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

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

Stock Code: 3332

ANNUAL REPORT 2014

* 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

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Shops 1712–1716, 17th Floor
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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

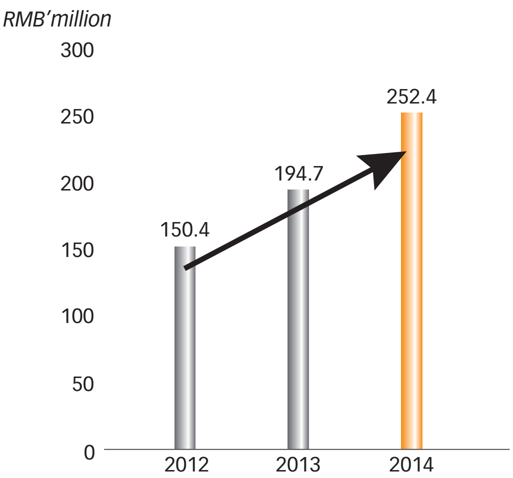
www.zs-united.com

FINANCIAL HIGHLIGHTS

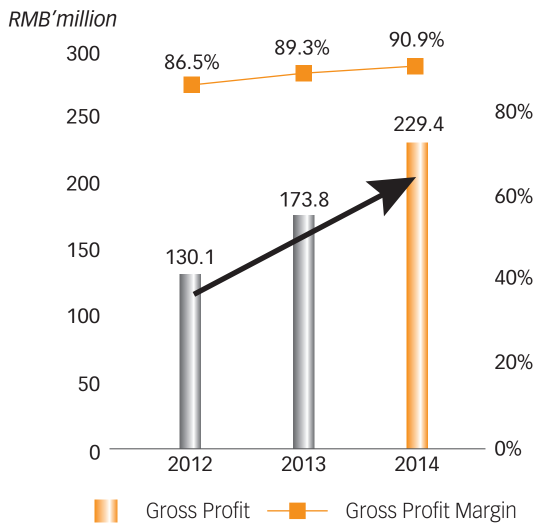
FINANCIAL HIGHLIGHTS

- Turnover increased by approximately 29.6% to RMB252.4 million (2013: RMB194.7 million)
- Gross profit increased by approximately 32.0% to RMB229.4 million (2013: RMB173.8 million)
- Profit for the year increased by approximately 52.4% to RMB107.9 million (2013: RMB70.8 million)
- Basic earnings per share increased by approximately 8.3% to RMB13 cents (2013: RMB12 cents)
- The Board has recommended the payment of final dividend of RMB6.05 cents (2013: nil) per share, totaling RMB50,722,200 (2013: nil) for the year ended 31 December 2014 and a special dividend of RMB5.88 cents (2013: nil) per share, totaling RMB49,277,800 (2013: nil) subject to the approval of the shareholders of the Company at the forthcoming annual general meeting.

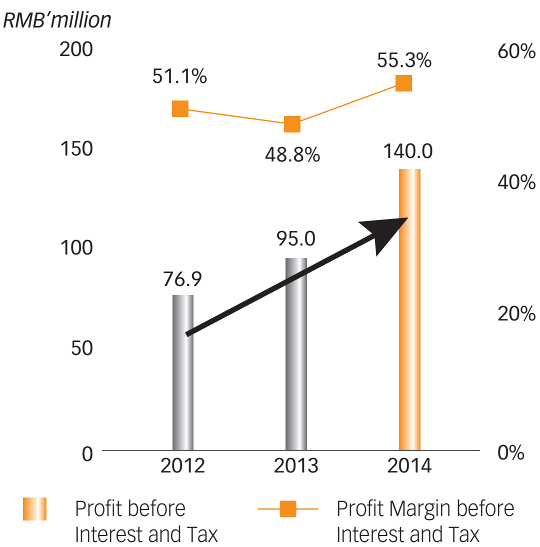
Turnover



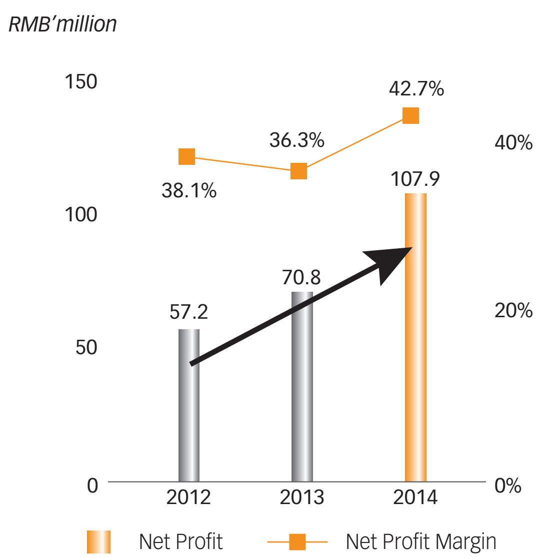
Gross Profit, Gross Profit Margin



Profit before Interest and Tax and Profit Margin before Interest and Tax



Profit for the year



CHAIRMAN'S STATEMENT

To Shareholders,

On behalf of the Board (the "Board") of directors (the "Directors") of Nanjing Sinolife United Company Limited (the "Company"), I am pleased to present the audited annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2014 (the "Year").

BUSINESS REVIEW

Benefiting from the Group's competitive advantages and the fast-growing supplements industry in China, the Group has achieved favourable results in 2014. The Group's turnover increased from RMB194.7 million in 2013 to RMB252.4 million in 2014 and the profit for the year increased from RMB70.8 million in 2013 to RMB107.9 million in 2014, representing an increase of 29.6% and 52.4% respectively.

During the Year, the continuous growth of nutritional supplements industry in China was 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 with broad and diversified product mix, the Group believes that it is well-positioned to capture attractive market opportunities and deliver strong growth in terms of turnover, profit and customer base.

The Group has achieved strong brand recognition in the target markets and with diversified product mix. The Group has focused on brand building through the Group's retail stores under its Zhongsheng and Cobayer brands. As of 31 December 2014, the Group offered 84 products, consisting of 28 Zhongsheng series products and 56 Cobayer series products. Furthermore, the Group has launched 19 Zhongsheng series products and 20 Cobayer series products during the Year.

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 maintained the expenditure on research and development activities in 2014 which are mainly for new product developments such as Zhongsheng Branded Antler Ginseng Capsule, Acai Capsules and Maca Powder Capsules. Furthermore, the Group has continued to cooperate with sizable research institutions to launch new products extracted from the lotus plant cell cultures, such as Baozi Snow Lotus Drink and Kanghe Snow Lotus Drink which are well-received by the market since launched.

CHAIRMAN'S STATEMENT

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

The Group has a fast-growing retail network and diversified sales platform to serve a broad customer base. The Group has a diversified sales platform with a wide geographic coverage of 35 cities in 17 provinces and centrally administered municipalities in the People's Republic of China ("PRC") as of 31 December 2014. The Group's diversified sales platform in the PRC primarily consists of retail stores under the Zhongsheng brand, in the form of 20 specialty stores and 16 regional sales offices; and 52 retail stores under the Cobayer brand. Our Zhongsheng retail stores are mainly located in central business districts, well-established residential areas or local transportation centres. Our Cobayer retail stores are mainly located in large and premium shopping malls. Other than the maintenance of the online Cobayer store at http://conbair.tmall.com, the Group has developed a Weixin platform and other joint platform with large enterprises and banks during the Year.

OUTLOOK

According to the Twelfth Five-Year Plan for Food Industry issued by the State of Council, by 2015, the production value of nutrition and health food products in the PRC is expected to reach RMB1 trillion. In addition, according to the Several Opinions of the State of Council on Promoting the Development of Health Service Industry published in 2013, this target production scale of RMB1 trillion presents broad prospects for the health food product industry. Meanwhile, the amended Food Safety Law also provides excellent opportunities for the development of the health food product industry. In addition to being an exporting powerhouse of health food raw materials, China currently reaches approximately RMB1 trillion in terms of domestic purchasing power for health food products. However, actual sales are comparatively less than RMB300 billion. China's expenses per capita on consumption of health food products are only 1/20 of and 1/15 of that in the United States of America and Japan, respectively. These figures have on the other hand revealed that the nutrition and health food market has huge room for growth and great potential for development.

It is well known for quite a long period that the entry system for health food products in the PRC has always been the "Examination and Approval System" on a case-by-case basis, under which any potential "health food" product to be launched in the market has to go through the approval procedures. According to the five articles to the amended draft of the Food Safety Law relating to health food products, the "Examination and Approval System" is significantly changed to the "Registration System". It means that only the "health food products using new raw materials and those imported for the first time" are subject to both the approval and registration procedures. In general, such change has undoubtedly conveyed a good message. Policies should help restore health food products to the attribute of being "food" instead of subjecting them to the examination and approval procedures, while allowing them to be tested in the market. Eventually, such policies will benefit consumers, which is also conducive to the development of the industry. This will also definitely align the launching procedures for new nutritional and heath food products in the PRC with international standards.

Looking ahead, the Group is confident about the prospect of the industry. With the successful listing of the shares of the Company in Hong Kong, an international capital market, we have been motivated to review the development and operation of the Group from a higher, newer, and more comprehensive perspective. The Group is going to implement the following measures in 2015:

1. Continue to raise the profile and leading position of the Company in the health food product industry; participate in large health food trade fairs during the year that have greater influence in the PRC and the world to project the corporate image of the Company with its own features and advantages.

CHAIRMAN'S STATEMENT

2. Continue to conduct research and development and innovation on nutritional and dietary supplements products; in particular, intensify the research and development of new raw materials, new forms, new functions and other aspects of high-tech products, and conduct intensive cooperation with partners including COFCO Nutritional Health Research Institute (中糧營養研究院) to promote the progress.

3. Build the position of the well-established Cobayer brand in the market, enhance the operational level and performance results of existing Cobayer stores, and continue to open additional 40 Cobayer sales points in first-tier cities and premium shopping malls, including independent stores and open showcases in favourable locations.

4. Proactively integrate into the "internet thinking" and cooperate with local and international online stores and suppliers to facilitate the development of online sales channels.

5. Continue to form alliance with offline quality resources to expand product channels, broaden the target customer base, and attract high-calibre talents in the industry.

6. Continue to strengthen the support of provincial and municipal governments and deepen the cooperation with banks, insurers, pension operators and other platforms to increase the penetration of our brands and products.

7. Facilitate the cooperation with media and adopt other forms of promotion to support the establishment of Zhongsheng and Cobayer brands.

8. Invest more resources to recruit talents, and utilise more corporate culture and adopt diversified incentives to promote team efficiency, staff development and performance growth, which in turn will bring greater satisfaction to our customers.

APPRECIATION

On behalf of the Board, I would like to express that the Group will continue to make the best use of our competitive advantages, among others, including the clear branding-focused sales networks, wide range of distribution channels, professional management and marketing team and variety choices of nutritional supplements products to strengthen our leading position in the nutritional supplements market in the PRC. We will also seek opportunities for mergers and acquisitions in order to enlarge our core scope of business. We have the confidence and ability to seize the opportunity in the huge nutrition and health food market to maximise the business value for our shareholders.

Mr. Gui Pinghu
Chairman of the Board

10 March 2015

RETAIL NETWORK AND PRODUCT INFORMATION

CONBAIR

- BEIJING (3)
- SHANGHAI (4)
- JIANGSU (19)
- GUANGDONG (5)
- SHANDONG (2)
- ZHEJIANG (3)
- YUNNAN (1)
- CHONGQING (1)
- LIAONING (2)
- FUJIAN (1)
- ANHUI (3)
- SHAANXI (1)
- HENAN (1)
- SICHUAN (2)
- HUBEI (1)
- HEILONGJIANG (1)
- TIANJIN (2)

ZHONGSHENG

- BEIJING (1)
- JIANGSU (18)
- GUANGDONG (3)
- SHANDONG (2)
- ZHEJIANG (6)
- SICHUAN (1)
- HUBEI (1)
- LIAONING (1)
- ANHUI (1)
- SHANGHAI (1)
- TIANJIN (1)

RETAIL NETWORK AND PRODUCT INFORMATION

Linolenic Acid Soft Capsules

Coenzyme Q_{10} Tablets/Capsules

Lvzhi Capsules

Zhongsheng Branded Antler Ginseng Capsule

Weisi Capsules

Kanger Capsules

RETAIL NETWORK AND PRODUCT INFORMATION

Olive Leaf Extract

Maca Powder Capsules

Baozi Snow Lotus Drink

Acai Capsules

Kanghe Ferment

RETAIL NETWORK AND PRODUCT INFORMATION

Omega-3 Capsules

Milk Powder Products

Protein Powder Products

Cobayer Manuka Honey

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Benefiting from the Group's competitive advantages and the fast-growing supplements industry in China, the Group has achieved favourable results in 2014. The Group's turnover increased from RMB194.7 million in 2013 to RMB252.4 million in 2014 and the profit for the year increased from RMB70.8 million in 2013 to RMB107.9 million in 2014, representing an increase of 29.6% and 52.4% respectively.

During the Year, the continuous growth of nutritional supplements industry in China was 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 with broad and diversified product mix, the Group believes that it is well-positioned to capture attractive market opportunities and deliver strong growth in terms of turnover, profit and customer base.

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MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Results

The turnover of the Group in 2014 was RMB252.4 million, representing an increase of approximately 29.6% from RMB194.7 million in 2013. Profit for the year increased by approximately 52.4% to RMB107.9 million in 2014 from RMB70.8 million in 2013. The Company's basic earnings per share was RMB13 cents (2013: RMB12 cents) based on the weighted average number of 826.3 million (2013: 588.5 million) shares in issue during the Year. The improvement in financial results in 2014 was mainly attributable to the rapid sales of Zhongsheng series products in the second half of 2014.

Turnover

The turnover of the Group increased by approximately 29.6% from RMB194.7 million in 2013 to RMB252.4 million in 2014. Sales of Zhongsheng series products increased by approximately 70.7% from RMB102.1 million in 2013 to RMB174.3 million in 2014, which was primarily due to the continuous growth in the sales of Coenzyme Q_{10} Tablets/Capsules of Zhongsheng series products and sales of newly launched products such as Zhongsheng Branded Antler Ginseng Capsule, Zhongsheng Branded Deer Blood Capsule and Baozi Snow Lotus Drink during the Year. Sales of Australia or New Zealand manufactured food and nutritional supplements decreased by approximately 15.3% from RMB90.8 million to RMB76.9 million in 2014, which was primarily because advertising and promotion activities were focused on Zhongsheng series products during the Year.

Gross profit

The Group's gross profit increased from RMB173.8 million in 2013 to RMB229.4 million in 2014. The Group's average gross profit margin increased from 89.3% in 2013 to 90.9% in 2014. Such slight increase in gross profit margin was mainly due to the increase sales generated from nutritional supplements developed and manufactured in China and from newly launched products, which have higher profit margin.

Other revenue and other gains and losses

The Group's other revenue and other gains and losses increased from RMB2.3 million in 2013 to RMB11.9 million in 2014, which was mainly due to the significant increase in interest income from bank deposits and financial products purchased from banks and increase in government grant. The effect of the foregoing was partially offset by the exchange loss.

Selling and distribution expenses

The Group's selling and distribution expenses increased by approximately 58.0% from RMB39.8 million in 2013 to RMB62.9 million in 2014, representing approximately 20.4% in 2013 and 24.9% in 2014 of the Group's turnover respectively. Such increase was primarily due to the increase in staff costs from RMB23.4 million in 2013 to RMB33.9 million in 2014 and the increase in outlet rental and related lease expenses from RMB4.1 million in 2013 to RMB12.8 million in 2014, as a result of incremental commission paid to sales staff with good performance and increase in the number of retail stores during the Year.

Administrative expenses

The Group's administrative expenses increased by approximately 27.4% from RMB27.0 million in 2013 to RMB34.4 million in 2014, representing approximately 13.9% in 2013 and 13.6% in 2014 of the Group's turnover respectively. Such increase was primarily due to the increase in consultation fee from RMB1.8 million to RMB4.9 million and the increase in staff costs from RMB11.7 million to RMB15.5 million.

Taxation

Income tax expense increased by approximately 31.0% from RMB24.2 million in 2013 to RMB31.7 million in 2014 primarily due to the increase in profit before taxation. The Group's effective tax rates in 2013 and 2014 were approximately 25%.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit for the year

As a result of the foregoing, the Group's profit for the year increased from RMB70.8 million in 2013 to RMB107.9 million in 2014. The increase was mainly due to the increase in turnover from RMB194.7 million in 2013 to RMB252.4 million in 2014 and effective control of relevant increase in the cost of sales.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow

In 2014, net cash and bank balances increased by RMB385.2 million, RMB87.6 million and RMB341.5 million was generated from operating activities and financing activities respectively, while RMB43.7 million was used in investing activities, and a decrease in cash and bank balances of RMB0.2 million was resulted from exchange rate fluctuation.

Inventories

The Group's inventories increased to RMB17.6 million (2013: RMB7.1 million) as at 31 December 2014 primarily due to increase in inventory level of Cobayer series products to meet customer demand. The Group's inventories comprise of raw materials, work in progress, finished goods and goods merchandise. During the Year, inventory turnover was approximately 195 days (2013: 182 days). The longer inventory turnover period during the Year was primarily the result of an increase in inventory at the year end.

Trade receivables

The Group's trade receivables amounted to RMB1.8 million (2013: RMB2.1 million) as at 31 December 2014. During the Year, the shopping malls of the Cobayer retail stores were granted credit term which ranged from 15 days to 60 days. Turnover days for trade receivables increased to 2.9 days (2013: 2.4 days), primarily due to the increased sales from Cobayer series product which involved in granting longer credit period for shopping malls.

Trade payables

The Group's trade payables amounted to RMB2.1 million (2013: RMB0.6 million) as at 31 December 2014. Turnover days for trade payables slightly increased to 21 days (2013: 13 days), which reflects stable settlement with suppliers.

Foreign exchange exposure

As the Group conducts business transactions principally in Renminbi, the management considered the exchange rate risk at the Group's operational level is not significant. Accordingly, the Group had not used any financial instruments for hedging purposes as at 31 December 2014.

Borrowings and pledge of assets

The Group had no outstanding bank borrowings and pledge of assets as of 31 December 2013 and 2014. Accordingly, the gearing ratio for the Group was 0% (2013: 0%).

Capital expenditure

The Group invested approximately RMB2.8 million in 2014 (2013: RMB2.9 million) for purchase of property, plant and equipment.

Capital commitments and contingent liabilities

As at 31 December 2014, the Group had commitments for acquisition of property, plant and equipment of approximately RMB1.0 million (2013: RMB1.1 million) and commitment for acquisition of a subsidiary for approximately RMB63.5 million. The Group had no material contingent liabilities as at 31 December 2014 (2013: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

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, our employees are able to obtain on-going training and development in the nutritional supplements industry. Furthermore, the Group offers competitive remuneration packages commensurated 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 2014, the Group employed a work force of 725. The total salaries and related costs for the year ended 31 December 2014 amounted to approximately RMB51.6 million (2013: RMB36.8 million).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 20 November 2014, Mr. Mark Joseph Mathews, Mr. Daren Murray Blanchard, DBI Trustee Limited and Brian Blanchard Trustee Limited (collectively, the "Vendors"), Shanghai Weiyi (as defined below) (the "Buyer"), the Vendors' guarantors and the Buyer's guarantors entered into a share transfer agreement, pursuant to which Shanghai Weiyi conditionally agreed to acquire and the Vendors conditionally agreed to dispose of the entire share capital of Good Health Products Limited at a consideration of NZD23,274,254 (equivalent to approximately HKD139,646,000) (subject to adjustments) to be settled by cash (the "Acquisition").

Shanghai Weiyi Investment & Management Limited Company* (上海惟翊投資管理有限公司) ("Shanghai Weiyi") is a limited liability company established in the PRC owned as to 60% by the Company and 40% by Shanghai Fosun Weishi Tranche One Private Equity Partnership Limited* (上海復星惟實一期股權投資基金合夥企業), an independent third party.

Good Health Products Limited is a company incorporated in New Zealand and limited by shares, and principally engages in the manufacturing and sales of dietary and wellbeing supplements.

Details of the Acquisition were set out in the announcements of the Company dated 20 November 2014 and 24 November 2014 and the circular of the Company dated 19 December 2014.

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)	55	24 May 1999	Chairman and Executive Director	24 May 1999	Chairman of the Strategy and Development Committee; strategic development of the Company
Ms. Zhang Yuan (張源)	45	25 May 1999	Chief Executive Officer and Executive Director	17 June 2011	General manager, being responsible for the management, organisation and implementation of Board decisions
Ms. Xu Li (徐麗)	40	1 January 2002	Executive Director	25 October 2012	Sales director; member of the Nomination Committee
Ms. Zhu Feifei (朱飛飛)	33	29 July 2003	Executive Director	25 October 2012	Chief production officer; member of the Remuneration Committee
Mr. Xu Chuntao (許春濤)	45	16 May 2013	Non-executive Director	16 May 2013	Representative of the pre-IPO investor of the Company
Mr. Jiang Fuxin (蔣伏心)	58	25 October 2012	Independent non-executive Director	25 October 2012	Chairman of the Nomination Committee; member of each of the Audit Committee and Strategy and Development Committee
Ms. Feng Qing (馮晴)	46	25 January 2013	Independent non-executive Director	25 January 2013	Chairman of the Remuneration Committee; member of each of the Audit Committee and Nomination Committee
Mr. Vincent Cheng (鄭嘉福)	51	10 August 2013	Independent non-executive Director	10 August 2013	Chairman of the Audit Committee; member of each of the Remuneration Committee and Strategy and Development Committee

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Executive Directors

Mr. Gui Pinghu (桂平湖), aged 55, the founder of the Group, is the chairman and was appointed as an executive Director on 24 May 1999. Mr. Gui is also a director of Cobayer Health Food Company. In October 2014, he was appointed as a director of Shanghai Weiyi. 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. As at the date of this annual report, Mr. Gui was interested in approximately 86.67% of the domestic shares of the Company ("Domestic Shares").

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 Nanjing Tangshan Garden Hotel* (南京湯山花園酒店) between January 1995 and December 1996. During the period between January 1997 and December 1998, he was the general manager of Nanjing Xin Chuang Mould and Die Factory* (南京新創模具廠). 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 45, was appointed as an executive Director and the Chief Executive Officer on 17 June 2011. Ms. Zhang is also a 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), Zhenjiang Zhongsheng Health Bio-Tech Co. Limited* (鎮江中生健康科技有限公司), Shanghai Kanghe Biological Technology Company Limited* (上海康赫生物科技有限公司), Tianjing Kanger Biological Technology Company Limited* (天津康爾生物科技有限公司) and Hangzhou Aoka Biological Technology Company Limited* (杭州澳卡生物科技有限公司). She was appointed as the chairman of Shanghai Weiyi in October 2014. 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 approximately 1.08% of the 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 40, was appointed as an executive Director on 25 October 2012. Ms. Xu is also a 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), Shenyang Zhongsheng Wonderful Biological Technology Company Limited* (瀋陽中生美好生物科技有限公司) 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 the marketing of the Group. As at the date of this annual report, Ms. Xu was interested in approximately 0.90% 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.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

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 33, was appointed as an executive Director on 25 October 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 approximately 0.11% of the Domestic Shares.

In July 2003, she joined the Company 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 Director

Mr. Xu Chuntao (許春濤), aged 45, was appointed as a non-executive Director on 16 May 2013. Mr. Xu is the representative of Shanghai Fosun Chuangfu Shareholding Investment Fund Limited Partnership* (上海復星創富股權投資基金合夥企業(有限合夥)), 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 its senior investment director. Mr. Xu was appointed as the general manager of Shanghai Weiyi in October 2014. 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 58, was appointed as an independent non-executive Director on 25 October 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. In between February 2012 and January 2015, 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. In January 2015, Mr. Jiang was appointed as an independent director of Jiangsu High Hope Corporation (江蘇匯鴻股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 600981)).

Ms. Feng Qing (馮晴), aged 46, was appointed as an independent non-executive Director on 25 January 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.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

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 51, was appointed as an independent non-executive Director on 10 August 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 22 September 2006 and 5 October 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).

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

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)	36	16 September 2002	Chairman of the board of Supervisors	25 October 2012	Customer relations manager
Mr. Tao Xingrong (陶興榮)	38	16 May 2013	Supervisor	16 May 2013	Representative of the pre-IPO investor of the Company
Ms. Wu Xuemei (吳雪梅)	36	25 September 2005	Supervisor	25 October 2012	General manager of Cobayer Business Department
Ms. Lu Jiachun (陸佳純)	36	20 June 2001	Employee representative Supervisor	25 October 2012	Accounting clerk
Ms. Chen Xiu (陳秀)	30	30 August 2003	Employee representative Supervisor	16 May 2013	Supervision specialist

Ms. Yu Min (余敏), aged 36, was appointed as the chairman of the board of Supervisors on 25 October 2012. Ms. Yu is also the director of Chengdu Zhongsheng Hua Mei Bio-Teh Co. Limited* (成都中生華美生物科技有限公司), Hefei Aoka Biological Technology Company Limited* (合肥澳卡生物科技有限公司) and Xian Aoka Biological Technology Company* (西安澳卡生物科技有限公司). Ms. Yu graduated from Jinling Institute of Technology (金陵科技學院) (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 38, was appointed as one of the Supervisors on 16 May 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 36, was appointed as one of the Supervisors on 25 October 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. In March 2014, she was promoted to general manager of Cobayer Business Department of the Company.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Ms. Lu Jiachun (陸佳純), aged 36, was appointed as the employee representative Supervisor on 25 October 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 30, was appointed as the employee representative Supervisor on 16 May 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 approximately 0.11% and approximately 0.09% of the Domestic Shares respectively.

SENIOR MANAGEMENT

Name	Age	Date of joining	Position/Title	Date of appointment	Roles and responsibilities
Ms. Zhi Hui (支卉)	34	4 June 2002	Human resources manager, joint company secretary	25 October 2012	Human resources management and company secretarial matters
Mr. Song Jiming (宋繼明)	61	21 March 2005	Compliance officer	21 March 2005	Compliance assurance
Mr. Li Bin (李斌)	35	1 July 2013	Chief financial officer	1 July 2013	Finance management
Mr. Wu Jun (吳俊)	31	4 September 2006	Financial controller	1 September 2013	Finance management

Ms. Zhi Hui (支卉), aged 34, 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 and a joint company secretary concurrently. As at the date of this annual report, Ms. Zhi was interested in approximately 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 61, has more than 7 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), which is 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 approximately 0.045% of the Domestic Shares.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Li Bin (李斌), aged 35, was appointed as the chief financial officer in July 2013. Mr. Li has more than 10 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 31, was appointed as the financial controller in September 2013. Mr. Wu has more than 7 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 Zhongyan Biological Products Co. Limited* (杭州中研生物製品有限公司) and became an accounting clerk of the finance department of the company 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 47, was appointed as a joint company secretary of the Company on 7 November 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 issued by 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 (the "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 auditors, 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.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Remuneration Committee

The Company established a Remuneration Committee with written terms of reference. The primary functions of the Remuneration Committee are to make recommendations 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 Pinghu, the Chairman and an executive Director, and Mr. Vincent Cheng and Mr. Jiang Fuxin, the independent non-executive Directors. Mr. Gui Pinghu 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, critical illness insurance, insurance for maternity leave and housing provident fund.

DIRECTORS' REPORT

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and engages in the sales of nutritional supplements and health food products. Particulars of the principal activities of its principal subsidiaries are set out in note 28 to the consolidated financial statements of this annual report.

RESULTS AND DIVIDENDS

The results of the Group for 2014 are set out in the consolidated statement of comprehensive income on page 46 of this annual report.

The final dividend for the year ended 31 December 2014 and special dividend as proposed by the Board, inclusive of tax, amounted to RMB6.05 cents per share (2013: nil) and RMB5.88 cents per share (2013: nil) respectively, and are subject to the approval of the Company's shareholders at the forthcoming annual general meeting. The proposed dividends will be payable on Tuesday, 23 June 2015 to the shareholders whose names appear on the register of members of the Company on Monday, 1 June 2015.

As at the date of this annual report, the Board is not aware of any shareholders who have waived or agreed to waive any dividends.

THE WITHHOLDING AND PAYMENT OF ENTERPRISE INCOME TAX FOR NON-RESIDENT ENTERPRISE SHAREHOLDERS AND OF INDIVIDUAL INCOME TAX FOR NON-RESIDENT INDIVIDUAL SHAREHOLDERS

Pursuant to the PRC Enterprise Income Tax Law and its implementing rules which became effective on 1 January 2008 and relevant policies and regulations, the Company is required to withhold and pay enterprise income tax at the rate of 10% for the proposed final dividend and special dividend when paid to a non-resident enterprise shareholder whose name appears on the register of members of H shares of the Company. Any shares registered in the name of non-individual shareholders of the Company, including HKSCC Nominees Limited, other nominees, trustees or other organisations and groups will be treated as being held by non-resident enterprise shareholders and therefore, the dividends attributing to such shares should be paid after deducting the enterprise income tax.

Pursuant to the Notice on the Issues on Levy of Individual Income Tax after the Abolishment of Guo Shui Fa [1993] No. 045 Document (the "Notice") issued by the State Administration of Taxation on 28 June 2011, the dividend to be distributed by the PRC non-foreign invested enterprises which has issued shares in Hong Kong to the non-resident individual shareholders, is subject to the individual income tax with a tax rate of 10% in general. However, the tax rates for respective non-resident individual shareholders may vary depending on the relevant tax agreements between the countries of their residence and the PRC. Thus, 10% individual income tax will be withheld from the final dividend and special dividend payable to the individual holders of H shares, unless otherwise stated in the relevant taxation regulations, taxation agreements or the Notice. The Company will withhold and pay individual income tax at the unified rate of 10% for the non-resident individual shareholders. Therefore, dividends attributable to the non-resident individual shareholders will be paid to such shareholders after netting of 10% individual income tax.

The Company will not be liable for any claim arising from any delay in, or inaccurate determination of the status of the shareholders or any disputes over the mechanism of withholding.

The Board is not aware of any shareholders who have waived or agreed to waive any dividends.

DIRECTORS' REPORT

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the Group's property, plant and equipment during 2014 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 2014 are set out in note 26 to the consolidated financial statements of this annual report.

RESERVES

The amount of the Company's reserves available for distribution as at 31 December 2014 was RMB109 million. Details of the movements in the reserves of the Group during 2014 are set out in the consolidated statement of changes in equity on page 49 of this annual report.

CHARITABLE DONATIONS

The Group had no charitable donations during the Year (2013: RMB791,000).

BORROWINGS

The Group had no bank borrowings as at 31 December 2014 (2013: nil).

MAJOR CUSTOMERS AND SUPPLIERS

For the Year, 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 the Year, 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 the Year, 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' REPORT

DIRECTORS

The Directors during 2014 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

Independent Non-executive Directors

Mr. Jiang Fuxin
Ms. Feng Qing
Mr. Vincent Cheng

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

SUPERVISORS

During 2014 and up to the date of this annual report, 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 held two meetings during 2014. Details of the meetings and events conducted by the board of Supervisors during 2014 are set out in the work report of the board of Supervisors of this annual report.

Details of biography of Directors, Supervisors and the senior management are set out on pages 16 to 22 of this annual report.

DIRECTORS' 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.

EMOLUMENT POLICY

The Group's emolument policies are formulated on the performance of individual employee and on the basis of the salary trends in the 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 2014 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 the Year.

DIRECTORS' REPORT

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

As at 31 December 2014, the interests and short positions of the Directors, Supervisors and chief executives of the Company in the share capital and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, are set out below:

Name	Capacity	Nature of Interest	Class of share of the Company	Number of shares held as at 31 December 2014[1]	Approximate shareholding percentage in the relevant class of shares[4] (%)	Approximate shareholding percentage in the total share capital[3] (%)
Mr. Gui Pinghu ("Mr. Gui")[2]	Director	Beneficial owner	Domestic shares	476,685,000 (L)	78.00%	56.87%
		Interest of spouse	Domestic shares	52,965,000 (L)	8.67%	6.32%
Ms. Zhang Yuan	Director	Beneficial owner	Domestic shares	6,599,550 (L)	1.08%	0.79%
Ms. Xu Li	Director	Beneficial owner	Domestic shares	5,498,570 (L)	0.90%	0.66%
Ms. Zhu Feifei	Director	Beneficial owner	Domestic shares	659,340 (L)	0.11%	0.08%
Ms. Yu Min	Supervisor	Beneficial owner	Domestic shares	659,340 (L)	0.11%	0.08%
Ms. Wu Xuemei	Supervisor	Beneficial owner	Domestic shares	551,480 (L)	0.09%	0.07%

Notes:

(1) The letter "L" denotes the person's long position in such securities.

(2) Mr. Gui is the spouse of Ms. Wu Yanmei. Under the SFO, Mr. Gui was deemed to be interested in the same number of shares in which Ms. Wu Yanmei was interested.

(3) The percentages are calculated based on the total issued shares of the Company of 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.

(4) As at 31 December 2014, the number of issued Domestic Shares of the Company was 611,111,000.

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 18 years of age, has any interests or short positions in the shares and underlying shares of the Company, recorded in the register required to be kept under section 352 of the SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' REPORT

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 2014 was the Company or any of its subsidiaries or fellow subsidiaries a party to any arrangements which enable the Directors and Supervisors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors and Supervisors, or any of their spouses or children under 18 years of age was granted any right to subscribe for the equity or debt securities of the Company or any other body corporate nor had exercised any such right.

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

As at 31 December 2014, the interests and short positions of the persons who hold 5% or more of the class shares in the issued share capital of the Company (other than Directors and Supervisors of the Company), as recorded in the register required to be kept by the Company under section 336 of the SFO are set out below:

Shareholders	Nature of interest	Class of share of the Company	Number of shares held as at 31 December 2014[1]	Approximate shareholding percentage in the relevant class of share capital[5] (%)	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)[6]	10.00%	7.29%
Shanghai Fosun Capital Investment Management Co., Ltd.	Interest of controlled corporation	Domestic shares	61,111,000 (L)[6]	10.00%	7.29%
Shanghai Fosun Industrial Investment Co., Ltd.	Interest of controlled corporation	Domestic shares	61,111,000 (L)[6]	10.00%	7.29%
Shanghai Fosun High Technology (Group) Co., Ltd.	Interest of controlled corporation	Domestic shares	61,111,000 (L)[6]	10.00%	7.29%
Fosun International Limited	Interest of controlled corporation	Domestic shares	61,111,000 (L)[6]	10.00%	7.29%
Fosun Holdings Limited	Interest of controlled corporation	Domestic shares	61,111,000 (L)[6]	10.00%	7.29%
Fosun International Holdings Ltd.	Interest of controlled corporation	Domestic shares	61,111,000 (L)[6]	10.00%	7.29%

DIRECTORS' REPORT

Shareholders	Nature of interest	Class of share of the Company	Number of shares held as at 31 December 2014[(1)]	Approximate shareholding percentage in the relevant class of share capital[(5)] (%)	Approximate shareholding percentage in the total share capital[(3)] (%)
Mr. Guo Guangchang	Interest of controlled corporation	Domestic shares	61,111,000 (L)[(6)]	10.00%	7.29%
Town Health Corporate Advisory and Investments Limited	Beneficial owner	H shares	25,288,000 (L)[(4)]	11.14%	3.02%
Town Health International Medical Group Limited (formerly known as Town Health International Investments Limited)	Interest of controlled corporation	H shares	25,288,000 (L)[(4)]	11.14%	3.02%
Mr. Chen Xuelin	Beneficial owner	H shares	20,000,000 (L)	8.81%	2.39%

Notes:

(1) The letter "L" represents long position in such securities.

(2) Ms. Wu Yanmei is the spouse of Mr. Gui. Under the SFO, Ms. Wu Yanmei was deemed to be interested in the same number of shares in which Mr. Gui was interested.

(3) The percentages are calculated based on the total issued shares of the Company of 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.

(4) These 25,288,000 H shares were held by Town Health Corporate Advisory and Investments Limited, which was an indirect wholly-owned subsidiary of Town Health International Medical Group Limited. Accordingly, Town Health International Medical Group Limited was deemed to hold interests in these 25,288,000 H shares under the SFO.

(5) As at 31 December 2014, the number of issued Domestic Shares and H shares of the Company was 611,111,000 and 227,058,000 respectively.

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

DIRECTORS' REPORT

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

Fosun Holdings Limited was wholly owned by Fosun International Holdings Ltd. which was held as to 58% by Mr. Guo Guangchang.

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

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

CONNECTED TRANSACTION

During 2014, 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 Audit Committee has adopted a written terms of reference which are in compliance with the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules.

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Jiang Fuxin, Ms. Feng Qing and Mr. Vincent Cheng. 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 and practices adopted by the Company and the audited final results of the Group for the Year.

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 the Year.

NON-COMPETITION UNDERTAKINGS

Mr. Gui Pinghu and Ms. Wu Yanmei, both being the controlling shareholders (as defined in the Listing Rules) of the Company, have made non-competition undertakings in favour of the Company. They have confirmed compliance with the non-competition undertakings. The Board, including the independent non-executive Directors, is of the opinion that the relevant controlling shareholders have been in compliance with the non-competition undertakings in favour of the Company.

DIRECTORS' REPORT

CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the CG Code since the date of listing of shares of the Company (the "Listing") on the Main Board of the Stock Exchange and up to 31 December 2014.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code governing the 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 date of Listing and up to 31 December 2014.

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

The H Shares of the Company were listed on the Stock Exchange on the date of Listing. Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during 2014.

USE OF 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).

With reference to the section headed "Future Plans and Use of Proceeds" of the prospectus of the Company dated 31 December 2013 (the "Prospectus"), approximately 31% of the net proceeds (the "Net Proceeds") from the Listing (the "31% Net Proceeds") was intended to construct a new production line in the Company's production base in Nanjing, Jiangsu Province, the PRC. The Company has changed the use of the 31% Net Proceeds to finance the acquisition of Good Health Products Limited (the "Acquisition"), a company incorporated in New Zealand with limited liability, through Shanghai Weiyi, a limited liability company established in the PRC and is owned as to 60% by the Company and 40% by Shanghai Fosun Weishi Tranche One Private Equity Partnership Limited* ("Fosun Partnership"). The consideration is to be contributed by the Company and Fosun Partnership in proportion to the equity interests in Shanghai Weiyi, and the amount of the consideration of the Acquisition to be paid by the Company will be approximately NZD14.8 million (equivalent to approximately HKD88.8 million), which will be satisfied entirely by utilising the Net Proceeds. The remaining of the 31% Net Proceeds will be used for future expansion in the production capacity of the Group. Details of the Acquisition and the change in use of the 31% Net Proceeds were disclosed in the circular of the Company dated 19 December 2014.

As at 31 December 2014, (i) the Net Proceeds of approximately RMB7.5 million has been used on the Acquisition; (ii) the Net Proceeds of approximately RMB1.2 million has been used on the marketing and promotional activities so as to enhance the nationwide brand awareness of our Zhongsheng and Cobayer brands; (iii) the Net Proceeds of approximately RMB1.6 million has been used to expand the sales network and expand into new regions; (iv) the Net Proceeds of approximately RMB18.2 million has been used for working capital; and the remaining of the Net Proceeds of approximately RMB307.9 million has been deposited into banks, which are intended to be applied in the Acquisition and in accordance with the proposed application set out in the section headed "Future Plans and Use of Proceeds" of the Prospectus.

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.

DIRECTORS' REPORT

AUDITOR

The Company has appointed BDO Limited as the auditor of the Company for 2014.

On behalf of the Board

Mr. Gui Pinghu
Chairman

Nanjing, the PRC, 10 March 2015

* *For identification purposes only*

THE WORK REPORT OF THE BOARD OF SUPERVISORS

In 2014, the board of Supervisors carefully and 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 Companies Law and the Articles.

I. DAILY WORK OF THE BOARD OF SUPERVISORS

In 2014, the board of Supervisors convened two meetings.

On 27 March 2014, it considered the work report of the board of Supervisors of the Company for 2013 and the profit distribution plan of the Company for 2013;

On 8 June 2014, it considered the proposal on business operation of the Company and its subsidiaries from 1 January 2014 to 31 March 2014 and the proposal on business plan of the Company for the financial year ended 31 December 2014.

II. LAWFUL OPERATION OF THE COMPANY

The board of Supervisors of the Company attended 5 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 2014.

In the opinion of the board of Supervisors:

1. In 2014, with strong support from all its shareholders, the Board of Directors and management played an active role in the corporate governance and operation of the Company with positive progress and development. With the diligent work of all the staff, the operation and production of the Company were in compliance with the Companies 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 Year, 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 proposal on business operation of the Company and its subsidiaries from 1 January 2014 to 31 March 2014 and the proposal on business plan of the Company for the financial year ended 31 December 2014.

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.

THE WORK REPORT OF THE BOARD OF SUPERVISORS

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 2014 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

10 March 2015

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board of Directors of the Company is committed to maintaining 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.

In the opinion of the Directors, the Company has complied with all the code provisions as set out in the CG Code for the period from the date of Listing to 31 December 2014.

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 year ended 31 December 2014.

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 16 to 19 of this annual report.

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

CORPORATE GOVERNANCE REPORT

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

During the year ended 31 December 2014, 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 Director 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 24 October 2015 and is 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 Director 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/her 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.

CORPORATE GOVERNANCE REPORT

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.

Internally-facilitated briefings for Directors will be arranged and reading material on relevant topics will be issued to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

Pursuant to A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. The Directors acknowledge the need to continue to develop and refresh their knowledge and skills for making contributions to the Company. During the year ended 31 December 2014, all Directors have participated in continuous professional development by attending external seminars/programmes and/or reading materials relating to directors' duties and responsibilities and updates on corporate governance and regulations.

BOARD COMMITTEES

The Board has established four committees, namely, the Audit Committee, the Remuneration Committee, the Nomination Committee and the 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.

The Audit Committee held meetings to review, amongst other things, the annual financial results and reports in respect of the year ended 31 December 2013 and the interim results for the six months ended 30 June 2014. The Audit Committee also considered significant issues on the financial reporting and compliance procedures, internal control and risk management systems, and arrangements for employees to raise concerns about possible improprieties.

CORPORATE GOVERNANCE REPORT

The Audit Committee also met the external auditors twice without the presence of the executive Directors.

The Company's annual financial results for the year ended 31 December 2014 have been reviewed by the Audit Committee.

Remuneration Committee

The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual 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 ended 31 December 2014 is shown in the section headed "Attendance Record of Directors and Committee Members" below.

The Remuneration Committee met once to review and make recommendations 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 the members of senior management by band for the year ended 31 December 2014 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 make good use of differences, including but not limited to, skills, regional and industry experience, background, age, gender and other qualities of Directors. These differences would be taken into account in determining the optimum composition of the Board. All appointments on the Board will be made on a merit basis. 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 ended 31 December 2014 is shown in the section headed "Attendance Records of Directors and Committee Members" below.

The Nomination Committee met once to review the structure, size and composition of the Board and the independence of the independent non-executive Directors. The Nomination Committee has agreed that the measurable objectives, including knowledge, expertise, culture, independence, age and gender, were achieved for the diversity on the Board.

CORPORATE GOVERNANCE REPORT

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 ended 31 December 2014 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 ended 31 December 2014 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	7/7	N/A	N/A	N/A	1/1	1/1	N/A
Zhang Yuan	7/7	N/A	N/A	N/A	N/A	1/1	N/A
Xu Li	7/7	1/1	N/A	N/A	N/A	1/1	N/A
Zhu Feifei	7/7	N/A	1/1	N/A	N/A	1/1	N/A
Xu Chuntao	7/7	N/A	N/A	N/A	N/A	1/1	N/A
Jiang Fuxin	7/7	1/1	N/A	3/3	1/1	1/1	N/A
Feng Qing	7/7	1/1	1/1	3/3	N/A	1/1	N/A
Vincent Cheng	7/7	N/A	1/1	3/3	1/1	1/1	N/A

Apart from regular Board meetings, the Chairman also held a meeting with the non-executive Directors (including independent non-executive Directors) without the presence of executive Directors during the year ended 31 December 2014.

CORPORATE GOVERNANCE REPORT

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2014.

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 Auditor's Report on pages 44 to 45.

AUDITORS' REMUNERATION

The remuneration paid to the Company's external auditors of the Company in respect of audit services for the year ended 31 December 2014 amounted to RMB1,305,000.

INTERNAL CONTROLS

During the year ended 31 December 2014, 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.

In accordance with Rule 3.29 of the Listing Rules, the Company has received training information from the joint company secretaries of the Company, pursuant to the content of which, the Company considers that the training of the joint company secretaries was in compliance with the requirements under Rule 3.29 of the Listing Rules.

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.

CORPORATE GOVERNANCE REPORT

Each of the controlling shareholders has confirmed compliance with the terms of the Non-competition Undertaking and that during the year ended 31 December 2014, 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.

SHAREHOLDERS' RIGHTS

To safeguard the shareholders' interests and rights, separate resolutions are proposed at general meetings for each substantially separate issue, including the election of individual Directors.

All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening Extraordinary General Meeting

Pursuant to Articles 55 and 67 of the Company's 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 Proposals at General Meetings

Shareholders who separately or jointly hold more than 3% of the shares of the Company may submit a proposal to the Board in writing 10 days before the date of the shareholders' general meeting; the Board shall notify other shareholders within 2 days of receiving the proposal and include it for consideration at the shareholders' general meeting. The matters stated in the proposal must be within the functions and powers of the shareholders' general meeting and it shall have a clear subject and specific resolutions.

Apart from aforesaid matters, the convener shall not amend the proposals stated in the notice of the shareholders' general meeting or add new proposals upon issuance of the announcement on the notice of the shareholders' general 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

CORPORATE GOVERNANCE REPORT

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.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

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 meeting, Directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries.

Constitutional Document

Up to the date of this annual report, the Company has amended its Articles. An up to date version of the Company's Articles is also available on the Company's website and the Stock Exchange's website.

INDEPENDENT AUDITOR'S REPORT

BDO

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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 46 to 97, which comprise the consolidated and company statements of financial position as at 31 December 2014, 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.

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.

INDEPENDENT AUDITOR'S REPORT

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 2014 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, 10 March 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Turnover	7	**252,449**	194,736
Cost of sales		**(23,099)**	(20,909)
Gross profit		**229,350**	173,827
Other revenue and other gains and losses	8	**11,862**	2,309
Selling and distribution expenses		**(62,911)**	(39,807)
Administrative expenses		**(34,375)**	(27,018)
Listing expenses		**(4,368)**	(14,314)
Profit before income tax	9	**139,558**	94,997
Income tax expense	10	**(31,688)**	(24,211)
Profit for the year		**107,870**	70,786
Other comprehensive income that may be reclassified to profit or loss in subsequent periods, after tax			
Exchange differences on translation of foreign operations		**(288)**	(417)
Total comprehensive income for the year		**107,582**	70,369
Profit for the year attributable to:			
Owners of the Company		**107,873**	70,786
Non-controlling interests		**(3)**	–
Profit for the year		**107,870**	70,786
Total comprehensive income attributable to:			
Owners of the Company		**107,585**	70,369
Non-controlling interests		**(3)**	–
Total comprehensive income for the year		**107,582**	70,369
		RMB	RMB
Earnings per share:			
— Basic and diluted	14	**0.13**	0.12

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment	16	**21,737**	21,770
Prepaid land lease payments	17	**11,326**	4,165
Deposit for acquisition of a subsidiary	33	**11,292**	–
Intangible assets	18	**–**	32
Deferred tax assets	20	**2,335**	1,122
		46,690	27,089
Current assets			
Inventories	21	**17,575**	7,124
Prepaid land lease payments	17	**125**	101
Trade and other receivables	22	**15,469**	12,651
Short term investments	23	**35,000**	–
Cash and bank balances	24	**550,044**	164,780
		618,213	184,656
Current liabilities			
Trade and other payables	25	**18,245**	19,505
Amount due to a director	30(ii)	**–**	12
Income tax payables		**13,705**	8,346
		31,950	27,863
Net current assets		**586,263**	156,793
Net assets		**632,953**	183,882
Capital and reserves			
Share capital	26	**83,817**	61,111
Reserves	27	**544,139**	122,771
Equity attributable to owners of the Company		**627,956**	183,882
Non-controlling interests	29	**4,997**	–
Total equity		**632,953**	183,882

On behalf of the Board

Gui Pinghu
Chairman and Executive Director

Zhang Yuan
Chief Executive Officer and Executive Director

STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment	16	**10,538**	11,409
Investment property	19	**3,431**	3,613
Interests in subsidiaries	28	**39,170**	31,640
		53,139	46,662
Current assets			
Inventories	21	**12,603**	7,405
Trade and other receivables	22	**6,961**	7,267
Amounts due from subsidiaries	30(i)	**11,386**	588
Short term investments	23	**35,000**	–
Cash and bank balances	24	**465,634**	77,110
		531,584	92,370
Current liabilities			
Trade and other payables	25	**8,005**	15,446
Amounts due to subsidiaries	30(i)	**1,020**	933
Income tax payables		**4,435**	848
		13,460	17,227
Net current assets		**518,124**	75,143
Net assets		**571,263**	121,805
Capital and reserves			
Share capital	26	**83,817**	61,111
Reserves	27	**487,446**	60,694
Total equity		**571,263**	121,805

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 2014

	Equity attributable to owners of the Company							
	Share capital RMB'000	Capital reserve* RMB'000	Translation reserve* RMB'000	Surplus reserve* RMB'000	Merger reserve* RMB'000	Retained profits* RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2013	55,000	2,403	35	2,927	(3,871)	63,019	–	119,513
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)	–	–
Issue of share capital	6,111	43,889	–	–	–	–	–	50,000
Dividend declared and paid (Note 15)	–	–	–	–	–	(56,000)	–	(56,000)
At 31 December 2013 and 1 January 2014	**61,111**	**46,292**	**(382)**	**7,463**	**(3,871)**	**73,269**	**–**	**183,882**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**107,873**	**(3)**	**107,870**
Exchange difference on translation of foreign operations	**–**	**–**	**(288)**	**–**	**–**	**–**	**–**	**(288)**
Total comprehensive income	**–**	**–**	**(288)**	**–**	**–**	**107,873**	**(3)**	**107,582**
Issue of share capital	**22,706**	**334,528**	**–**	**–**	**–**	**–**	**–**	**357,234**
Share issue expenses	**–**	**(20,745)**	**–**	**–**	**–**	**–**	**–**	**(20,745)**
Capital injection from non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**5,000**	**5,000**
Transfer to surplus reserves	**–**	**–**	**–**	**12,068**	**–**	**(12,068)**	**–**	**–**
At 31 December 2014	**83,817**	**360,075**	**(670)**	**19,531**	**(3,871)**	**169,074**	**4,997**	**632,953**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	2014 RMB'000	2013 RMB'000
Operating activities		
Profit before income tax	**139,558**	94,997
Adjustments for:		
Depreciation	**2,731**	3,368
Amortisation of prepaid land lease payments	**125**	101
Amortisation of intangible assets	**32**	66
(Gain)/loss on disposal of property, plant and equipment	**(5)**	76
Short term investment income	**(772)**	(775)
Interest income	**(12,575)**	(1,313)
Operating profit before working capital changes	**129,094**	96,520
(Increase)/decrease in inventories	**(10,451)**	6,560
Increase in trade and other receivables	**(2,210)**	(9,051)
(Decrease)/increase in trade and other payables	**(1,242)**	9,567
Cash generated from operations	**115,191**	103,596
Income tax paid	**(27,542)**	(21,520)
Net cash generated from operating activities	**87,649**	82,076
Investing activities		
Payments to acquire property, plant and equipment	**(2,820)**	(2,948)
Deposits paid for acquisition of a subsidiary	**(11,292)**	–
Proceeds from disposal of property, plant and equipment	**8**	5
Purchase of leasehold land	**(7,310)**	–
Purchase of short term investments	**(35,000)**	–
Short term investment income received	**772**	775
Interest received	**11,967**	1,313
Net cash used in investing activities	**(43,675)**	(855)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Note	**2014 RMB'000**	2013 RMB'000
Financing activities			
Proceeds from issue of shares		**357,234**	50,000
Share issue expenses		**(20,745)**	–
Capital injection from non-controlling interests		**5,000**	–
Repayment to a director		**(12)**	(2,993)
Dividend paid to owners of the Company		**–**	(56,000)
Net cash generated from/(used in) financing activities		**341,477**	(8,993)
Net increase in cash and bank balances		**385,451**	72,228
Cash and bank balances at beginning of the year		**164,780**	93,220
Effect of exchange rate changes on cash and bank balances		**(187)**	(668)
Cash and bank balances at end of the year	24	**550,044**	164,780

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

1. GENERAL INFORMATION

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

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

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

(a) Adoption of new/revised HKFRSs — effective 1 January 2014

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 2014 in the preparation of the consolidated financial statements throughout the year.

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial statements.

(b) New/revised HKFRSs that have been issued but are not yet effective

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.

HKFRS 9 (2014)	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[1]

Notes:

1 Effective for annual periods beginning on or after 1 January 2017

2 Effective for annual periods beginning on or after 1 January 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

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

(b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

HKFRS 9 (2014) — Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at FVTOCI if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at FVTPL.

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the 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.

HKFRS 15 — Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

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

(b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

HKFRS 15 — Revenue from Contracts with Customers (Continued)

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

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

(c) New Companies Ordinance provisions relating to the preparation of financial statements

The provisions of the new Companies Ordinance, Cap. 622, in relation to the disclosure requirements of financial statements will apply to the Company in its first financial year beginning on or after 3 March 2014 (i.e. the financial year ending 31 December 2015).

The directors consider that there will be no impact on the Group's financial position or performance, however the new Companies Ordinance, Cap. 622, would have impacts on the presentation and disclosures in the consolidated financial statements. The Statement of Financial Position of the Company will be presented in the notes rather than a separate statement and the related notes need not be included, while generally the statutory disclosures will be simplified.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (Continued)

(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 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

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)).

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Leasing (Continued)

As lessee (Continued)

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.

(h) Financial instruments

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Financial assets at fair value through profit or loss

These assets include investment held for trading. Investments are classified as held for trading if they are acquired for the purpose of sale in the near term. Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial instruments (Continued)

(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.

For loans and receivables

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.

(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 amortisation 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial instruments (Continued)

(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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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 PRC, the Group contributes 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

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.

(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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Related parties (Continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

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

(i) Impairment of property, plant and equipment (Continued)

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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

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 the trading 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:

	2014 **RMB'000**	2013 RMB'000
Nutritional supplements developed and manufactured in China	**174,330**	102,144
Australian or New Zealand manufactured food and nutritional supplements	**76,895**	90,810
Others	**1,224**	1,782
	252,449	194,736

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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8. OTHER REVENUE AND OTHER GAINS AND LOSSES

	2014 RMB'000	2013 RMB'000
Bank interest income	**12,575**	1,313
Short term investment income	**772**	775
Government grant	**2,438**	260
Gain/(loss) on disposal of property, plant and equipment	**5**	(76)
Net exchange (loss)/gain	**(3,961)**	1
Others	**33**	36
	11,862	2,309

9. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	2014 RMB'000	2013 RMB'000
Cost of inventories sold	**18,676**	17,207
Staff costs (Note 11)	**51,647**	36,818
Amortisation of prepaid land lease payments	**125**	101
Amortisation of intangible assets	**32**	66
Auditors' remuneration	**1,205**	1,175
Depreciation of property, plant and equipment	**2,731**	3,368
Operating lease payments on properties and shops (Note)	**15,023**	8,994
Research and development expenses	**764**	903

Note: Included contingent rental of RMB4,820,000 for the year ended 31 December 2014 (2013: RMB2,755,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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10. INCOME TAX EXPENSE

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

	2014 **RMB'000**	2013 RMB'000
Current tax —		
PRC Enterprise Income Tax		
— Provision for the year	**33,263**	23,284
— (Over)/under provision in prior year	**(182)**	479
Current tax —		
Australia Income Tax		
— Over provision in prior year	**(180)**	–
	32,901	23,763
Deferred tax		
— origination and reversal of temporary difference	**(1,213)**	448
Income tax expense	**31,688**	24,211

Provision for PRC Enterprise Income Tax is based on a statutory rate of 25% (2013: 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 a subsidiary in Australia for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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:

	2014 RMB'000	2013 RMB'000
Profit before income tax	**139,558**	94,997
Tax on profit before income tax, calculated at PRC Enterprise Income Tax rate	**34,889**	23,749
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(20)**	114
Tax effect of expenses not deductible for tax purposes	**33**	382
(Over)/under provision in prior year	**(362)**	479
Tax effect of tax losses previously not recognised	**173**	–
Others	**(3,025)**	(513)
Income tax expense	**31,688**	24,211

11. STAFF COSTS

	2014 RMB'000	2013 RMB'000
Staff costs (including directors) comprise:		
Wages and salaries	**39,966**	28,252
Social insurance and housing fund	**8,496**	6,060
Other benefits	**3,185**	2,506
	51,647	36,818

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

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 2014

	Fees RMB'000	Basic salaries and bonus RMB'000	Discretionary bonus RMB'000	Social Insurance and housing fund RMB'000	Total RMB'000
Name of Executive Directors					
Mr. Gui Pinghu (note i)	–	659	420	97	1,176
Ms. Zhu Feifei (note i)	–	96	100	23	219
Ms. Xu Li (note i)	–	258	330	30	618
Ms. Zhang Yuan (note i)	–	292	340	32	664
Total	–	1,305	1,190	182	2,677
Name of Non-executive Director					
Mr. Xu Chuntao (note ii)	–	–	–	–	–
Name of Independent Non-executive Directors					
Mr. Jiang Fuxin (note i)	60	–	–	18	78
Ms. Feng Qing (note iii)	60	–	–	11	71
Mr. Vincent Cheng (note v)	169	–	–	38	207
Mr. Feng Qiaogen (notes i and iv)	–	–	–	–	–
Total	289	–	–	67	356
Name of Supervisors					
Ms. Yu Min (note i)	–	150	130	27	307
Ms. Wu Xuemei (note i)	–	148	130	25	303
Ms. Lu Jiachun (note i)	–	78	–	23	101
Ms. Chen Xiu (note ii)	–	84	60	21	165
Total	–	460	320	96	876

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

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

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

Year ended 31 December 2013

	Fees RMB'000	Basic salaries and bonus RMB'000	Discretionary bonus RMB'000	Social Insurance and housing fund RMB'000	Total RMB'000
Name of Executive Directors					
Mr. Gui Pinghu (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. Vincent Cheng (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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

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

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

Notes:

(i) Appointed on 25 October 2012. The directors' 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.

(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.

During the year no emoluments were paid by the Group to the directors or supervisors or any of the five highest paid individuals set out in Note 12(b) 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.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year ended 31 December 2014 included three (2013: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2013: two) highest paid individuals during the year are as follows:

	2014 **RMB'000**	2013 RMB'000
Wages and salaries	**623**	366
Social insurance and housing fund	**85**	34
	708	400

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:

	2014	2013
Nil to RMB1,000,000	**16**	22
RMB1,000,001 to RMB1,500,000	**1**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

13. PROFIT FOR THE YEAR

The consolidated profit for the year ended 31 December 2014 includes a profit of approximately RMB112,969,000 (2013: RMB39,630,000), 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 attributable to the owners of the Company and on the assumption that the subdivision of the Company's shares had taken place since 1 January 2013:

	2014	2013
Profit for the year attributable for owners of the Company (RMB'000)	**107,873**	70,786
Weighted average number of ordinary shares in issue	**826,271,485**	588,508,301
Basic earnings per share (RMB)	**0.13**	0.12

There were no dilutive potential ordinary shares in issue during the years ended 31 December 2013 and 2014, 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:

	2014 **RMB'000**	2013 RMB'000
Special dividend approved and paid/payable during the year	**–**	56,000

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.

The directors proposed a final dividend of RMB6.05 cents per share, totaling RMB50,722,200 for the year ended 31 December 2014 and a special dividend of RMB5.88 cents per share, totaling RMB49,277,800 after the end of the reporting period. The final dividend and special dividend have not been recognised as liabilities at the end of the reporting period.

The dividends of RMB56,000,000 for the year ended 31 December 2013 were paid to the then shareholders of the Company prior to the listing of the H shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited on 15 January 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

16. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings RMB'000	Leasehold improve-ments 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 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
At 1 January 2014, net of accumulated depreciation	**17,928**	**1,291**	**300**	**1,121**	**979**	**151**	**21,770**
Additions	**–**	**1,358**	**140**	**846**	**409**	**67**	**2,820**
Depreciation	**(1,182)**	**(575)**	**(168)**	**(422)**	**(384)**	**–**	**(2,731)**
Disposals	**–**	**–**	**–**	**(1)**	**(2)**	**–**	**(3)**
Exchange Realignment	**–**	**–**	**–**	**(8)**	**(111)**	**–**	**(119)**
At 31 December 2014, net of accumulated depreciation	**16,746**	**2,074**	**272**	**1,536**	**891**	**218**	**21,737**
31 December 2014:							
Cost	**25,513**	**3,884**	**4,653**	**3,593**	**4,218**	**218**	**42,079**
Accumulated depreciation	**(8,767)**	**(1,810)**	**(4,381)**	**(2,057)**	**(3,327)**	**–**	**(20,342)**
Net carrying amount	**16,746**	**2,074**	**272**	**1,536**	**891**	**218**	**21,737**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

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 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)
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
At 1 January 2014, net of accumulated depreciation	**10,220**	**436**	**623**	**130**	**11,409**
Additions	**–**	**92**	**348**	**–**	**440**
Depreciation	**(930)**	**(151)**	**(173)**	**(55)**	**(1,309)**
Disposals	**–**	**–**	**–**	**(2)**	**(2)**
At 31 December 2014, net of accumulated depreciation	**9,290**	**377**	**798**	**73**	**10,538**
31 December 2014:					
Cost	**15,580**	**1,338**	**1,766**	**1,036**	**19,720**
Accumulated depreciation	**(6,290)**	**(961)**	**(968)**	**(963)**	**(9,182)**
Net carrying amount	**9,290**	**377**	**798**	**73**	**10,538**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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17. PREPAID LAND LEASE PAYMENTS

	2014 RMB'000	2013 RMB'000
Carrying amount at beginning of year	**4,266**	4,367
Additions	**7,310**	–
Release to profit or loss during the year	**(125)**	(101)
Carrying amount at end of year	**11,451**	4,266
Less: Amounts classified as current assets	**(125)**	(101)
	11,326	4,165

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 2013, 31 December 2013 and 2014	1,050
Accumulated amortisation and impairment:	
At 1 January 2013	(952)
Charge for the year	(66)
At 31 December 2013	(1,018)
Charge for the year	(32)
At 31 December 2014	(1,050)
Carrying amount:	
At 31 December 2014	–
At 31 December 2013	32

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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19. INVESTMENT PROPERTY

The Company

	RMB'000
Cost:	
At 1 January 2013	–
Addition	3,795
At 31 December 2013 and 2014	3,795
Accumulated depreciation:	
At 1 January 2013	–
Charge for the year	(182)
At 31 December 2013	(182)
Charge for the year	(182)
At 31 December 2014	(364)
Carrying amount:	
At 31 December 2014	3,431
At 31 December 2013	3,613

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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20. DEFERRED TAX ASSETS

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

	Unrealised profit on inter-company transactions RMB'000
At 1 January 2013	1,569
Charged to profit or loss	(447)
At 31 December 2013	1,122
Credited to profit or loss	1,213
At 31 December 2014	2,335

21. INVENTORIES

The Group

	2014 RMB'000	2013 RMB'000
Raw materials	**3,562**	780
Work-in-progress	**1,473**	–
Finished goods	**2,409**	416
Goods merchandise	**10,131**	5,928
	17,575	7,124

The Company

	2014 RMB'000	2013 RMB'000
Goods merchandise	**12,603**	7,405

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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22. TRADE AND OTHER RECEIVABLES

The Group

	2014 RMB'000	2013 RMB'000
Trade receivables	**1,817**	2,140
Other receivables	**6,617**	381
Deposits and prepayments	**7,035**	10,130
	15,469	12,651

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

	2014 RMB'000	2013 RMB'000
Within 1 month	**1,387**	1,923
Over 1 month but within 3 months	**373**	207
Over 3 months but within 1 year	**57**	5
Over 1 year	**–**	5
	1,817	2,140

The Group gives 15–60 days credit periods on sales of goods to a few 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:

	2014 RMB'000	2013 RMB'000
Within 1 month	**612**	458
Over 1 month but within 3 months	**34**	17
Over 3 months but within 1 year	**24**	5
Over 1 year	**–**	5
	670	485

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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22. TRADE AND OTHER RECEIVABLES (CONTINUED)

The Company

	2014 **RMB'000**	2013 RMB'000
Trade receivables	**491**	744
Other receivables	**5,348**	46
Deposits and prepayments	**1,122**	6,477
	6,961	7,267

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

	2014 **RMB'000**	2013 RMB'000
Within 1 month	**466**	671
Over 1 month but within 3 months	**11**	63
Over 3 months but within 1 year	**13**	5
Over 1 year	**1**	5
	491	744

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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22. TRADE AND OTHER RECEIVABLES (CONTINUED)

The Company (Continued)

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

	2014 **RMB'000**	2013 RMB'000
Within 1 month	**354**	427
Over 1 month but within 3 months	**14**	17
Over 3 months but within 1 year	**1**	5
Over 1 year	**–**	5
	369	454

The Group and the Company's receivables that were past due but not impaired related 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. SHORT TERM INVESTMENTS

The Group and the Company

	2014 **RMB'000**	2013 RMB'000
Capital guaranteed funds (note i)	**25,000**	–
Investment held for trading (note ii)	**10,000**	–
	35,000	–

Notes:

(i) The Group's investment in capital guaranteed fund is placed in a financial institution with a maturity of 6 months and a fixed return rate of 4.9%. The carrying value of capital guaranteed fund is stated at amortised cost using the effective interest method.

(ii) Investment held for trading represented unlisted fund investment in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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24. CASH AND BANK BALANCES

The Group

	2014 **RMB'000**	2013 RMB'000
Time deposits	**220,726**	20,000
Cash at banks and on hand	**329,318**	144,780
	550,044	164,780

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% to 0.385% per annum as at 31 December 2014 (2013: 0.35% to 0.385% 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 ranged from 2.86% to 3.6% per annum as at 31 December 2014 (2013: 3.25% per annum).

The Company

Bank balances carry interest rate at 0.35%–0.385% per annum as at 31 December 2014 (2013: 0.35% to 0.385% per annum).

25. TRADE AND OTHER PAYABLES

The Group

	2014 **RMB'000**	2013 RMB'000
Trade payables	**2,132**	550
Other payables and accruals	**16,113**	18,955
	18,245	19,505

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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25. TRADE AND OTHER PAYABLES (CONTINUED)

The Group (Continued)

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

	2014 **RMB'000**	2013 RMB'000
Within 1 month	**1,106**	37
Over 1 month but within 3 months	**674**	496
Over 3 month but within 1 year	**322**	–
Over 1 year	**30**	17
	2,132	550

The Company

	2014 **RMB'000**	2013 RMB'000
Trade payables	**251**	1
Other payables and accruals	**7,754**	15,445
	8,005	15,446

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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26. 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 2013	55,000,000	–	55,000
Issue of shares (note i)	6,111,100	–	6,111
Subdivision (note ii)	(61,111,100)	611,111,000	–
At 31 December 2013	–	611,111,000	61,111
Issue of shares (note iii)	–	227,058,000	22,706
At 31 December 2014	–	838,169,000	83,817

Notes:

(i) Pursuant to the resolution passed on shareholders' meeting on 16 May 2013, the authorised share capital increased from 55,000,000 ordinary shares with par value of RMB1 each to 61,111,100 ordinary shares with par value of RMB1 each. It was resolved that an additional 6,111,100 ordinary shares of RMB1 par value were issued to 上海復星創富股權投資基金合夥企業(有限合夥) (Shanghai Fosun Chuangfu Shareholding Fund Limited Partnership*) at a total consideration of RMB50,000,000.

(ii) By an ordinary resolution passed on 19 November 2013 by the board of directors, the authorised shares of the Company were sub-divided from RMB1 into RMB0.1 each with the creation of additional 549,999,900 ordinary shares of RMB0.1 each in issue. The authorised share capital was increased to 611,111,000 ordinary shares of RMB0.1 each.

(iii) On 15 January 2014, 227,058,000 new ordinary shares of RMB0.1 each were issued at a price of HK$2 per share under the initial public offering. The Group raised approximately RMB336,489,000, net of related expenses from the share offer.

27. RESERVES

The Group

The amount of the Group's reserves and movements for the year are presented in the consolidated statement of changes in equity on page 49 of this annual report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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27. RESERVES (CONTINUED)

The Company

	Capital reserve RMB'000	Surplus reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 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 year	–	–	39,630	39,630
Dividend declared and paid	–	–	(56,000)	(56,000)
At 31 December 2013	46,292	7,463	6,939	60,694
Issue of share capital	334,528	–	–	334,528
Share issue expenses	(20,745)	–	–	(20,745)
Transfer to surplus reserve	–	10,437	(10,437)	–
Total comprehensive income for the year	–	–	112,969	112,969
At 31 December 2014	360,075	17,900	109,471	487,446

(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.

(ii) Capital reserve

The amount arose from (i) 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 and (ii) the share issue in 2014 under the initial public offering which represented the balance of the credit amount arising from the excess of the par value of the shares from the paid-in capital and share issue expenses incurred.

(iii) Merger reserve

On 24 December 2012, the Group acquired the entire equity interest in Australia Cobayer Health Food Co Pty Ltd. from Mr. Gui Pinghu. 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).

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28. INVESTMENT IN SUBSIDIARIES

	2014 **RMB'000**	2013 RMB'000
Investments in subsidiaries, at cost	**39,170**	31,640

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

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28. 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 RMB100,000	100%	Retailing of health food products
天津康爾生物科技有限公司	The PRC/20 August 2014/ Limited liability company	PRC	Registered and fully paid up capital RMB10,000	100%	Retailing of health food products
合肥澳卡生物科技有限公司	The PRC/17 July 2014/ Limited liability company	PRC	Registered and fully paid up capital RMB10,000	100%	Retailing of health food products
瀋陽中生美好生物科技有限公司	The PRC/30 October 2014/ Limited liability company	PRC	Registered and fully paid up capital RMB10,000	100%	Retailing of health food products
上海惟翊投資管理有限公司 ("Shanghai Weiyi") (Note)	The PRC/21 October 2014/ Limited liability company	PRC	Registered capital RMB120,000,000	60%	Investment holding

Note: Shanghai Weiyi is a limited liability company established in the PRC on 21 October 2014, which was then wholly owned by Fosun Weishi and had an unpaid registered capital of RMB1 million. Pursuant to an equity transfer agreement dated 31 October 2014, Fosun Weishi agreed to transfer 60% of its interests in Shanghai Weiyi to the Company and 40% of its interests in Shanghai Weiyi to Fosun Partnership. On 24 November 2014, the Company entered into a capital increase agreement with Fosun Partnership to increase the registered capital of Shanghai Weiyi from RMB1 million to RMB120 million of which, 60% of its interests is owned by Shanghai Weiyi to the Company and 40% of its interests to Fosun Partnership. Registered capital of RMB7.5 million is paid by cash during the year.

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29. NON-CONTROLLING INTERESTS

上海惟翊投資管理有限公司, a 60% owned subsidiary of the Company, has material non-controlling interests ("NCI").

Summarised financial information in relation to the NCI of上海惟翊投資管理有限公司, before intra-group eliminations, is presented below:

	2014 RMB'000
For the period from date of incorporation to 31 December 2014	
Revenue	–
Administrative expenses	7
Loss for the year	(7)
Total comprehensive income	(7)
Loss allocated to NCI	(3)

	2014 RMB'000
As at 31 December 2014	
Current assets	12,492
Net assets	12,492
Accumulated non-controlling interests	4,997

30. AMOUNTS DUE FROM/(TO) SUBSIDIARIES/A DIRECTOR

(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.

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31. 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

	2014 **RMB'000**	2013 RMB'000
Within one year	**13,881**	2,118
After one year but within five years	**5,727**	1,120
	19,608	3,238

The Company

	2014 **RMB'000**	2013 RMB'000
Within one year	**1,632**	286
After one year but within five years	**1,595**	368
	3,227	654

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31. 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:

	2014 **RMB'000**	2013 RMB'000
Within one year	**40**	120
After one year but within five years	**–**	40
	40	160

32. 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")
Wu Yanmei (吳艷梅)	Wife of Mr. Gui ("close family member")

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32. RELATED PARTY DISCLOSURES (CONTINUED)

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

	2014 RMB'000	2013 RMB'000
Transactions with Controlling Shareholder:		
— Rental expenses paid (note ii)	**95**	90
— Rental of office owned by Controlling Shareholder (note i)	**–**	13
Transaction with a close family member of Controlling Shareholder:		
— Rental expenses paid (note ii)	**86**	100

Notes:

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

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

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

(c) Compensation of key management personnel

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

	2014 RMB'000	2013 RMB'000
— Basic salaries and bonus	**4,270**	2,877
— Social insurance and housing fund	**418**	400
	4,688	3,277

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33. CAPITAL COMMITMENTS

The Group

	2014 **RMB'000**	2013 RMB'000
Commitments for the acquisition of property, plant and equipment:		
— contracted for but not provided	**1,012**	1,115
Commitments for the acquisition of a subsidiary:		
— contracted for but not provided (note)	**63,537**	–

Note: On 20 November 2014, Shanghai Weiyi, a 60% owned subsidiary, entered into the share transfer agreement with an independent third party, pursuant to which Shanghai Weiyi conditionally agreed to acquire the entire share capital of Good Health Products Limited, a company incorporated in New Zealand with limited liability, at the consideration of NZD23,274,254 (subject to adjustments) (equivalent to approximately RMB112 million). Details of which are set out in the Company's circular dated 19 December 2014.

As at 31 December 2014, Shanghai Weiyi paid a deposit of approximately RMB11.3 million. The share of unpaid consideration to be paid by Shanghai Weiyi is approximately RMB63.5 million. This transaction has not yet completed as of the date of approval of the consolidated financial statements.

34. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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35. 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, currency risk and interest rate 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.

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35. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (Continued)

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.

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 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
As at 31 December 2014			
Trade and other payables	**18,222**	**18,222**	**18,222**

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 2013			
Trade and other payables	15,324	15,324	15,324
Amounts due to subsidiaries	933	933	933
	16,257	16,257	16,257
As at 31 December 2014			
Trade and other payables	**8,005**	**8,005**	**8,005**
Amount due to a subsidiary	**1,020**	**1,020**	**1,020**
	9,025	**9,025**	**9,025**

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35. FINANCIAL RISK MANAGEMENT (CONTINUED)

(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) Fair value and cash flow interest rate risks

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As the Group has no interest-bearing liabilities, the Group's expenses and financing cash flows are independent of changes in market interest rates.

The Group is exposed to cash flow interest rate risks as the Group has significant cash and bank balances which are interest-earning. The management monitors interest rate exposures and considered that there is no significant impact on cash flow interest rate risk. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

	2014		2013	
	Effective interest rate %	**One year or less RMB'000**	Effective interest rate %	One year or less RMB'000
Cash and bank balances	**2.29**	**550,044**	0.80	164,780

(ii) Sensitivity analysis

At 31 December 2014, it is estimated that a general increase/decrease of 30 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's profit after tax and retained earnings by approximately RMB1,650,000 (2013: RMB500,000). Other components of consolidated equity would not be affected (2013: RMB Nil) by the changes in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for cash and bank balances in existence at that date. The 30 basis point increase/decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next annual reporting period. The analysis is performed on the same basis for 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

36. 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

	2014 **RMB'000**	2013 RMB'000
Financial assets		
Short term investments	**35,000**	–
Loans and receivables (including cash and bank balances)	**560,359**	168,505
	595,359	168,505
Financial liabilities		
Financial liabilities measured at amortised cost:		
— Trade and other payables	**18,222**	19,076
— Amount due to a director	**–**	12
Total	**18,222**	19,088

The Company

	2014 **RMB'000**	2013 RMB'000
Financial assets		
Short term investments	**35,000**	–
Loans and receivables (including cash and bank balances)	**483,225**	78,748
	518,225	78,748
Financial liabilities		
Financial liabilities measured at amortised cost:		
— Trade and other payables	**8,005**	15,324
— Amount due to a subsidiary	**1,020**	933
Total	**9,025**	16,257

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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36. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (CONTINUED)

(a) Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, short term investment (capital guaranteed fund), trade and other receivables and trade and other payables.

Due to their short term nature, the carrying value of cash and cash equivalents, trade and other receivables, trade and other payables and bank overdraft approximates fair value.

(b) Financial instruments measured at fair value

The fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The Group and the Company

	2014		
	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**
Investment held for trading	**10,000**	**–**	**–**

	2013		
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Investment held for trading	–	–	–

There were no transfers between levels during the year.

37. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 10 March 2015.

FINANCIAL SUMMARY

The following is a summary of the consolidated results, assets and liabilities of the Group for each of the five years ended 31 December 2014.

	Year ended 31 December				
	2010	2011	2012	2013	**2014**
RESULTS	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Turnover	66,850	103,244	150,372	194,736	**252,449**
Profit before income tax	20,995	47,207	76,912	94,997	**139,558**
Income tax expense	(5,207)	(12,393)	(19,675)	(24,211)	**(31,688)**
Profit for the year	15,788	34,814	57,237	70,786	**107,870**
Attributable to:					
Owners of the Company	15,788	34,814	57,237	70,786	**107,873**
Non-controlling interests	–	–	–	–	**(3)**
	15,788	34,814	57,237	70,786	**107,870**
ASSETS AND LIABILITIES					
Total assets	71,007	113,896	139,631	211,745	**664,903**
Total liabilities	(10,520)	(18,703)	(20,118)	(27,863)	**(31,950)**
Total equity	60,487	95,193	119,513	183,882	**632,953**

Note: The summary of the consolidated results of the Group for each of the three years ended 31 December 2012 and of the assets, liabilities and equity as at 31 December 2010, 2011 and 2012 have been extracted from the Prospectus. Such summary was prepared as if the current structure of the Group had been in existence throughout these financial years.