portion in shareholding by way of capitalisation of capital reserve of RMB2,791,000, surplus reserve of RMB5,078,000 and retained earnings of RMB20,122,000.

(iii) 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.

(iv) 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.

26. RESERVES

The Group

The amount of the Group's reserves and movements for the year are presented in the consolidated statements of changes in equity on page 52 of the consolidated financial statements.

The Company

	Capital reserve RMB'000	Surplus reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2012	–	5,087	40,288	45,375
Issue of share capital	5,194	–	–	5,194
Total comprehensive income for the year	–	–	45,606	45,606
Transfer to surplus reserve	–	2,927	(2,927)	–
Dividend declared and paid	–	–	(35,000)	(35,000)
Capitalisation of shares	(2,791)	(5,087)	(20,122)	(28,000)
At 31 December 2012 and 1 January 2013	2,403	2,927	27,845	33,175
Issue of share capital	43,889	–	–	43,889
Transfer to surplus reserve	–	4,536	(4,536)	–
Total comprehensive income for the period	–	–	39,630	39,630
Dividend declared and paid	–	–	(56,000)	(56,000)
At 31 December 2013	46,292	7,463	6,939	60,694

(i) Surplus reserve

In accordance with the PRC regulations, certain companies in the PRC are required to transfer part of their profits after tax determined under the PRC accounting standards to the surplus reserve fund, before profit distributions are made. The statutory reserve fund is non-distributable and may be used either to offset losses, or for capitalisation issues by way of paid-up capital.

26. RESERVES (CONTINUED)

(ii) Capital reserve

The amount arose from the share issue in 2012 which represented the balance of the credit amount arising from the excess of the par value of the shares from the paid-in capital.

(iii) Merger reserve

On 24 December 2012, the Group acquired the entire equity interest in Australia Cobayer Health Food Co Pty Ltd. ("Australia Cobayer") from Mr. Gui. This transaction has been accounted for using the principles of merger accounting. The excess of consideration paid over the nominal value of the issued share capital was directly recognised in the merger reserve.

(iv) Translation reserve

This reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. This reserve is dealt with in accordance with the accounting policy in Note 4(k).

(v) Deemed distribution to Controlling Shareholders

As mentioned in note (iii), the Group acquired the entire equity interest in Australia Cobayer and the consideration paid to Mr. Gui amounting to RMB4,100,000 was regarded as a deemed distribution to a controlling shareholder.

27. INVESTMENT IN SUBSIDIARIES

	2013 RMB'000	2012 RMB'000
Investments in subsidiaries, at cost	**31,640**	31,540

27. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows:

Name	Place and date of incorporation/ establishment and type of legal entity	Place of operations	Issued and fully paid share capital/ registered capital	Attributable equity interest directly held	Principal activities
南京中生生物科技有限公司	The PRC/17 June 2003/ Limited liability company	PRC	Registered and fully paid up capital 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	PRC	Registered and fully paid up capital 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	PRC	Registered and fully paid up capital 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	PRC	Registered and fully paid up capital 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	PRC	Registered and fully paid up capital 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	PRC	Registered and fully paid up capital 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	PRC	Registered and fully paid up capital RMB600,000	100%	Retailing of health food products
廣州中院生物科技有限公司	The PRC/27 June 2008/ Limited liability company	PRC	Registered and fully paid up capital RMB600,000	100%	Retailing of health food products
Australia Cobayer Health Food Co Pty Ltd.	Australia/2 March 2009/ Limited liability company	Australia	Fully paid up share capital 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	PRC	Registered and fully paid up capital RMB600,000	100%	Retailing of health food products

27. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name	Place and date of incorporation/ establishment and type of legal entity	Place of operations	Issued and fully paid share capital/ registered capital	Attributable equity interest directly held	Principal activities
成都中生華美生物科技有限公司	The PRC/6 April 2011/ Limited liability company	PRC	Registered and fully paid up capital 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	PRC	Registered and fully paid up capital 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	PRC	Registered and fully paid up capital 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	PRC	Registered and fully paid up capital RMB100,000	100%	Retailing of health food products
南京德澳國際貿易有限公司	The PRC/15 July 2011/ Limited liability company	PRC	Registered and fully paid up capital RMB1,000,000	100%	Importing of food products
上海康赫生物科技有限公司	The PRC/18 November 2013/ Limited liability company	PRC	Registered and fully paid up capital RMB1,000,000	100%	Retailing of health food products

28. AMOUNTS DUE FROM/(TO) DIRECTORS/RELATED PARTIES/SUBSIDIARIES

(i) The amounts due from/(to) subsidiaries are unsecured, interest-free and repayable on demand.

(ii) The amount due to a director was unsecured, interest-free and repayable on demand.

(iii) The amounts due from directors were unsecured, interest-free and repayable on demand. Details of amounts due from directors and maximum amounts outstanding disclosed pursuant to section 161B of the Hong Kong Companies Ordinance are as follows:

The Group

	2013 RMB'000	2012 RMB'000
Zhang Yuan	–	271
Xu Li	–	420
	–	691
Maximum amounts outstanding:		
Zhang Yuan	271	271
Xu Li	420	420

The Company

	2013 RMB'000	2012 RMB'000
Zhang Yuan	–	271
Xu Li	–	420
	–	691
Maximum amounts outstanding:		
Gui Pinghu	–	522
Zhang Yuan	271	271
Xu Li	420	420

29. OPERATING LEASE ARRANGEMENTS

As lessee

The Group and the Company leases the majority of its properties. The terms of property leases range 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:

The Group

	2013 RMB'000	2012 RMB'000
Within one year	2,118	494
After one year but within five years	1,120	495
	3,238	989

The Company

	2013 RMB'000	2012 RMB'000
Within one year	286	200
After one year but within five years	368	495
	654	695

29. OPERATING LEASE ARRANGEMENTS (CONTINUED)

As lessor

The Company

The Company leases its investment property to its subsidiary under operating lease arrangement, with a lease term of 2 years, with an option to renew the lease term at the expiry date or at dates as mutually agreed.

The total future minimum lease receivables under a non-cancellable operating lease are due as follows:

	2013 RMB'000	2012 RMB'000
Within one year	120	–
After one year but within five years	40	–
	160	–

30. RELATED PARTY DISCLOSURES

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

(a) During the year, 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")

30. RELATED PARTY DISCLOSURES (CONTINUED)

(b) During the year, the Group entered into the following significant transactions with its related parties:

	2013 RMB'000	2012 RMB'000
Transactions with related companies owned by Controlling Shareholder:		
– Sales *(note i)*	–	702
Transactions with Controlling Shareholder:		
– Rental expenses paid *(note ii)*	90	90
– Rental of office owned by Controlling Shareholder *(note iii)*	13	–
Transaction with a close family member of Controlling Shareholder:		
– Rental expenses paid *(note ii)*	100	–
Transactions with a relative of Controlling Shareholder:		
– Consideration paid for the acquisition of business	–	1,840
– Import agency fees paid *(note iv)*	–	766

Notes:

(i) Sales transactions were conducted at prices agreed by both parties. There was no credit period granted to the related parties. The outstanding trade receivables at 31 December 2012 and 2013 were nil and nil respectively. They were interest free and unsecured. The Group has not made any provision for bad or doubtful debts in respect of related party debtors nor has any guarantee been given or received during the year regarding related party transactions. These transactions were discontinued as these companies were dissolved.

(ii) Rental expenses were charged according to the agreement.

(iii) During the year, an office occupied by a subsidiary located in Australia was owned by the Controlling Shareholder of which no rental charged by the Controlling Shareholder. The market rental values were estimated as minimal.

(iv) The amounts represented the net agency fees paid for arranging imports of Australian products. This transaction was discontinued as this company was acquired by the Group in September 2012.

(v) The directors are of the opinion that these transactions were conducted in normal business terms and in the ordinary course of business.

30. RELATED PARTY DISCLOSURES (CONTINUED)

(c) Compensation of key management personnel

Total emoluments of the Group's directors and senior management during the year:

	2013 RMB'000	2012 RMB'000
– Basic salaries and bonus	**2,877**	2,668
– Social insurance and housing fund	**400**	338
	3,277	3,006

31. CAPITAL COMMITMENTS

The Group

	2013 RMB'000	2012 RMB'000
Commitments for the acquisition of property, plant and equipment:		
– contracted for but not provided	**1,115**	–

32. CAPITAL RISK MANAGEMENT

The Group's objective when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long term.

The Group monitors capital (including share capital and reserves) by regularly reviewing the capital structure. As a part of this review, the directors of the Company consider the cost of capital and the risks associated with the issued share capital. The Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or repurchases the Company's shares.

33. FINANCIAL RISK MANAGEMENT

The Group does not have written risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate measures to manage the Group's exposure to market risk, including credit risk, liquidity risk, interest rate risk and currency risk. As the directors of the Company consider that the Group's exposure to market risk is kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The Group's risk management objectives and policies mainly focus on minimising the potential adverse effects of these risks on the Group by closely monitoring the individual exposure as follows:

(a) Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables. In order to minimise the credit risk, the Group's management continuously monitors the level of exposure to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on cash and bank balances is limited because the counterparties are banks with high credit-rating assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk. Trade receivables consist of a small number of customers which had no recent history of default.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in Note 22.

(b) Liquidity risk

The Group's policy is to regularly monitor its current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the Group's and the Company's remaining contractual maturities for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The maturity dates for financial liabilities are based on the agreed repayment dates.

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (Continued)

The Group

	Carrying amount RMB'000	Total contractual undiscounted cash flows RMB'000	On demand or within one year RMB'000
As at 31 December 2012			
Trade and other payables	8,774	8,774	8,774
Amount due to a director	3,983	3,983	3,983
	12,757	12,757	12,757
As at 31 December 2013			
Trade and other payables	**19,076**	**19,076**	**19,076**
Amount due to a director	**12**	**12**	**12**
	19,088	**19,088**	**19,088**

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (Continued)

The Company

	Carrying amount RMB'000	Total contractual undiscounted cash flows RMB'000	On demand or within one year RMB'000
As at 31 December 2012			
Trade and other payables	3,367	3,367	3,367
Amounts due to subsidiaries	7,604	7,604	7,604
	10,971	10,971	10,971
As at 31 December 2013			
Trade and other payables	**15,324**	**15,324**	**15,324**
Amounts due to subsidiaries	**933**	**933**	**933**
	16,257	**16,257**	**16,257**

(c) Currency risk

The group companies mainly operated in their local jurisdiction with most of the transactions settled in their functional currency of the operation and did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

(d) Interest rate risk

As the Group has no significant interest-bearing assets and liabilities, the Group's income and operating cash flows are substantially independent of changes in market interest rate.

34. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amounts of financial assets and liabilities as defined in Note 4(h).

The Group

	2013 RMB'000	2012 RMB'000
Financial assets		
Loans and receivables (including cash and bank balances)	168,505	94,959
Total	168,505	94,959
Financial liabilities		
Financial liabilities measured at amortised cost:		
– Trade and other payables	19,076	8,774
– Amount due to a director	12	3,983
Total	19,088	12,757

The Company

	2013 RMB'000	2012 RMB'000
Financial assets		
Loans and receivables (including cash and bank balances)	78,748	38,847
Total	78,748	38,847
Financial liabilities		
Financial liabilities measured at amortised cost:		
– Trade and other payables	15,324	3,367
– Amount due to a director	–	161
– Amounts due to subsidiaries	933	7,604
Total	16,257	11,132

The fair values of the Group's and the Company's financial assets and financial liabilities are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments.

35. SUBSEQUENT EVENTS

On 15 January 2014, the Company's shares were listed on the Main Board of the Stock Exchange following the completion of the public offer and placing as described in the Prospectus of the Company dated 31 December 2013.

On 15 January 2014, an aggregate of 227,058,000 ordinary shares of RMB0.10 each were issued and offered for subscription under public offer and placing at a price of HK$2.00 per share upon the listing of the Company's shares on the Stock Exchange. The Group raised approximately RMB336,440,000, net of capitalisation of related expenses from the share offer and placing.

36. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 27 March 2014.