瑞年國際
Real Nutriceutical

瑞年國際有限公司
REAL NUTRICEUTICAL GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 2010

Annual Report **2014**

Adhere to the quality of conscience
Abandon the quick success

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Wang Fucai *(Chairman and Chief Executive Officer)*
Mr. Yu Yan
Mr. Li Lin
Mr. Yi Lin
Mr. Zhang Yan
Ms. Au-yeung Kam Ling Celeste

Non-executive Directors

Mr. Ip Tak Chuen, Edmond
Mr. Tsang Sze Wai, Claudius

Independent Non-executive Directors

Dr. Wong Lung Tak Patrick, BBS, J.P.
Dr. Fong Chi Wah
Mr. Xu Hua Feng
Mr. Chan Kee Ming

AUDIT COMMITTEE

Dr. Wong Lung Tak Patrick, BBS, J.P. *(Chairman)*
Dr. Fong Chi Wah
Mr. Xu Hua Feng

REMUNERATION COMMITTEE

Dr. Fong Chi Wah *(Chairman)*
Mr. Wang Fucai
Dr. Wong Lung Tak Patrick, BBS, J.P.
Mr. Xu Hua Feng

NOMINATION COMMITTEE

Mr. Wang Fucai *(Chairman)*
Dr. Wong Lung Tak Patrick, BBS, J.P.
Dr. Fong Chi Wah
Mr. Xu Hua Feng
Mr. Chan Kee Ming

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Mr. Poon Yick Pang, Philip

AUTHORISED REPRESENTATIVES

Ms. Au-yeung Kam Ling Celeste
Mr. Poon Yick Pang, Philip

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F One Pacific Place
88 Queensway
Hong Kong

REGISTERED OFFICE

4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

28th Floor
The Hennessy
256 Hennessy Road
Wan Chai, Hong Kong

FINANCIAL HIGHLIGHTS

	2014 RMB'000	2013 RMB'000	Change %
Turnover	**2,061,897**	1,903,142	8.3%
Gross profit	**1,446,292**	1,294,375	11.7%
Profit attributable to owners of the Company	**574,300**	493,125	16.5%
Basic earnings per share (cents)	**51.0**	43.9	16.2%
Declared final dividend (HK cents)	**4.2**	3.5	20.0%

FINANCIAL HIGHLIGHTS

Turnover
(RMB'000)

↑ 8.3%

2014	**2,061,897**
2013	1,903,142

Gross Profit
(RMB'000)

↑ 11.7%

2014	**1,446,292**
2013	1,294,375

Profit attributable to owners of the company
(RMB'000)

↑ 16.5%

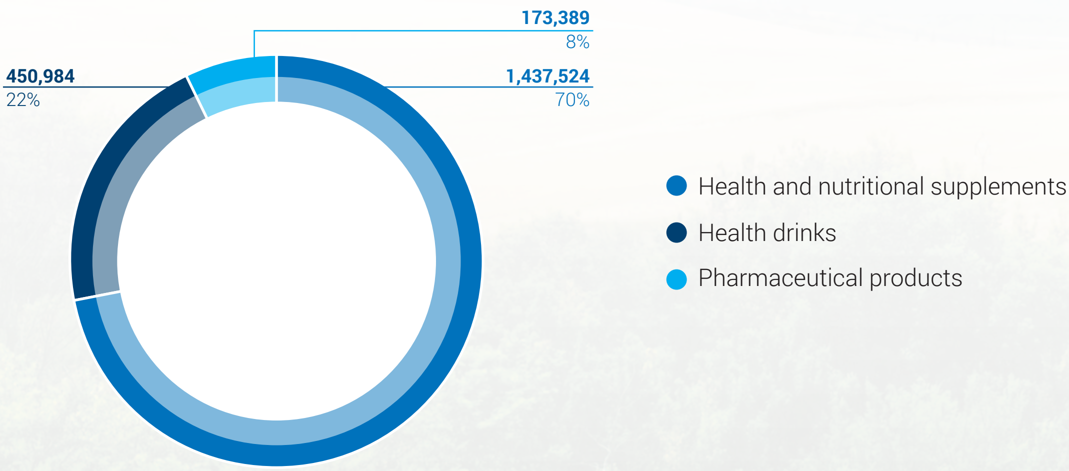
2014	**574,300**
2013	493,125

Basic earnings per share
(Cents)

↑ 16.2%

2014	**51.0**
2013	43.9

Sales analysis by categories
(RMB'000)



We are pleased to present the final results of Real Nutriceutical Group Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended December 31, 2014.

Chairman
Mr. Wang Fucai

BUSINESS REVIEW

The Group's business continued to grow in 2014 as turnover increased by 8.3% to RMB2,061.9 million and profit attributable to owners of the Company rose by 16.5% to RMB574.3 million. The overall gross profit margin improved to 70.1% from 68.0% in 2013 due to the change in sales mix and decrease in outsourced production of health drink products. The increase in net profit was mainly attributable to the steady growth in turnover, increase in gross profit margin and a decrease in selling and marketing expenses as a percentage of sales.

During the year, sales performances of all business units met the Group's expectations. Sales of the Group's core health and nutritional supplement products increased by 5.0% to RMB1,437.5 million as the growth in sales of the flagship product amino acids tablets and other health supplement products met the Group's expectations. Meanwhile, sales of health drinks increased by 10.4% to RMB451.0 million. Sales of pharmaceutical products grew by 37.9% to RMB173.4 million, mainly due to the additional sales revenue from Anhui Province Shuangke Pharmaceutical Company Limited ("Anhui Shuangke") that the Group acquired during the year.

During the year, the Group continued to expand its retail network at a steady pace. Its health and nutritional supplement products were sold through the third parties' retail outlets which totaled approximately 77,000 points in China as at 31 December 2014 (there were approximately 71,000 such retail outlets as at the end of 2013). During the year, newly developed retail outlets included Henan Century Mart, Shanxi SPAR Supermarket Chain, Take Room Supermarket Chain and Shanxi Rehe Pharmaceutical Chain. The Group's health drinks were sold through numerous retail outlets in the provinces like Jiangsu, Zhejiang, Henan, Hebei, Hubei and Guangdong while its pharmaceutical products were sold to about 600 hospitals.

CHAIRMAN'S STATEMENT

The Group actively developed the local market through Real Nutri Health Stores. As at 31 December 2014, there were around 200 Real Nutri Health Stores which together contributed revenue of RMB239.5 million in the year. Real Nutri Health Stores provided members with a series of personalized health services and healthy activities, so as to nurture their loyalty to the Group's brand and products. During the year, the registered members of its Real Nutri Health Club increased to over 350,000. The Group organized over 900 club member activities, including health knowledge seminars, health trip forums and the Peking University & Real Nutri regimen classes. In addition, the Group's internet-enabled direct sales business grew solidly and contributed revenue of RMB49.2 million in the year.

The Group adopted sustainable marketing strategies to reinforce corporate image and enhance brand popularity through conducting comprehensive promotional campaigns through traditional multimedia, mobile internet platforms and advertisements in public transportation and on innovative billboards. During the year, The Group held over 200 promotional events, participated in a number of large exhibitions as well as sponsored various activities, including The First International Special Nutritional Regimen Festival in China jointly hosted by the Group and the China Health Care Association in Wuxi, The 2014 Senior Expo & The 3rd Middle Aged and Elderly Regimen Cultural and Arts Festival in Nanjing, large-scale activities for popularizing science in The Nutrition Festival of Yangtze River Delta Area (Shanghai) 2014 and sponsorship of The China Interactive Drift (CID) in Guangzhou. The Group's Real Nutri Amino Acids Tablets has been accredited as Jiangsu Famous Brand by Jiangsu Promotion Commission for Famous Brand Strategy for ten consecutive years. Real Nutri has also been granted the Jiangsu Famous Trademark status by Jiangsu Administration for Industry and Commerce for twelve consecutive years. During the year, the Group stepped up the promotional efforts on the internet by putting advertisements on popular portals like Finance Sina, Finance QQ, Letv, ifeng, Taobao, 1 The Store and China Food Newspaper website. In addition, the Group regularly updated health regimen information and its latest news on its official Weibo and WeChat in order to gain wider media exposure for its brand on the internet. The Group's Real Nutri Health Bus new marketing program commissioned eight health promotion buses equipped with advanced diagnostic equipment to conduct over 80 community activities in local counties during the year for promoting the amino acids regimen culture. Free screening for arteries and brain illness were carried out on over 40,000 local residents, letting them have first-hand experience of Real Nutri professional services.

Health and nutritional supplement products were sold through around 77,000 retail outlets.

For the health drink business, the Group launched the new amino acids essence concentrate drink in aluminum package, the U-Energy, in the second half of 2014. The new product was well received by the market following a series of promotional campaigns. Sales of amino acids sports drinks in PET (polyethylene terephthalate) package surged by 202.1%. During the year, the Group's health drinks business held about 500 promotional activities, including complimentary health drinks sessions in shopping malls and supermarkets, roadshows for products and thematic promotional activities. It also sponsored a number of mega events, including the Wuxi Jiangnan University — Golden Autumn Sport Festival, Star With K-pop Live Concert In Guangzhou performed by several popular South Korean music bands, free mobile doctor consultation session in 2014 The 7th China Wuxi International Auto Expo and Yuexiu Gateball Tournament in Wuxi.

The Group launched new drink product, U-Energy, in 2014.

The Group's medicine business unit held over 120 technical promotional activities and took part in a number of major medical conferences, including The 14th Academic Congress at Integrated TCM-WM Oncology in Guangzhou, The 8th Chinese Symposium Medical Oncology (CSMO) in Beijing and The 3rd Congress of Ophthalmologists Society of Hubei Physician Association in Yichang.

Excelling in quality and safety is the core competitive strength of the Group's products. Therefore, the Group adopts the most stringent quality control protocol and introduces state- of-the-art equipment and technologies, and actively collaborates with domestic professional research teams such as the research expert panel of the Peking University Health Science Center in the joint development of top quality products with specific functional efficacies. During the year, the Group had a number of new health supplement products approved by the China Food and Drug Administration. These products included Real Nutri Slimming Tea, Real Nutri Natto-Monascus Tablets, Real Nutri Immunity Boost Capsules, Real Nutri Sound Sleep Tablets and Real Nutri Spirulina Amino Acids Capsules. The Group made capital investment of over RMB540.2 million in 2014 to upgrade the equipment and facilities at different production bases, including capital expenditure on its health supplement production base and health drink production base in Wuxi, pharmaceutical production base in Nanjing, the next- generation polypeptide production base in Suqian as well as a raw material plantation base in Suzhou. The move is part of the Group's ongoing initiatives to enhance its capacities for production and capability for developing diverse products.

CORPORATE SOCIAL RESPONSIBILITY

Besides driving the business growth, the Group is also attentive to its social responsibility and participated in charity works. During the year, the Group donated emergency medicines, health supplements and health drinks to the earthquake victims in Ludian, Zhaotong of Yunnan, the Mashan Elderly Home and the security squad in Nanjing 2014 Youth Olympic Games respectively. The Group also took part in The Community Chest of Hong Kong's Dress Casual Day and The Community Chest Green Day, as well as Don't Qua Charity Action 2014 by Suicide Prevention Services.

INVESTOR RELATIONS

To strengthen the communication with investors, the Group has been actively conducting and participating in various investor relations activities, including investor meetings, investor telephone conferences, investor presentations, investors' visits to its factories and retail outlets and the investment conferences organized by major securities firms. During the year, the Group joined a number of roadshows in London, Edinburgh, Milan, Tokyo and Shanghai, Shenzhen and Hong Kong, as well as a global healthcare investor conference in New York, so as to facilitate better exchanges with both the mainland and international investors.

PROSPECTS

Aspiring to become a leading enterprise in China's mega healthcare market in the long run, the Group will speed up the development of its various business segments. In addition to the expansion of sales network to consolidate its existing business presence in eastern and southern China, the Group will collaborate more closely with distributors in exploring markets in new regions and sales models with huge potential for growth. With the new sales model, the Group integrated the internet direct sales platform, the Real Nutri Health Store service network, the membership database analytics and follow-up program as well as the products and services call centre to provide consumers with a seamless services of its online and offline sales. The move will also help to build up a loyal customer base and raise individual spending on the Group's products. The Group aims to increase the number of active members of the Real Nutri Health Club to 400,000 by the end of 2015. The Group will steadily expand the number of Real Nutri Health Stores, and plans to open about 30 new Real Nutri Health Stores in 2015 in the cities, including Shanghai, Nanjing, Suzhou, Zhuhai and Guangzhou.

E-commerce is booming in China, generating new opportunities for enterprises to develop business. As brand building and maintenance on the internet are of utmost importance for online sales, the Group will adopt a brand-new major internet media marketing strategy to promote its brands and products through popular internet social networking platforms, famous portals and online shopping hubs in order to broaden the business horizon. The Group will also launch a number of more personalized and modestly priced product combos on the internet-enabled direct sales platform to satisfy the demand for quality health supplement products from consumers of different ages, physical conditions and types of life style.

The Group made acquisition of Anhui Shuangke in 2014.

The Group has successfully pioneered a sales model with foresight for Real Nutri Health Stores to increase revenues from its customers' repeat consumption. The Group seeks to acquire enterprises with suitable retail networks to rapidly replicate this unique and promising new sales model and to create new growth drivers. The Group came across such opportunity and signed a memorandum of understanding for the possible acquisition of the entire equity interest in Shenzhen City Ailire Investment Consulting Company Limited ("Ailire") in January 2015. Pursuant to the memorandum, the Group has an exclusivity period of six months to carry out the due diligence exercise and preparatory work for the proposed acquisition. Ailire operates over 600 integrated drug retail chain stores in many provinces and cities in China, including Guangdong, Hubei, Fujian, Guizhou and Hainan provinces. These stores sell a combination of Chinese and western patent drugs, imported drugs, biochemical pharmaceutical products, health-care and medical devices and health and nutritional supplements. Ailire's retail chain stores network mainly comprises over 300 retail pharmacies of Shenzhen China Associate Pharmacy Holding Co., Ltd. and over 150 retail pharmacies of Huizhou Tianlong Pharmaceutical Chain Co., Ltd. Ailire has a strong business presence and retail network for medicine sales in China. The Group expects that if the proposed acquisition of Ailire is materialized, it would quickly enhance the awareness of the Group's brand in southern China's consumer market. Furthermore, the Group will be able to boost the growth in sales of high gross profit margin products like amino acids health supplements and other premium health supplements by consolidating Ailire's retail chain network and applying the successful sales model of Real Nutri Health Stores to it. The move will also be able to create synergies between Ailire and the Group's existing businesses. At the same time, the integrated pharmaceutical retail chain network of Ailire will also be able to increase the operation scale and income of the Group's membership and internet sales programmes.

The Group plans to spin off its beverage business through a separating listing on the Stock Exchange of Hong Kong Limited, and has engaged a sponsor and other professional parties for the proposed spin-off which would provide a good opportunity for the Group to unlock the underlying potential value of the beverage business and maximize the shareholder value in the long run.

CHAIRMAN'S STATEMENT

As the leader in China's amino acids health supplements market, the Group will further advance its product development and enhance its production technology to ensure excellence in product quality. The Group will continue to expand the product portfolio and plans to develop a new generation of amino acids nutritional health supplement products with specific efficacies, namely Real Nutri Paecilomyces Hepiali Chen Amino Acids Tablets, Real Nutri Multi-Vitamin B Tablets and Real Nutri Figwort Ginseng Amino Acids Capsules. For the health drinks business, the Group will continue to improve product packaging and develop new flavors to meet the market needs. It plans to launch amino acids drinks with new PET package in the first half of 2015. For the medicine business, the Group will consolidate the sales channels and marketing teams for eye medicines, and optimize the production and sales of related products through the integration with Anhui Shuangke. The Group will also deploy additional resources to develop and introduce more new drugs to enrich its pharmaceutical product series.

The Group plans to spin off its beverage business.

The Group will press on with its pragmatic yet proactive strategy to expand China's market for amino acids health supplements, contributing to the development the country's mega healthcare industry. The Chinese economy has reached a new equilibrium with modest growth, and the state regulations and policies on the manufacture and sales of health supplements and medicines will favour faster and healthy growth of the country's healthcare industry. The Group sees great opportunities in China as the country's per capita consumption of health supplements is rising to the level of Europe, the United States and other developed countries in Asia. The Group will use its inherent competitive advantages to seize all these opportunities to increase corporate income and generate good returns to shareholders.

DIVIDEND

The Board of Directors recommended the payment of a final dividend of HK4.2 cents per share for the year ended December 31, 2014 (2013: HK3.5 cents).

ACKNOWLEDGEMENTS

I acknowledge with deep gratitude the work and support of the Board of Directors and the staff of the Group, which have been crucial to our success. I am confident that their endeavours will continue to help the Group achieve greater accomplishments in the years ahead. I would also like to take this opportunity to express my sincere appreciation to all our shareholders, customers and suppliers for their continuous support.

Wang Fucai
Chairman

Hong Kong, March 30, 2015

Results

The turnover of the Group in 2014 was RMB2,061.9 million, representing an increase of approximately 8.3% from RMB1,903.1 million in 2013. Profit attributable to owners of the Company increased by approximately 16.5% to RMB574.3 million in 2014 from RMB493.1 million in 2013. The Company's basic earnings per share ("Share") reached RMB51.0 cents (2013: RMB43.9 cents) based on the weighted average number of 1,136.7 million (2013: 1,123.0 million) Shares in issue during the year. The increase in financial results in 2014 was mainly attributable to the increase in sales of health and nutritional supplements and increase in gross profit margin.

Turnover

The turnover of the Group increased by approximately 8.3% from RMB1,903.1 million in 2013 to RMB2,061.9 million in 2014. Sales of health and nutritional supplements increased by approximately 5.0% from RMB1,368.8 million in 2013 to RMB1,437.5 million in 2014, which was primarily due to the increase in sales of amino acids tablets. Sales of health drinks increased by approximately 10.4% from RMB408.6 million in 2013 to RMB451.0 million in 2014. Turnover from sales of pharmaceutical products increased by approximately 37.9% from RMB125.8 million in 2013 to RMB173.4 million in 2014.

Gross profit

The Group's gross profit increased from RMB1,294.4 million in 2013 to RMB1,446.3 million in 2014. The Group's average gross profit margin increased from 68.0% in 2013 to 70.1% in 2014. Such increase in gross profit margin was mainly due to the change in sales mix and decrease in outsourced production of health drink products.

Other income and Other gains and losses

The Group's other income increased from RMB46.4 million in 2013 to RMB73.4 million in 2014, which was mainly due to the increase in interest income from bank deposits. The Group's other gains and losses decreased from gains RMB6.1 million in 2013 to losses RMB11.0 million in 2014, which was mainly due to the impairment loss recognised in respect of intangible assets.

Selling and distribution costs

The Group's selling and distribution costs decreased by approximately 1.6% from RMB507.7 million in 2013 to RMB499.8 million in 2014, represented approximately 26.7% in 2013 and 24.2% in 2014 of the Group's turnover. Such decrease was primarily due to the decrease in advertising expenses from RMB348.4 million in 2013 to RMB320.3 million in 2014.

Administrative expenses

The Group's administrative expenses increased by approximately 35.7% from RMB105.3 million in 2013 to RMB143.0 million in 2014, represented approximately 5.5% in 2013 and 6.9% in 2014 of the Group's turnover. Such increase was primarily due to the equity-settled share based payment increased from RMB0.9 million in 2013 to RMB29.6 million in 2014.

Finance costs

The Group's finance costs increased by approximately 65.4% from RMB33.6 million in 2013 to RMB55.5 million in 2014, which was primarily due to the increase in interest for the convertible loan notes from RMB7.9 million in 2013 to RMB18.3 million in 2014.

Taxation

Tax charge increased by approximately 10.6% from RMB207.2 million in 2013 to RMB229.2 million in 2014 primarily due to the increase in profit before taxation. The Group's effective tax rates in 2013 and 2014 were 29.5% and 28.3%, respectively.

Profit attributable to owners of the Company

As a result of the foregoing, the profit attributable to owners of the Company for the year increased from RMB493.1 million in 2013 to RMB574.3 million in 2014. The Group's profit margin increased from approximately 25.9% in 2013 to approximately 27.9% in 2014.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow

In 2014, net cash increased by RMB247.7 million. RMB647.1 million and RMB282.3 million were generated from operating activities and financing activities respectively, while RMB681.7 million were spent on investing activities.

Inventories

The Group's inventories decreased to RMB73.7 million (2013: RMB74.7 million) as at December 31, 2014 primarily due to the decrease in stock for the Chinese New Year in February 2015. The Group's inventories comprise raw materials, packaging materials, work in progress, finished goods and merchandise for resale. During the year, inventory turnover slightly increased to approximately 44 days (2013: 42 days).

Trade receivables

The Group's trade and bills receivables amounted to RMB738.3 million (2013: RMB551.7 million) as at December 31, 2014. During the year, the distributors were generally granted a credit term of 90 days. Turnover days for trade and bills receivables increased to 114 days (2013: 102 days), primarily due to some distributors' delay in payment.

Trade Payables

The Group's trade payables amounted to RMB97.7 million (2013: RMB124.2 million) as at December 31, 2014. During the year, the credit term provided by the suppliers generally was 90 days. Turnover days for trade payables increased to 76 days (2013: 54 days), which was primarily the result of the re-negotiation with suppliers to arrange the payment according to the credit term.

Borrowings

As at December 31, 2014, the Group had short-term bank loans in the amount of RMB884.0 million (2013: RMB435.0 million) and a gearing ratio of 15.0% (2013: 9.4%). The gearing ratio is calculated based on the Group's total interest-bearing borrowings over total assets.

Pledge of assets

As at December 31, 2014, the Group has pledged the Group's land use rights and buildings under property, plant and equipment in amount of RMB154.1 million for the bank borrowings (2013: RMB97.8 million) and 40% of the registered capital of Wuxi Ruinian Industry & Commerce Co., Limited, a wholly-owned subsidiary of the Company, for the convertible loan notes issued in 2013.

Capital expenditure

During the year, the Group invested approximately RMB540.2 million (2013: RMB657.9 million) for purchase of property, plant and equipment, land use rights and intangible assets.

Capital commitments and contingent liabilities

As at December 31, 2014, the Group's capital commitments were approximately RMB268.5 million (2013: RMB222.4 million), all of which were related to acquisition of property, plant and equipment and technical knowhow. The Group has no material contingent liabilities as at December 31, 2014 (2013: nil).

Acquisition of subsidiaries

On June 27, 2014, the Group entered into a conditional sale and purchase agreement and agreed to acquire a 60% equity interest in Magic Galaxy Limited ("Magic Galaxy") at an aggregate consideration of RMB200 million. The Group also agreed that a purchaser loan in the sum of RMB100 million will be provided to Magic Galaxy to repay the vendor shareholder loan in full and the loan will be turned into and deemed to be an interest-free shareholder loan provided to Magic Galaxy since the completion of the acquisition on July 15, 2014.

The principal asset of Magic Galaxy is the equity interest in Anhui Shuangke whose core business is sales and manufacturing of high end eye drop products in the PRC. The acquisition is in line with the Group's business strategy to further expand its high end eye medicine product portfolio and better utilise its existing pharmaceutical sales network. Anhui Shuangke has a diverse portfolio of high end eye drop products which can complement the Group's existing eye medicine product range.

Foreign exchange risk

RMB is the functional currency of the Company and its subsidiaries. Most of the revenues of the Group are derived from operations in the PRC. The financial instruments of the Group are denominated in RMB. The Group is not subject to material currency risk as the Group has no major cash and cash equivalents denominated in foreign currency. For the year ended December 31, 2014, the Group did not purchase any foreign exchange, interest rate derivative products or relevant hedging tools.

Use of net proceeds from the Company's initial public offering and placing

The total net proceeds from the Listing after the issue of the over-allotment shares amounted to approximately HK$806.6 million (RMB692.6 million) and the total net proceeds from placing in October 2010 amounted to approximately HK$597.2 million (RMB517.1 million). As at December 31, 2014, net proceeds of approximately RMB1,061.1 million has been applied on market expansion, capital expenditures, product development and other working capital, and the remaining of the net proceeds has been deposited into banks and qualified financial institutions, which are intended to be applied in accordance with the proposed application set out in the "Use of proceeds" section in the prospectus dated February 8, 2010 issued by the Company (the "Prospectus") and in the announcement dated October 28, 2010.

HUMAN RESOURCES MANAGEMENT

Quality and dedicated staff are indispensable assets to the Group's success in the competitive market. The Group offers competitive remuneration packages commensurate with industry practice and provides various fringe benefits to all employees in Hong Kong and the PRC. The Group reviews its human resources and remuneration policies periodically to ensure they are in line with market practice and regulatory requirements. As at December 31, 2014, the Group employed a work force of 950. The total salaries and related costs for the year ended December 31, 2014 amounted to approximately RMB40.7 million (2013: RMB33.7 million).

CORPORATE GOVERNANCE PRACTICES

The Company recognises the value and importance of achieving high corporate governance standards to enhance corporate performance, transparency and accountability, earning the confidence of shareholders and the public. The Board strives to adhere to the principles of corporate governance and adopt sound corporate governance practices to meet the legal and commercial standards by focusing on areas such as internal control, fair disclosure and accountability to all shareholders.

Saved as disclosed below, the Company complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the year ended December 31, 2014. The Company periodically reviews its corporate governance practices to ensure its continuous compliance.

Set out below is a detailed discussion of the corporate governance practices adopted and observed by the Company for the year ended December 31, 2014.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct for Directors in their dealings in Company's securities. Having made specific enquiries of all the Directors of the Company, all the Directors confirmed that they had complied with the required standard of dealings as set out in the Model Code for the year ended December 31, 2014.

BOARD OF DIRECTORS

(i) Board Composition

The board of Directors ("Board") currently comprises a combination of six executive Directors, two non-executive Directors and four independent non-executive Directors.

As at December 31, 2014, the Board consisted the following Directors:

Executive Directors
Mr. Wang Fucai *(Chairman and Chief Executive Officer)*
Mr. Yu Yan
Mr. Li Lin
Mr. Yi Lin
Mr. Zhang Yan
Ms. Au-yeung Kam Ling Celeste

Non-executive Directors
Mr. Ip Tak Chuen, Edmond
Mr. Tsang Sze Wai, Claudius

Independent Non-executive Directors
Dr. Wong Lung Tak Patrick, BBS, J.P.
Dr. Fong Chi Wah
Mr. Xu Hua Feng
Mr. Chan Kee Ming

The executive Directors, with the assistance from the senior management, form the core management team of the Company. The executive Directors have the overall responsibility for formulating the business strategies and development plan while the senior management are responsible for supervising and executing the plans of the Company and its subsidiaries (together, the "Group").

(ii) Board Functions and Duties

The principal functions and duties conferred on the Board include:

- convening general meetings and reporting the Board's work at general meetings;
- implementing the resolutions passed by Shareholders in general meetings;
- deciding business plans and investment plans;
- preparing annual financial budgets and final reports;
- formulating the proposals for profit distributions, recovery of losses and for the increase or reduction of registered capital; and
- exercising other powers, functions and duties conferred by Shareholders in general meetings.

(iii) Board Meetings

During the year, the Board convened a total of four meetings in person or by means of electronic communication. Prior notices convening the board meetings were despatched to the Directors setting out the matters to be discussed. At the meetings, the Directors were provided with the relevant documents to be discussed and approved. The company secretary of the Company are responsible for keeping minutes for the board meetings.

(iv) Attendance Record

The following is the attendance record of the board meetings held by the Board:

	Attendance at meeting
Executive Directors	
Mr. Wang Fucai (Chairman and Chief Executive Officer)	4/4
Mr. Yu Yan	4/4
Mr. Li Lin	4/4
Mr. Yi Lin	4/4
Mr. Zhang Yan	4/4
Ms. Au-yeung Kam Ling Celeste	4/4
Non-executive Directors	
Mr. Ip Tak Chuen, Edmond	2/4
Mr. Tsang Sze Wai, Claudius	2/4
Independent Non-executive Directors	
Dr. Wong Lung Tak Patrick, BBS J.P.	4/4
Dr. Fong Chi Wah	4/4
Mr. Chan Kee Ming	4/4
Mr. Xu Hua Feng	3/4

(v) Independent Non-executive Directors

In compliance with Rule 3.10(1) of the Listing Rules, the Company has appointed four independent non-executive Directors. The Board considers that all independent non-executive Directors have appropriate and sufficient industry or finance experience and qualifications to carry out their duties so as to protect the interests of the Shareholders. One of the independent non-executive Directors, Dr. Wong Lung Tak Patrick, BBS J.P., has over 30 years in the accounting profession. Dr. Wong is a Certified Public Accountant (Practising) in Hong Kong.

Prior to their respective appointment, each of the independent non-executive Directors has submitted a written statement to the Stock Exchange confirming their independence and has undertaken to inform the Stock Exchange as soon as practicable if there is any subsequent change of circumstances which may affect their independence. The Company has also received a written confirmation from each of the independent non-executive Directors in respect of their independence. The Board considers that all independent non-executive Directors are being considered to be independent by reference to the factors stated in the Listing Rules.

(vi) Chairman and Chief Executive Officer

Provision A.2.1 of the CG Code provides that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same person. The Company deviates from this provision because Mr. Wang Fucai has been performing both the roles of Chairman and Chief Executive Officer. Mr. Wang is the founder of the Group and has over 30 years of experience in the health care and pharmaceutical industry. Given the current stage of development of the Group, the Board believes that vesting the two roles in the same person provides the Company with strong and consistent leadership and facilitates the implementation and execution of the Group's business strategies. The Group will nevertheless review the structure from time to time in light of the prevailing circumstances.

(vii) Appointment and Re-election of Directors

According to the articles of association of the Company, at each annual general meeting one-third of the Directors are subject to retirement by rotation or, if the number is not three or a multiple of three, then the number nearest to but not less than one-third shall retire from the office and shall be eligible for re-election. The Directors to be retired by rotation shall be those who have been longest in office since their last appointment or re-election. Every Director shall be subject to retirement at an annual general meeting at least once every three years.

All of the Directors of the Company including the non-executive Directors and the independent non-executive Directors are appointed for a specific term. Each of the executive Directors has entered into a service contract with the Company for a term of two years. Each of the non-executive Directors and the independent non-executive Directors has entered into a service contract with the Company for a term of one year.

(viii) Directors' Remuneration

The remuneration committee makes recommendations to the Board on the remuneration package of the Directors and senior management personnel. It is the Company's policy that the remuneration package of each Director and senior management shall be determined by reference to, inter alia, their duties, responsibilities, experience and qualifications.

Before the listing of the Company, the Directors had been provided with training on their duties and responsibilities as a director of a listed company and the compliance issues under the Listing Rules.

(ix) Training and Support for Directors

Directors must keep abreast of their collective responsibilities. Each newly appointed Director would receive an induction package covering the Group's businesses and the statutory and regulatory obligations of a director of a listed company. The Group also provides briefings and other training to develop and refresh the Directors' knowledge and skills. The Group continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices. Circulars or guidance notes are issued to Directors and senior management where appropriate, to ensure awareness of best corporate governance practices.

For the year ended December 31, 2014, the Directors participated in the following trainings:

	Type of Trainings
Executive Directors	
Mr. Wang Fucai *(Chairman and Chief Executive Officer)*	A, B
Mr. Yu Yan	A, B
Mr. Li Lin	A, B
Mr. Yi Lin	A, B
Mr. Zhang Yan	A, B
Ms. Au-yeung Kam Ling Celeste	A, B
Non-executive Directors	
Mr. Ip Tak Chuen, Edmond	A, B
Mr. Tsang Sze Wai, Claudius	A, B
Independent Non-executive Directors	
Dr. Wong Lung Tak Patrick, BBS J.P.	A, B
Dr. Fong Chi Wah	A, B
Mr. Chan Kee Ming	A, B
Mr. Xu Hua Feng	A, B

A: attending seminars and/or conferences and/or forums relating to directors' duties
B: reading newspaper, journals and updates relating to the economy, general business or directors' duties etc.

(x) Directors' and Officers' Insurance

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers.

(xi) Company Secretary

Mr. Poon Yick Pang, Philip, the Company Secretary of the Company, is a full time employee of the Group and has day-to-day knowledge of the Company's affairs. During financial year, the Company Secretary has duly complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules. The biographical details of the Company Secretary is set out on in the section entitles "Biography of Directors and Senior Management" in the annual report.

BOARD COMMITTEES

The Board has established Remuneration Committee , Nomination Committee and Audit Committee (collectively "Board Committees") with defined terms of reference. The terms of reference of the Board Committees are posted on the websites of the Company and the Stock Exchange. The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

(i) Remuneration Committee

The terms of reference of the remuneration committee are in compliance with the provisions of the CG Code (where applicable). The remuneration committee comprises Mr. Wang Fucai, Dr. Wong Lung Tak Patrick, BBS, J.P., Dr. Fong Chi Wah and Mr. Xu Hua Feng. Dr. Fong Chi Wah is the chairman of the remuneration committee.

The primary responsibilities of the remuneration committee are to make recommendations to the Board on the remuneration package of the Directors and senior management personnel and to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration.

During the year, the remuneration committee has held one meeting, at which members of the remuneration committee has considered and reviewed the existing terms of remunerations of all the Directors and senior management, and the Group's remuneration policy in relation to that of comparable companies, time commitment and responsibilities of the Directors and senior management and desirability of performance-based remuneration. The remuneration committee considered that the existing terms of remunerations of the Directors and senior management were fair and reasonable.

The following is the attendance record of the committee meeting held by the remuneration committee.

	Attendance at meeting
Dr. Fong Chi Wah	1/1
Mr. Wang Fucai	1/1
Dr. Wong Lung Tak Patrick, BBS, J.P.	1/1
Mr. Xu Hua Feng	1/1

(ii) Nomination Committee

The terms of reference of the nomination committee are in compliance with the provisions of the CG Code (where applicable). The nomination committee comprises Mr. Wang Fucai, Dr. Wong Lung Tak Patrick, BBS, J.P., Dr. Fong Chi Wah, Mr. Xu Hua Feng and Mr. Chan Kee Ming. Mr. Wang Fucai is the chairman of the nomination committee.

The primary responsibilities of the nomination committee are to review the structure, size and composition of the Board and make recommendations to the Board on the selection of, individuals nominated for directorships.

During the year, the nomination committee has held one meeting, at which members of the nomination committee has considered and reviewed the existing structure, size and composition of the Board. The remuneration committee considered that the existing structure, size and composition of the Board are reasonable.

The following is the attendance record of the committee meeting held by the nomination committee.

	Attendance at meeting
Mr. Wang Fucai	1/1
Dr. Fong Chi Wah	1/1
Dr. Wong Lung Tak Patrick, BBS, J.P.	1/1
Mr. Xu Hua Feng	1/1

(iii) Audit Committee

The terms of reference of the audit committee are in compliance with the provisions of the CG Code (where applicable). The primary duties of the audit committee are to review and supervise financial reporting processes and internal control system of the Group. At present, the audit committee comprises Dr. Wong Lung Tak Patrick, BBS, J.P., Dr. Fong Chi Wah and Mr. Xu Hua Feng, being the three independent non-executive Directors of the Company. Dr. Wong Lung Tak Patrick, BBS, J.P. is the chairman of the audit committee.

The audit committee is satisfied with their review of the auditor's remuneration, the independence of the auditor, Deloitte Touche Tohmatsu ("DTT"), and recommended the Board to re-appoint DTT as the Group's auditor in the year 2015, which is subject to the approval of shareholders at the forthcoming annual general meeting.

During the year, the audit committee has held two meetings, at which the members of audit committee have reviewed and discussed with the external auditor of the Group's interim results for the period ended June 30, 2014 and the audited annual results for the year ended December 31, 2013, who is of the opinion that such statements have complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

The following is the attendance record of the committee meeting held by the audit committee.

	Attendance at meeting
Dr. Wong Lung Tak Patrick, BBS, J.P.	2/2
Dr. Fong Chi Wah	2/2
Mr. Xu Hua Feng	2/2

AUDITOR'S REMUNERATION

The Group's external auditor is Deloitte Touche Tohmatsu. For the year ended December 31, 2014, the total fee paid/payable in respect of audit and non-audit services provided by the Group's external auditor is set out below:

	For the year ended December 31, 2014 HK$'000
Annual audit services	3,128
Non-audit services	1,280

The audit committee is responsible for making recommendation to the Board as to the appointment, re-appointment and removal of the external auditor, which is subject to the approval by the Board and at the general meetings of the Company by the Shareholders.

DIRECTOR'S RESPONSIBILITY ON THE FINANCIAL STATEMENTS

The Directors acknowledge that it is their responsibility to prepare the accounts of the Group and other financial disclosures required under the Listing Rules and the management will provide information and explanation to the Board to enable it to make an informed assessment of the financial and other Board decisions.

INTERNAL CONTROL

The internal control system has been designed to safeguard the assets of the Company, maintaining proper accounting records, execution with appropriate authority and compliance of the relevant laws and regulations.

The Board is responsible for maintaining and reviewing the effectiveness of the Group's internal control system. They have carried out an annual review of the implemented system and procedures, including areas covering financial, operational and legal compliance controls and risk management functions. The internal control system is implemented to minimise the risks to which the Group is exposed and used as a management tool for the day-to-day operation of business. The system can only provide reasonable but not absolute assurance against misstatement or losses.

The Board is responsible for implementing the internal control system and reviewing its effectiveness. For the year ended December 31, 2014, the Board considered that the Company's internal control system is adequate and effective and the Company has complied with the code provisions on internal control of the CG Code.

SHAREHOLDER'S RIGHTS AND COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

Pursuant to the Articles and Association of the Company, any one or more Members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

The general meetings of the Company provide a forum for communication between the Board and the Shareholders. The chairman of the Board as well as chairmen of the remuneration committee, the audit committee and nomination committee and, in their absence, other members of the respective committees are available to answer questions at Shareholders' meetings.

The forthcoming annual general meeting ("AGM") will be held on June 2, 2015. The notice of AGM will be sent to Shareholders at least 20 clear business days before the AGM.

To promote effective communication, the Company maintains a website at www.ruinian.com.hk, where extensive information and updates on the Company's financial information, corporate governance practices and other information are posted and available for public access.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Wang Fucai (王福才), aged 59, is the founder, the chairman of the board of directors and the chief executive officer of the Company and is responsible for the overall management, strategic development and major decision making of the Group. Mr. Wang was appointed as an executive Director of the Company on August 30, 2006. Mr.Wang received a graduation certificate (畢業證) from the Medical Department of Harbin Medical University (哈爾濱醫科大學) in July 1983. Mr. Wang established Wuxi Ruinian Industry and Commerce Co. Ltd. ("Ruinian Industry") in 1997 to develop his own business and is now the chairman and general manager of Ruinian Industry. He is an associate director of China Food and Drug Administration Magazine (國家食品藥品監督管理局監督雜誌) and a permanent member of the Association of Hong Kong & Kowloon Practitioners of Chinese Medicine Limited. Mr. Wang possesses over 30 years of experience in the health care and pharmaceutical industry, including over 10 years in the nutritional supplement industry. Mr. Wang served in BeiMan TeGang and its affiliated hospital (北滿特鋼及其附屬醫院), a state-owned entity, from 1983 to 1992 and was appointed as the Medical Superintendent from 1990 to 1992, during which he gained experiences in management and administration. From 1992 to 1997, Mr. Wang worked in Shenzhen Hygienic Development Company (深圳市衛生發展公司) as the general manager and was responsible for the sale of pharmaceutical products.

Mr. Yu Yan (于岩), aged 50, is an executive Director and is responsible for the Group's production and administration. Mr. Yu was appointed as an executive Director of the Company on August 30, 2006. Mr. Yu has over 27 years of experience in management. He was the supervisor and factory manager of Northern Steel Development Factory (北鋼北發工業公司) and its subsidiary from 1986 to 1996. Mr. Yu joined the Group in December 1997 and is currently the deputy general manager of Ruinian Industry.

Mr. Li Lin (李林), aged 47, is an executive Director and is responsible for the sales and marketing of the Group. Mr. Li was appointed as an executive Director of the Company on August 30, 2006. Mr. Li is a senior economist recognized by the Department of Personnel of Jiangsu Province based on the assessment by Jiangsu Qualification Evaluation Committee of Senior Professional Positions Specialised in Economic Field (江蘇省經濟專業高級專業技術資格評審委員會). He graduated from Hubei University (湖北大學) in July 1989 and obtained an executive MBA degree from Peking University (北京大學) in January 2007. He was employed by Wuhan Standard Vehicle Parts Factory (武漢汽車標準件廠) as a teacher, administrator of student affairs department and plant manager during the period between 1989 and 1995. He worked for Sanzhu Group Limited (三株集團有限公司) as a manager, regional manager and sales director until 2000 and has over 18 years of experience in sales and marketing. Mr. Li joined the Group in October 2000 and is currently the deputy general manager of Ruinian Industry.

Mr. Yi Lin (伊林), aged 51, is an executive Director and is responsible for the product development and administration of the Group. Mr. Yi was appointed as an executive Director of the Company on August 30, 2006. Mr. Yi obtained a Bachelor's Degree in Pharmaceutical Preparation (製劑) from Shenyang Medical University (瀋陽藥科大學) in 1987. During the period between 1987 and 1993, he was employed by Harbin Pharmaceutical Group (哈藥集團股份有限公司) and later promoted to be a sales manager. Mr. Yi was the head of sales of Shenzhen Bright Way Pharmaceutical Co., Ltd. (深圳凱程醫藥化工有限公司) during the period between 1993 and 1998 and the provincial, regional and Northern China regional manager of Shenzhen Xinpeng Biological Engineering Ltd. (深圳新鵬生物工程有限公司) during the period between 1998 and 2004. He has approximately 25 years of experience in sales and marketing. Mr. Yi joined the Group in February 2004 and is currently the deputy general manager of Ruinian Industry.

Mr. Zhang Yan (張宴), aged 38, is an executive Director and is responsible for the finance and treasury of the Group. Mr. Zhang was appointed as an executive Director of the Company on August 30, 2006. Mr. Zhang completed a diploma study (大學專科) in Finance and Accounting from Shanghai University of Finance & Economics (上海財經大學) in July 1996. He joined Wuxi Desheng Silk Plant (無錫市德生綢廠) in September 1996 and was later promoted as an administrator of the human resources and accounts department. He has accumulated over 16 years of experience in accounting. Mr. Zhang joined the Group in January 2001 and is currently the deputy general manager of Ruinian Industry.

Ms. Au-yeung Kam Ling Celeste (歐陽錦玲), aged 52, is an executive Director and is responsible for the operations of the Group outside the PRC. Ms. Au-yeung joined the Group in October 2004. Ms. Au-yeung was appointed as an executive Director of the Company on March 28, 2008. Ms. Au-yeung has over 20 years of experience in the health food industry. Ms. Au-yeung worked in Sunrider International (Hong Kong) Ltd., an international health food company from 1991 to 2001, where she was promoted to district operation manager and gained extensive knowledge and experience in the health food markets in Hong Kong and Southeast Asia. Prior to joining the Group, she worked as operation manager in both Ta Shing Indomold from 2001 to 2003 and Majestic Group from 2003 to 2004. Ms. Au-yeung completed a study in Journalism from Chu Hai College (珠海書院) in Hong Kong in 1986.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Non-executive Directors

Mr. Ip Tak Chuen, Edmond (葉德銓), aged 62, is a non-executive Director and joined the Group in October 2007. Mr. Ip was appointed as a non-executive Director of the Company on March 28, 2008. Mr. Ip is a senior management member at a number of companies. The following chart summarises Mr. Ip's positions at such companies:

Company[1]	Position
CK Life Sciences Int'l., (Holdings) Inc. ("CK Life Sciences")	senior vice president and chief investment officer
CK Hutchison Holdings Limited ("CK Hutchison")[2]	deputy managing director
Cheung Kong Infrastructure Holdings Limited	executive director and deputy chairman
TOM Group Limited	non-executive director
ARA Asset Management Limited	non-executive director
AVIC International Holding (HK) Limited	non-executive director
Shougang Concord International Enterprises Company Limited	non-executive director
ARA Asset Management (Fortune) Limited, the manager of Fortune Real Estate Investment Trust	non-executive director
Hui Xian Asset Management Limited, the manager of Hui Xian Real Estate Investment Trust	non-executive director

Notes:

(1) All the above are listed companies or REITs listed in Hong Kong and/or Singapore.

(2) CK Hutchison is a company listed on the Stock Exchange since March 18, 2015.

Mr. Ip obtained a Bachelor of Arts degree in Economics in 1975 and a Master of Science degree in Business Administration in 1977.

Mr. Tsang Sze Wai Claudius, CFA (曾思維), aged 38, is a non-executive Director and joined the Group in May 2010. Mr. Tsang was appointed as a non-executive Director of the Company on May 26, 2010. Mr. Tsang first joined Templeton Asset Management Limited in July 2005. He is now the vice president and executive director of Templeton Asset Management Limited. Mr. Tsang is a chartered financial analyst. He had 16 years' experience in investment management industry and served various positions in Jardine Fleming Securities Asia Limited, Chinachem Group, Korean Development Bank and Lehman Brothers. Mr. Tsang obtained a bachelor degree of engineering from The Chinese University of Hong Kong in 1998 and a bachelor degree of law from Tsinghua University in 2006. He is a holder of a Chartered Financial Analyst charter of the CFA Institute.

Independent Non-executive Directors

Dr. Wong Lung Tak Patrick, BBS, J.P. (黃龍德), aged 67, is an independent non-executive Director and joined the Group in March 2008. Dr. Wong was appointed as an independent non-executive Director of the Company on March 28, 2008. Dr. Wong is a Certified Public Accountant (Practising) in Hong Kong and the managing practising director of Patrick Wong CPA Limited, Wong Lam Leung & Kwok CPA Limited and Hong Kong Pengcheng CPA Limited. He has over 30 years experience in the accountancy profession. Dr. Wong holds a Doctor of Philosophy in Business degree, was awarded a Badge of Honour by the Queen of England in 1993 and was appointed a Justice of the Peace in 1998. He was also awarded a Bronze Bauhinia Star by the Government of the HKSAR in 2010. He has been appointed Adjunct Professor, School of Accounting and Finance of the Hong Kong Polytechnic University since 2002. Dr. Wong participates in many types of community services and is holding posts in various organisations and committees in government and voluntary agencies. Dr. Wong is an independent non-executive director of China Precious Metal Resources Holdings Co., Ltd., C C Land Holdings Limited, Water Oasis Group Limited, Sino Oil and Gas Holdings Limited, Galaxy Entertainment Group Limited, Guangzhou Baiyunshan Pharmaceutical Holdings Co, Ltd., Winox Holdings Limited, National Arts Entertainment and Culture Group Limited and Excel Development (Holdings) Limited, all of which are listed on the Stock Exchange.

Dr. Fong Chi Wah (方志華), aged 52, is an independent non-executive Director and joined the Group in March 2008. Dr. Fong was appointed as an independent non-executive Director of the Company on March 28, 2008. Dr. Fong is a Chartered Financial Analyst, a member of Hong Kong Institute of CPAs and the Institute of Certified Management Accountants, Australia, and the Hong Kong Institute of Directors. Dr. Fong has over 25 years of experience in various sectors of the financial industry, including direct investment, project and structured finance and capital markets, with a focus on the PRC and Hong Kong. Dr. Fong was a director of Baring Capital (China) Management Limited and held various management positions in ING Bank. He was appointed as an independent non-executive director of Syscan Technology Holdings Limited on December 19, 2003 and as an executive director of National Investments Fund Limited on November 1, 2005, and both companies are listed on the Stock Exchange. Dr. Fong obtained a bachelor's degree in management science (economics) from Lancaster University, United Kingdom, in 1984, a master's degree in business administration from Warwick University, United Kingdom, in 1986, a master's degree in investment management from the Hong Kong University of Science and Technology in 1999, a master's degree in practising accounting from Monash University, Australia, in 2001 and a doctorate in business administration from the Hong Kong Polytechnic University in 2007.

Mr. Xu Hua Feng (徐華鋒), aged 45, is an independent non-executive Director and joined the Group in September 2012. Mr. Xu was appointed as an independent non-executive Director of the Company on September 1, 2012. Mr. Xu obtained a Bachelor of Laws from the China Youth University for PoliticalSciences (中國青年政治學院*) in 1992 and has been the Secretary of China Health CareAssociation (中國保健協會*) since 2004. Mr. Xu has over 17 years of experience in the nutrition and health care food products industry. Mr. Xu was the Director of International Department of China Health Care Association, the Director of Office of China Health Care Association, the person-in-charge of the Research Group for "Regulatory System of Health Care Food Products in China" (「中國保健食品監管體系研究」課題組*), the Executive Editor of the "Blue Book of the Development of Health Care Food Products in China" (《中國保健食品發展藍皮書》*) and the member of the Expert Committee of World (China) Direct Selling Research Centre (世界直銷(中國)研究中心*).

Mr. Chan Kee Ming, William (陳基明), aged 50, is an independent non-executive Director and joined the Group in May 2010. Mr. Chan was appointed as an independent non-executive Director of the Company on May 26, 2010. Mr. Chan is the honorable secretary of The Hong Kong Software Industry Association since 2008. Mr. Chan was the account executive of Federal Express Limited in 1990 and the general manager of Vanda Computer and Equipment Co Ltd from 1992 to 2000. Mr. Chan has over 14 years' experience in logistic business. From 2002 to 2009, Mr. Chan was a fellow member of the E-logistics Group and S-logistics Group of the Logistics Development Council of Hong Kong. Mr. Chan has been the chief executive officer of DigiLogistics Technology Limited since January 2000. Mr. Chan obtained a bachelor of arts degree from The University of Hong Kong in 1987.

SENIOR MANAGEMENT

Mr. Poon Yick Pang, Philip (潘翼鵬), aged 45, is the chief financial officer and the Company Secretary. He joined the Company in June 2008. Mr. Poon has over 20 years of corporate finance and accounting experience. Prior to joining the Company, he served senior financial positions in a number of companies listed in Hong Kong and USA. Mr. Poon also served financial and investment positions in Advent International Corporation, a global private equity firm, Lenovo Group Limited and Sun Hung Kai Properties Limited, both of which are listed in the Stock Exchange. Mr. Poon obtained a Bachelor of Commerce degree from the University of New South Wales in 1993 and is a holder of a Chartered Financial Analyst charter of the CFA Institute, a Certified Practising Accountant (Australia) and a fellow of the Hong Kong Institute of Certified Public Accountants. Mr. Poon is an independent non-executive director of Trigiant Group Limited and Jiangnan Group Limited, both of which are listed on the Stock Exchange.

Mr. Quan Guangde (全廣德), aged 65, is the manager of the production department and an assistant to the chief executive officer. Mr. Quan is responsible for supervising the production of our nutritional health products. He joined the Group in October 2004 and was a mechanical engineer and head of the engineering team of the production department before being promoted to his current positions. Mr. Quan has over 30 years of experience in mechanical engineering, and was qualified as an engineer in 1987 and a senior engineer in 1996 in the PRC. Prior to joining the Group, Mr. Quan worked for various companies in the PRC as a mechanical engineer.

Mr. Yuan Jianjun (袁建軍), aged 44, is the manager of the sales auditing department and an assistant to the chief executive officer. Mr. Yuan is responsible for the auditing and analysis of the sales business and marketing and the daily management of the Group. He graduated from the Jiangxi School of Finance & Economics in July 1994, majoring in financial accounting. He joined the Group in August 2006 and has over 19 years of experience in financial accounting and auditing. He was qualified as an accountant in 2004 in the PRC. Prior to joining the Group, Mr. Yuan served in various companies in the PRC specialising in accounting and auditing.

The Board hereby presents its report and the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended December 31, 2014.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. Particulars of the principal activities of its principal subsidiaries are set out in note 36 to the consolidated financial statements of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended December 31, 2014 are set out in the consolidated statement of profit and loss and other comprehensive income on page 44 of this annual report.

The Directors recommended the payment of a final dividend of HK4.2 cents per Share.

PROPERTY, PLANT AND EQUIPMENT

Additions to property, plant and equipment of the Group for the year ended December 31, 2014 amounted to approximately RMB617.9 million. Details of the movements during the year in the Group's property, plant and equipment are set out in note 16 to the consolidated financial statements of this annual report.

SHARE CAPITAL

Details of the movements during the year in the issued share capital of the Company are set out in note 29 to the consolidated financial statements of this annual report.

RESERVES

Details of the movements during the year in the reserves of the Group are set out in the consolidated statement of changes in equity on page 47–48 of this annual report.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five years are set out on page 112 of this annual report.

BORROWINGS

Details of bank loans of the Group as at December 31, 2014 are set out in note 27 to the consolidated financial statements of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For the years ended December 31, 2014 and 2013, sales to the Group's five largest customers, in aggregate represented approximately 20.1% and 21.0% of the Group's total sales, respectively. For the years ended December 31, 2014 and 2013, sales to the single largest customers amounted to approximately 5.2% and 5.2% of the Group's total sales, respectively.

For the years ended December 31, 2014 and 2013, purchases of raw materials, packaging materials and merchandise for resale from the Group's five largest suppliers accounted for approximately 55.6% and 48.9% of the Group's total purchases, respectively. For the years ended December 31, 2014 and 2013, purchases from the single largest supplier amounted to approximately 15.6% and 12.8% of the Group's total purchases, respectively.

For the year ended December 31, 2014, 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.

DONATIONS

The Company made charitable donations totaling RMB560,000 during the year.

CONVERTIBLE BONDS

On May 28, 2013, the Company entered into a subscription agreement with an independent third party, Newport Consulting Ltd. In relation to issue a first tranche convertible bond in the principal amount of HK$200,000,000 (equivalent to RMB157,246,000) on the first completion date, a second tranche convertible bond in the principal amount of HK$400,000,000 (equivalent to RMB314,492,000) together with warrants that can be convertible into 20,000,000 ordinary share of the Company on the second completion date subject to the terms and conditions of the subscription agreement.

The Company issued HK$200,000,000 (equivalent to RMB157,246,000), 6% first tranche convertible bonds to Newport Consulting Ltd. on July 22, 2013. The convertible bonds are secured by 40% of the registered capital of Ruinian Industry, a wholly-owned subsidiary of the Company established in the PRC.

The convertible bonds entitle the holders to convert them into ordinary shares of the Company at any time between the date of issue of the bonds and their settlement date on July 22, 2015 at a conversion price of HK$3 per convertible bonds. For the year ended December 31, 2014, none of the convertible bonds was converted or redeemed.

The second tranche convertible bonds and warrants are subject to the fulfillment of certain conditions precedent under the subscription agreement on or before the second long stop date, being January 22, 2015. As the second long stop date has been passed and the second completion conditions have not been fulfilled, the second completion under the subscription agreement will not take place and the transaction under the second completion shall cease to be of any effect.

Details of the Convertible Bonds are set out in note 28 to the consolidated financial statements of this annual report.

DIRECTORS

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

Executive Directors

Mr. Wang Fucai (reappointed as an executive director on May 25, 2012)
Mr. Yu Yan (reappointed as an executive director on May 27, 2014)
Mr. Li Lin (reappointed as an executive director on May 27, 2014)
Mr. Yi Lin (reappointed as an executive director on May 27, 2014)
Mr. Zhang Yan (reappointed as an executive director on May 29, 2013)
Ms Au-yeung Kam Ling Celeste (reappointed as an executive director on May 27, 2014)

Non-executive Directors

Mr. Ip Tak Chuen, Edmond (reappointed as a non-executive director on May 29, 2013)
Mr. Tsang Sze Wai, Claudius (reappointed as a non-executive director on May 29, 2013)

Independent Non-executive Directors

Dr. Wong Lung Tak Patrick, BBS, J.P. (reappointed as an independent non-executive director on May 25, 2012)
Dr. Fong Chi Wah (reappointed as an independent non-executive director on May 25, 2012)
Mr. Chan Kee Ming (reappointed as an independent non-executive director on May 29, 2013)
Mr. Xu Hua Feng (appointed as an independent non-executive director on September 1, 2012)

In accordance with article 84 of the articles of association of the Company, Mr. Wang Fucai, Dr. Wong Lung Tak Patrick, BBS, J.P., Dr. Fong Chi Wah and Mr. Xu Hua Feng, who have been longest in office, shall retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Details of biography of Directors and senior management are set out on page 24–28 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for a term of two years subject to termination by not less than three months' notice in writing served by either party on the other.

Each of the non-executive Directors and the independent non-executive Directors has entered into a service contract with the Company for a term of one year subject to termination by not less than one month's notice in writing served by either party on the other. The appointments are subject to the provisions of retirement by rotation of Directors under the articles of association of the Company.

REMUNERATION OF THE DIRECTORS

The remuneration of each Director is approved at 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 remuneration of the Directors are set out in note 12 to the consolidated financial statements of this annual report.

EMOLUMENTS POLICY

The Group's emolument policies are formulated on the performance of individual employee and on the basis of the salary trends in Hong Kong and 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. The Group has adopted a Pre-IPO Share Option Scheme and a 2010 Share Option Scheme for its employees.

RETIREMENT BENEFITS SCHEME

Particulars of the retirement benefits scheme of the Group are set out in note 34 to the consolidated financial statements of this annual report.

INDEPENDENCE OF INDEPENDENT NON EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, a confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company considers all of the independent non-executive Directors are independent in accordance with Rule 3.13.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at December 31, 2014, the interests and short positions of the Directors and chief executives of the Company in the share capital, underlying shares and debentures of the Company (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 Companies ("Model Code") of the Listing Rules, are set out below:

Name of Director	Capacity	Number and class of securities	Number of Shares subject to options granted under the Share Option Scheme[1]	Approximate shareholding percentage (%)
Mr. Wang Fucai[2]	interest of a controlled corporation	263,468,394 Shares (L)		22.90%
	short position	6,533,660 Shares (S)		0.57%
	beneficial owner		400,000 Shares (L)	0.03%
Mr. Yu Yan	beneficial owner		200,000 Shares (L)	0.02%
Mr. Yi Lin	beneficial owner		200,000 Shares (L)	0.02%
Mr. Zhang Yan	beneficial owner		200,000 Shares (L)	0.02%
Ms. Au-yeung Kam Ling Celeste	beneficial owner		200,000 Shares (L)	0.02%
Dr. Wong Lung Tak Patrick, BBS, J.P.	beneficial owner	100,000 Shares (L)	200,000 Shares (L)	0.03%
Dr. Fong Chi Wah	beneficial owner		200,000 Shares (L)	0.02%
Mr. Chan Kee Ming	beneficial owner		200,000 Shares (L)	0.02%
Mr. Xu Hua Feng	beneficial owner		200,000 Shares (L)	0.02%

Notes:

(1) The letter "L" denotes the Director's long position in such securities and the letter "S" denotes the Director's short position in such securities.

(2) Furui Investments Limited ("Furui") owns the entire issued share capital of Strong Ally Limited and will be deemed to be interested in the 6,533,660 Shares held by Strong Ally Limited and the short position over 6,533,660 Shares as a result of grant of options by Strong Ally Limited under the Pre-IPO Share Option Scheme, and Mr. Wang Fucai owns the entire issued share capital of Furui and will be deemed to be interested in the 263,468,394 Shares held by Furui and Strong Ally Limited and the short position over 6,533,660 Shares as a result of grant of options by Strong Ally Limited under the Pre-IPO Share Option Scheme.

Save as disclosed herein, as at December 31, 2014, none of the Directors and chief executives of the Company, or any of their sponsor, or children under eighteen years of age, has any interests or short positions in the shares, underlying shares and debentures of the Company, recorded in the register required to be kept under section 352 of SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTIONS

The Company has conditionally adopted a Pre-IPO Share Option Scheme on January 29, 2010 and a Share Option Scheme ("2010 Share Option Scheme") on February 1, 2010.

2010 Share Option Scheme

The following is a summary of the principal terms of the 2010 Share Option Scheme approved by the written resolutions of the sole Shareholder passed on February 1, 2010:

(1) The purpose of the 2010 Share Option Scheme

The 2010 Share Option Scheme seeks to provide an incentive for the Qualified Participants (as defined below) to work with commitment towards enhancing the value of the Company and the Shares for the benefit of the Shareholders, and to maintain or attract business relationships with the Qualified Participants whose contributions are or may be beneficial to the growth of the Group.

(2) Who may join

The Board may at its discretion grant options to: (i) any executive Director, or employee (whether full time or part time) of the Company, any member of the Group or any entity in which any member of the Group holds an equity interest ("Invested Entity"); (ii) any non-executive Directors (including independent non-executive Directors) of the Company, any member of the Group or any Invested Entity; (iii) any supplier of goods or services to the Company, any member of the Group or any Invested Entity; (iv) any customer of the Company, any member of the Group or any Invested Entity; and (v) any person or entity that provides research, development or technological support to the Company, any member of the Group or any Invested Entity (collectively, "Qualified Participants").

(3) Subscription Price

The subscription price ("Subscription Price") shall, subject to any adjustment, be a price determined by the Board but in any event shall be at least the highest of:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the date on which the option is offered to a Qualified Participant ("Offer Date");

(ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Offer Date; and

(iii) the nominal value of the Shares.

Detailed terms of the 2010 Share Option Scheme are set out in the paragraph headed "Other Information" on page 25 to 32 of Appendix VIII (Statutory and General Information) to the Prospectus.

On July 4, 2014, 99,600,000 share options have been granted under the 2010 Share Option Scheme.

Pre-IPO Share Option Scheme

The Pre-IPO Share Option Scheme consists of two parts. The first part of the Pre-IPO Share Option Scheme is conditional upon the occurrence of the Listing and is granted by Strong Ally Limited, a wholly-owned subsidiary of Furui incorporated in the BVI. Under the first part of the Pre-IPO Share Option Scheme, selected employees and other individuals may be granted the rights to purchase from Strong Ally Limited an aggregate number of 20,000,000 Shares, representing approximately 2% of our issued share capital as of the Listing Date (assuming that the Over-allotment Option, options granted under the Pre-IPO Share Option Scheme or to be granted under the Share Option Scheme are not exercised). Under the second part of the Pre-IPO Option Scheme, our Company will grant rights to selected employees and other individuals to purchase an aggregate number of 20,000,000 Shares, representing approximately 2% of our total issued share capital as of the Listing Date (assuming that the Over-allotment Option, options granted or to be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme are not exercised), or approximately 1.96% of our issued share capital as of the Listing Date as enlarged by the issue of additional new Shares upon exercise of all options granted by us under the Pre-IPO Share Option Scheme.

The terms of the Pre-IPO Share Option Scheme are substantially the same as the Share Option Scheme except for the following conditions:

(a) the exercise price per Share under the Pre-IPO Share Option Scheme is the offering price HK$3.0 per share;

(b) the grantees shall not, within six months from the Listing Date, exercise any of the options granted under the Pre-IPO Share Option Scheme;

(c) the Pre-IPO Share Option Scheme will only become effective if the following conditions precedent are fulfilled:

    (i) the Listing Committee of the Stock Exchange granting approval on the listing of, and permission to deal in, any Shares to be issued upon the exercise of options granted under the Pre-IPO Share Option Scheme;

    (ii) the Global Offering becoming unconditional (including, if relevant, as a result of the waiver of any condition(s)) and not being terminated in accordance with the terms thereof; and

    (iii) the commencement of dealing in the Shares on the Stock Exchange;

(d) option granted under the Pre-IPO Share Option Scheme shall lapse if the conditions precedent are not fulfilled; and

(e) the maximum number of Shares granted under the Pre-IPO Share Option Scheme shall not exceed 40,000,000 Shares in total.

As at February 3, 2010, options to subscribe for an aggregate of 20,000,000 Shares had been granted by the Group, and options to purchase for an aggregate of 20,000,000 Shares had been granted by Strong Ally Limited, to a total of 104 Qualified Participants under the Pre-IPO Share Option Scheme.

On February 18, 2013, the exercisable period of the above Pre-IPO Share Option Scheme expired. On March 5, 2013, Strong Ally Limited extended the expiry date of the options to purchase shares of the Company to December 31, 2013. There is no outstanding share options under the Pre-IPO Share Option Scheme for the year ended December 31, 2014.

Set out below are details of the outstanding options granted under the 2010 Share Option Scheme:

Grantee		Number of Options outstanding on January 1, 2014	Number of options granted during the year	Exercised during the year	Lapsed during the year	Number of options Outstanding up to December 31, 2014
(1)	Directors					
	Mr. Wang Fucai	–	400,000	–	–	400,000
	Mr. Yu Yan	–	200,000	–	–	200,000
	Mr. Li Lin	–	200,000	200,000	–	–
	Mr. Yi Lin	–	200,000	–	–	200,000
	Mr. Zhang Yan	–	200,000	–	–	200,000
	Ms. Au-yeung Kam Ling Celeste	–	200,000	–	–	200,000
	Dr. Wong Lung Tak Patrick, BBS, J.P.	–	200,000	–	–	200,000
	Dr. Fong Chi Wah	–	200,000	–	–	200,000
	Mr. Chan Kee Ming	–	200,000	–	–	200,000
	Mr. Xu Hua Feng	–	200,000	–	–	200,000
(2)	Employees and others	–	97,400,000	27,411,000	–	69,989,000

Notes:

(1) All options under the 2010 Share Option Scheme were granted on July 4, 2014 at an exercise price of HK$2.0 per share option. All options vested at the date of grant.

RIGHTS TO PURCHASE SHARES OR DEBENTURES OF DIRECTORS AND CHIEF EXECUTIVES

Save as disclosed under the sections headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company", and "Share Options", at no time for the year ended December 31, 2014 was the Company or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors 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 or any of their spouses or children under the age of 18, was granted any right to subscribe for the equity or debt securities of the Company or any other body corporate nor had exercised any such right.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to the Company, as at December 31, 2014, as recorded in the register required to be kept by the Company under section 336 of the SFO, the following person, other than any Director or the chief executives of the Company, was the substantial shareholders (within the meaning of the Listing Rules) of the Company and had the following interests and short positions in the shares and underlying shares of the Company:

Shareholders	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding
Furui[1]	beneficial owner and interest in a controlled corporation	263,468,394	22.90%
	short position	6,533,660	0.57%
Qin Shifeng (秦士豐)[2]	interest of spouse	263,868,394	22.93%
	short position	6,533,660	0.57%
Newport Consulting Ltd.[3]	interest in a controlled corporation	220,000,000	19.12%
Fortune Earth Holding Company Limited[3]	interest in a controlled corporation	220,000,000	19.12%
CSSC (Hong Kong) Shipping Company Limited[4]	interest in a controlled corporation	220,000,000	19.12%
China State Shipbuilding Corporation[5]	interest in a controlled corporation	220,000,000	19.12%

Notes:

(1) Furui owns the entire issued share capital of Strong Ally Limited and will be deemed to be interested in the 6,533,660 Shares held by Strong Ally Limited and the short position over 6,533,660 Shares as a result of grant of options by Strong Ally Limited under the Pre-IPO Share Option Scheme.

(2) Qin Shifeng (秦士豐) is the spouse of Mr. Wang Fucai and will be deemed to be interested in the 263,468,394 Shares which Mr. Wang Fucai is interested in through Furui and Strong Ally Limited and 400,000 share options which Mr. Wang is interested in under the 2010 Share Option Scheme and the short position over 6,533,660 Shares as a result of grant of options by Strong Ally Limited under the Pre-IPO Share Option Scheme.

(3) Fortune Earth Holding Company Limited directly owns the entire issued share capital of Newport Consulting Ltd. and will be deemed to be interested in the 220,000,000 Shares held by Newport Consulting Ltd.

(4) CSSC (Hong Kong) Shipping Company Limited directly owns the entire issued share capital of Fortune Earth Holding Company Limited and will be deemed to be interested in the 220,000,000 Shares held by Fortune Earth Holding Company Limited.

(5) China State Shipbuilding Corporation directly owns the entire issued share capital of CSSC (Hong Kong) Shipping Company Limited and will be deemed to be interested in the 220,000,000 Shares held by CSSC (Hong Kong) Shipping Company Limited.

MANAGEMENT CONTRACTS

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.

CONTRACTS OF SIGNIFICANCE

No contracts of significance in relation to the business of the Group, to which the Company, its holding companies, its subsidiaries or fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

No contracts of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder of the Company or any of its subsidiaries subsisted at the end of year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as disclosed in the Prospectus, none of the Directors and their respective associates (as defined in the Listing Rules) has an interest in any business which competes or may compete with the business in which the Group is engaged.

Mr. Wang Fucai who is the Director of the Company, has provided an annual confirmation in respect of the compliance with the non-competition undertaking given by him (as described in the Prospectus) (the "Non-competition Undertaking") and information regarding his investment and engagement in the pharmaceutical business (as disclosed in the Prospectus) and the nature of such investment and engagement.

The independent non-executive Directors have also reviewed the compliance by Mr. Wang Fucai with the Non-competition Undertaking and the information that they have provided regarding investment and engagement by him in the pharmaceutical business (as disclosed in the Prospectus), and the nature of such investment and engagement. The independent non-executive Directors have confirmed that, as far as they can ascertain, there is no breach of Mr. Wang Fucai of the Non-competition Undertaking given by him.

CONNECTED TRANSACTION

Pursuant to the requirements of the Listing Rules, the transactions between the Company and the connected person (as defined under the Listing Rules) of the Company constitute connected transactions of the Company. The Company regulates and manages such transactions in compliance with the Listing Rules. The following are the non-exempt connected transactions conducted by the Group for the year ended December 31, 2014.

Transaction	2014 RMB'000
Transaction between the Group and Jiangsu Ruinian Qianjin Pharmaceutical Company Limited	**7,938**

Details of the related party transaction are disclosed in notes 30 and 35 to the consolidated financial statements of this annual report.

AUDIT COMMITTEE

The Company established its audit committee on February 1, 2010. The audit committee currently comprises three independent non-executive Directors, namely Dr. Wong Lung Tak Patrick, BBS, J.P., Dr. Fong Chi Wah and Mr. Xu Hua Feng.

The audit committee has adopted a written terms of references which is in compliance with the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules. The audit committee is primarily responsible for the review and supervision of the financial reporting process and internal control system. It has reviewed the accounting principles, accounting standards and methods adopted by the Company together with the management, discussed the matters concerning the internal controls, as well as reviewed the Group's interim results for the period ended June 30, 2014 and the audited annual results for the year ended December 31, 2014.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the Companies Law of the Cayman Islands where the Company is incorporated.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct for Directors in their dealings in the Company's securities. Having made specific enquiries to all the Directors of the Company, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code for the year ended December 31, 2014.

CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions set out in the CG Code contained in Appendix 14 to the Listing Rules. For the year ended December 31, 2014, the Company has complied with all the applicable code provisions as set out in the CG Code, except for deviation of the provision A.2.1 of the CG Code. For details of the Corporate Governance Report, please refer to pages 15–23 of this annual report.

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

On July 22, 2013, the Company issued HK$200,000,000 (equivalent to RMB157,246,000) convertible bonds to Newport Consulting Limited pursuant to the subscription agreement dated May 28, 2013. The convertible bonds can be convertible into ordinary shares of the Company at a conversion price of HK$3.0 per convertible bonds. For the year ended December 31, 2014, none of the convertible bonds was converted or redeemed.

On July 4, 2014, a total of 99,600,000 share options were granted at an exercise price of HK$2 per share option under the terms of the 2010 Share Option Scheme. For the year ended December 31, 2014, 27,611,000 share options have been exercised and 27,611,000 ordinary shares have been issued.

Save as above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities for the year ended December 31, 2014.

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

The total net proceeds from the Listing after the issue of the over-allotment shares amounted to approximately HK$806.6 million (RMB692.6 million) and the total net proceeds from placing in October 2010 amounted to approximately HK$597.2 million (RMB517.1 million). As at December 31, 2014, net proceeds of accumulated approximately RMB1,061.1 million has been applied on market expansion, capital expenditures, product development and other working capital, and the remaining of the net proceeds has been deposited into banks and qualified financial institutions, which are intended to be applied in accordance with the proposed application set out in the "Use of proceeds" section in the Prospectus and in the announcement dated October 28, 2010.

SUFFICIENCY OF PUBLIC FLOAT

Based on the publicly available information and to the best of the Directors' knowledge, information and belief, the Company has maintained sufficient public float for the year ended December 31, 2014.

SUBSEQUENT EVENTS

Details of the significant events after the reporting period of the Group are set out in note 38 to the consolidated financial statements of this annual report.

AUDITOR

The Company has appointed Deloitte Touche Tohmatsu as the auditor of the Company for the year ended December 31, 2014. A resolution will be proposed for approval by shareholders at the forthcoming annual general meeting to reappoint Deloitte Touche Tohmatsu as the auditor of the Company.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members will be closed by the Company from Friday, May 29, 2015 to Tuesday, June 2, 2015, both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the annual general meeting. In order to be eligible to attend and vote at the forthcoming annual general meeting of the Company, all completed transfer forms accomplished by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30p.m. on Thursday, May 28, 2015.

The register of members will be closed by the Company from Wednesday, June 10, 2015 to Friday, June 12, 2015, both days inclusive, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to establish entitlements to the proposed final dividend, all completed transfer forms accomplished by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30p.m. on Tuesday, June 9, 2015.

During the periods mentioned in the above, no transfer of shares of the Company will be registered.

On behalf of the Board
Wang Fucai
Chairman

Hong Kong, March 30, 2015

Deloitte.
德勤

TO THE SHAREHOLDERS OF REAL NUTRICEUTICAL GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Real Nutriceutical Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 44 to 110, which comprise the consolidated statement of financial position as at December 31, 2014, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the 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 and to report our opinion solely to you, as a body, in accordance with our agreed terms of 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 judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of the Group's affairs as at December 31, 2014 and of its profit and cash flows 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.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
March 30, 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2014

	Notes	2014 RMB'000	2013 RMB'000
Turnover	7	**2,061,897**	1,903,142
Cost of goods sold		**(615,605)**	(608,767)
Gross profit		**1,446,292**	1,294,375
Other income	8	**73,408**	46,400
Other gains and losses	9	**(10,988)**	6,122
Selling and distribution costs		**(499,818)**	(507,703)
Administrative expenses		**(142,950)**	(105,343)
Finance costs	10	**(55,488)**	(33,551)
Profit before taxation	11	**810,456**	700,300
Taxation	13	**(229,205)**	(207,175)
Profit for the year		**581,251**	493,125
Other comprehensive (expense) income for the year			
— exchange differences arising on translation of foreign operations which may be subsequently reclassified to profit or loss		**(659)**	1,139
Total comprehensive income for the year		**580,592**	494,264
Profit for the year attributable to:			
Owners of the Company		**574,300**	493,125
Non-controlling interests		**6,951**	—
		581,251	493,125
Total comprehensive income for the year attributable to:			
Owners of the Company		**573,641**	494,264
Non-controlling interests		**6,951**	—
		580,592	494,264
Earnings per share	15		
— Basic		**51.0 cents**	43.9 cents
— Diluted		**50.5 cents**	43.9 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT December 31, 2014

	Notes	2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment	16	**1,947,025**	1,445,186
Land use rights	17	**385,457**	379,355
Goodwill	18	**113,650**	–
Intangible assets	20	**373,442**	69,292
Deposits made on acquisition of property, plant and equipment		**73,191**	90,761
Advance payments for acquisition of technical knowhow	21	**112,205**	156,155
Deferred tax assets	22	**83**	250
		3,005,053	2,140,999
Current assets			
Inventories	23	**73,702**	74,746
Trade and other receivables	24	**919,100**	738,194
Bank balances and cash	25	**1,904,033**	1,656,434
		2,896,835	2,469,374
Current liabilities			
Trade and other payables	26	**237,556**	211,356
Taxation		**58,671**	46,408
Short-term bank loans	27	**884,000**	435,000
Convertible loan notes	28	**158,839**	–
		1,339,066	692,764
Net current assets		**1,557,769**	1,776,610
Total assets less current liabilities		**4,562,822**	3,917,609
Non-current liabilities			
Deferred tax liabilities	22	**93,383**	17,159
Convertible loan notes	28	**–**	160,467
		93,383	177,626
Net assets		**4,469,439**	3,739,983

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT December 31, 2014

	Notes	2014 RMB'000	2013 RMB'000
Capital and reserves			
Share capital	29	**10,076**	9,858
Reserves		**4,319,078**	3,730,125
Equity attributable to owners of the Company		**4,329,154**	3,739,983
Non-controlling interests		**140,285**	—
Total equity		**4,469,439**	3,739,983

The consolidated financial statements on pages 44 to 110 were approved and authorised for issue by the Board of Directors on March 30, 2015 and are signed on its behalf by:

WANG FUCAI
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

AU-YEUNG KAM LING CELESTE
EXECUTIVE DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2014

	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (Note a)	Capital redemption reserve RMB'000 (Note b)	Share option reserve RMB'000	Translation reserve RMB'000	Non-distributable reserve RMB'000 (Note c)	Statutory surplus reserve fund RMB'000 (Note d)	Retained profits RMB'000	Subtotal RMB'000	Attributable to non-controlling interests RMB'000	Total RMB'000
At January 1, 2013	9,858	1,213,108	459,745	71	14,764	2,116	(20,055)	219,124	1,396,965	3,295,696	–	3,295,696
Profit for the year	–	–	–	–	–	–	–	–	493,125	493,125	–	493,125
Exchange differences arising on translation of foreign operations which may be subsequently reclassified to profit or loss	–	–	–	–	–	1,139	–	–	–	1,139	–	1,139
Total comprehensive income for the year	–	–	–	–	–	1,139	–	–	493,125	494,264	–	494,264
Recognition of equity-settled share-based payments	–	–	–	–	17	–	875	–	–	892	–	892
Dividends	–	–	–	–	–	–	–	–	(50,869)	(50,869)	–	(50,869)
Transfers	–	–	–	–	–	–	–	49,031	(49,031)	–	–	–
	–	–	–	–	17	–	875	49,031	(99,900)	(49,977)	–	(49,977)
At December 31, 2013	9,858	1,213,108	459,745	71	14,781	3,255	(19,180)	268,155	1,790,190	3,739,983	–	3,739,983
Profit for the year	–	–	–	–	–	–	–	–	574,300	574,300	6,951	581,251
Exchange differences arising on translation of foreign operations which may be subsequently reclassified to profit or loss	–	–	–	–	–	(659)	–	–	–	(659)	–	(659)
Total comprehensive income for the year	–	–	–	–	–	(659)	–	–	574,300	573,641	6,951	580,592
Non-controlling interests arising on the acquisition of Magic Galaxy Worldwide Limited (note 31)	–	–	–	–	–	–	–	–	–	–	133,334	133,334
Recognition of equity-settled share-based payments	–	–	–	–	29,614	–	–	–	–	29,614	–	29,614
Issue of ordinary shares under share option scheme	218	51,618	–	–	(8,273)	–	–	–	–	43,563	–	43,563
Dividends	–	–	–	–	–	–	–	–	(57,647)	(57,647)	–	(57,647)
Transfers	–	–	–	–	–	–	–	53,344	(53,344)	–	–	–
	218	51,618	–	–	21,341	–	–	53,344	(110,991)	15,530	133,334	148,864
At December 31, 2014	10,076	1,264,726	459,745	71	36,122	2,596	(19,180)	321,499	2,253,499	4,329,154	140,285	4,469,439

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2014

Notes:

(a) The special reserve represents the aggregate of the difference between:

(i) the consideration paid by Jet Bright International Holdings Limited, a wholly-owned subsidiary of the Company, for the acquisition of the entire interest in 無錫瑞年實業有限公司 (Wuxi Ruinian Industry & Commerce Co., Limited) ("Ruinian Industry") and the nominal value of paid-in capital of Ruinian Industry in August 2006;

(ii) the nominal value of paid-in capital of 無錫瑞年營銷有限公司 (Wuxi Ruinian Sales Co., Ltd.) ("Ruinian Sales") and the distribution of Ruinian Sales' net assets upon its dissolution in October 2007; and

(iii) the nominal amount of the shares issued by the Company and the aggregate amount of share capital and share premium of the Group's former holding company, Tongrui Holdings Limited, acquired pursuant to a group reorganisation in preparation for the listing of the Company's shares in 2010.

(b) The Capital redemption reserve arose from the repurchase of shares. The amount represents the nominal amount of the shares repurchased.

(c) The Non-distributable reserve represents the aggregate of:

(i) capital contributions from and distributions to the beneficial controlling shareholder of the Company, Mr. Wang Fucai, in respect of the interest on trade finance arrangement with related companies prior to 2009;

(ii) deemed distributions to the controlling shareholder in respect of the acquisition of a subsidiary in 2009;

(iii) deemed distributions to the shareholders in respect of the listing expenses borne by the Company in 2010; and

(iv) capital contributions from Strong Ally Limited ("Strong Ally"), a wholly-owned subsidiary of the former ultimate holding company, in relation to share options granted by Strong Ally to qualifying participants of the Group in 2010 of which the exercisable period is further extended to and expired during the year ended December 31, 2013 with details set out in note 30 to the consolidated financial statements.

(d) As stipulated by the relevant laws and regulations for foreign investment enterprises in Mainland China (the "PRC"), the Company's PRC subsidiaries are required to maintain a statutory surplus reserve fund. Appropriations to this reserve are made out of net profit after taxation as reflected in the statutory financial information of the PRC subsidiaries while the amounts and allocation basis are based on the requirements of relevant laws and regulations in PRC. The statutory surplus reserve fund can be used to make up prior year losses, if any, and can be applied in conversion into capital by means of a capitalisation issue.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2014

	Notes	2014 RMB'000	2013 RMB'000
Operating activities			
Profit before taxation		**810,456**	700,300
Adjustments for:			
Interest income		**(54,394)**	(40,032)
Change in fair value of derivative component of convertible loan notes	28	**(11,019)**	(4,614)
Interest expenses		**55,488**	33,551
Gain on disposal of property, plant and equipment		**(1,616)**	—
Depreciation of property, plant and equipment		**113,988**	117,189
Amortisation of intangible assets		**23,342**	16,595
Operating lease rentals in respect of land use rights		**4,519**	3,896
Impairment loss on intangible assets		**23,158**	—
Equity-settled share-based payments		**29,614**	892
Operating cash flows before movements in working capital		**993,536**	827,777
Decrease (increase) in inventories		**3,877**	(7,916)
Increase in trade and other receivables		**(145,794)**	(89,459)
Increase in trade and other payables		**11,900**	88,624
Cash from operations		**863,519**	819,026
Taxation paid		**(216,396)**	(195,821)
Net cash from operating activities		**647,123**	623,205
Investing activities			
Interest received		**54,394**	40,032
Purchase of property, plant and equipment		**(458,623)**	(451,648)
Proceeds from disposal of property, plant and equipment		**3,732**	—
Purchase of land use rights		**(7,329)**	(110,393)
Deposits paid on acquisition of property, plant and equipment		**(73,191)**	(90,761)
Advance payments paid for acquisition of technical knowhow		**(1,050)**	(5,096)
Net cash outflow on acquisition of subsidiaries	31	**(199,617)**	—
Net cash used in investing activities		**(681,684)**	(617,866)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2014

	Notes	2014 RMB'000	2013 RMB'000
Financing activities			
Interest paid		**(46,633)**	(25,666)
Dividends paid		**(57,647)**	(50,869)
Proceeds on issue of convertible loan notes		**–**	157,246
Proceeds from issue of equity shares under share option scheme		**43,563**	–
Bank loans raised		**1,025,000**	568,000
Repayment of bank loans		**(582,000)**	(328,000)
Repayment of shareholder loan	31	**(100,000)**	–
Net cash from financing activities		**282,283**	320,711
Net increase in cash and cash equivalents		**247,722**	326,050
Cash and cash equivalents at January 1		**1,656,434**	1,329,295
Effect of foreign exchange rate changes		**(123)**	1,089
Cash and cash equivalents at December 31		**1,904,033**	1,656,434
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		**1,904,033**	1,656,434

1. GENERAL

The Company was incorporated in the Cayman Islands and registered as an exempted company with limited liability. Its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company acts as an investment holding company while the Group is principally engaged in the manufacture and sale of health and nutritional supplements and pharmaceutical products. The address of the registered office of the Company and the address of the principal place of business are disclosed in the section headed "Corporate Information" in the annual report.

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Company and its subsidiaries (collectively referred to as the "Group") have applied, for the first time, the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants, which are effective for the Group's financial year beginning on January 1, 2014:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK (IFRIC) -Int 21	Levies

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") — CONTINUED

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to HKAS 1	Disclosure Initiative[5]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[5]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 — 2012 Cycle[6]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 — 2013 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 — 2014 Cycle[5]

1 Effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.
2 Effective for first annual HKFRS financial statements beginning on or after January 1, 2016, with earlier application permitted.
3 Effective for annual periods beginning on or after January 1, 2017, with earlier application permitted.
4 Effective for annual periods beginning on or after July 1, 2014, with earlier application permitted.
5 Effective for annual periods beginning on or after January 1, 2016, with earlier application permitted.
6 Effective for annual periods beginning on or after July 1, 2014, with limited exceptions. Earlier application permitted.

The directors of the Company anticipate that the application of the new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance (Cap. 32).

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

3. SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries.

Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

3. SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Basis of consolidation-continued

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating transaction between member of the Group are eliminated in full on consolidation.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

3. SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Business combinations-continued

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction by transaction basis. Other types of non controlling interests are measured at fair value or, when applicable, on the basis specified in another HKFRS.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that are expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sales of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

3. SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Revenue recognition-continued

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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 on a straight line basis over the lease term.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes other than construction in progress as described below, are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such construction in progress is classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets (other than properties under construction) over their estimated useful lives, using the straight line method, at the following rates per annum:

Buildings	5% or the remaining period of the leases, if shorter
Furniture, fixtures and equipment	20%
Motor vehicles	20%
Plant and machinery	10%

The estimated useful lives, residual value and depreciation method are reviewed at the end of each reporting period, with the effect of any change in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Land use rights

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land that are accounted for as operating leases are presented as "land use rights" in the consolidated statement of financial position.

When buildings are in the course of development for production or for administrative purposes, the amortisation of land use rights provided during the construction period is included as part of costs of construction in progress.

The up-front payments to acquire leasehold interests in land are accounted for as operating leases and are stated at cost and released over the lease term on a straight line basis.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation is recognised on a straight line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Intangible assets-continued

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for an internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated an intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the assets is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Impairment losses on tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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, 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 (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Advertising expenses and prepayment for media airtime

Advertising expenses are recognised as and included in selling expenses in the profit or loss in the period in which the Group receives the advertising services.

3. SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are mainly classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis of debt instrument.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active market. Loans and receivables (including trade and other receivables and bank balances and cash) are carried at amortised cost using the effective interest method, less any impairment.

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the loans and receivables have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial assets because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Financial instruments-continued

Impairment of loans and receivables-continued

For certain categories of loans and receivables, such as trade receivables, assets that are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the loans and receivables is reduced by the impairment loss directly for all loans and receivables with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3. SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Financial instruments-continued

Financial liabilities and equity instruments-continued

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables, short-term bank loans and the liability component of convertible loan notes are subsequently measured at amortised cost, using the effective interest method.

Convertible loan notes

Convertible loan notes issued by the Group that contain both liability and embedded derivatives (a conversion option and early redemption option which is not closely related to the host liability component) are classified separately into their respective items on initial recognition. A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivative. At the date of issue, both the liability and embedded derivatives are recognised at fair value.

In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest method. The embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and embedded derivatives in proportion to their relative fair values. Transaction costs relating to the embedded derivatives are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

3. SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Financial instruments-continued

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

3. SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Taxation-continued

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Foreign currencies

The financial statements of each group entity are prepared in the currency of the primary economic environment in which the entity operates (its functional currency).

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. 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.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Leasing

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight line basis over the lease term. Benefits received or receivables as an incentive to enter into an operating lease are recognised as a reduction of rental expenses over the lease term on a straight line basis.

Retirement benefits costs

Payments to defined contribution retirement benefit plans, state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme (the "MPF") are recognised as an expense when employees have rendered service entitling them to the contributions.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to directors and employees of the Company

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 30.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

3. SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Share-based payment transactions-continued

Equity-settled share-based payment transactions-continued

Share options granted to consultants

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share option reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate present value.

The carrying amount of goodwill as at 31 December 2014 was RMB113,650,000 (2013: nil). Details of the impairment loss calculation are set out in note 19.

Intangible assets

In accounting for intangible assets, management of the Group considers the potential impairment based on the recoverable amount. Intangible assets with finite useful lives are reviewed for impairment when events or circumstances indicate the carrying value may not be recoverable. Factors that would indicate potential impairment may include, but are not limited to, a significant change in technology and operating or cash flow losses associated with the intangible assets.

Determining whether intangible assets are impaired requires an estimation of the recoverable amount of the cash-generating units to which intangible assets have been allocated. The recoverable amount of cash-generating units at the end of each reporting period is based on the value in use calculation which requires the management of the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. The group recognised an impairment on intangible assets of RMB23,158,000 during the year (2013: nil).

The carrying amount of intangible assets is RMB373,442,000 (2013: RMB69,292,000).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY-CONTINUED

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The management of the Company works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

Share-based payment transactions

The Group measured the fair value of shares granted by the Group under the 2010 Share Option Schemes (as defined in note 30) on July 4, 2014. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation methodology. This estimate requires determining the most appropriate inputs to the valuation methodology and key performance indicators of which details are set out in note 30. The Group recognised total expenses of RMB29,614,000 for the year ended December 31, 2014 in relation to the 2010 Share Option Schemes. RMB892,000 was recognised in relation to the Pre-IPO Share Option Schemes (as defined in note 30) during the year ended December 31, 2013.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the group entities will be able to continue as a going concern while maximising the return to owners of the Company through the optimisation of the debt and equity balance. The Group's overall strategy remains unchange from the prior year.

The capital structure of the Group consists of net debt, which includes bank loans and convertible loan notes, disclosed in notes 27 and 28 respectively, net of cash and cash equivalents and equity attributable to owners of the Company, comprising share capital, reserves and retained profits as disclosed in the consolidated financial statements.

The management of the Group reviews the capital structure regularly. The Group considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through the payment of dividends, new shares issue and share buy-backs as well as the raising of bank loans and convertible loan notes.

6. FINANCIAL INSTRUMENTS

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial assets and financial liabilities are disclosed in note 3.

Categories of financial instruments

	2014 **RMB'000**	2013 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**2,642,376**	2,208,092
Financial liabilities		
Amortised cost	**1,162,597**	716,919
Derivative financial liabilities — derivative component of convertible loan notes	**2,300**	13,293

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, bank balances and cash, trade and other payables, convertible loan notes, embedded derivative component of convertible loan notes and short-term bank loans. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposure to ensure appropriate measures are implemented on a timely and effective manner.

The Company's exposure to credit risk, foreign currency risk, liquidity risk and interest rate risk is insignificant as the Company does not have any significant financial instruments.

6. FINANCIAL INSTRUMENTS-CONTINUED

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets stated in the consolidated statement of financial position.

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 the 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 bank balances is minimal as such amounts are placed in banks with good reputation.

The Group has no significant concentration of credit risk. Trade receivables consist of a large number of customers which spread across diverse industries.

Foreign currency risk

At the end of the reporting period, the carrying amounts of the Group's foreign currency denominated monetary assets which consists of bank balances and cash that are denominated in Hong Kong dollars ("HK$") and United States dollars ("US$") amounted to RMB14,918,000 (2013: RMB27,624,000) and RMB100,188,000 (2013: RMB16,090,000) (see note 25) respectively.

If exchange rates of the RMB against the HK$ or US$ had been 5% weaker and all other variables were held constant, the effect on profit after taxation is as follow:

	2014 **RMB'000**	2013 RMB'000
Increase in profit after taxation	**4,316**	1,640

There would be an equal and opposite impact on the profit after taxation where the RMB strengthens against the HK$ or US$.

In the directors' opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

6. FINANCIAL INSTRUMENTS-CONTINUED

Liquidity risk management

The directors of the Company have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining banking facilities and by continuously monitoring forecasted and actual cash flows and the maturity profiles of its financial liabilities.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up to reflect the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. The interest payments are computed using contractual rates or, if variable, based on the prevailing interest rate at the end of each reporting period.

	Weighted average interest rate	On demand and 3 months or less RMB'000	3 – 6 months RMB'000	6 – 12 months RMB'000	1 – 2 years RMB'000	2 – 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Financial liabilities								
At December 31, 2014								
Trade and other payables	–	122,058	–	–	–	–	122,058	122,058
Short-term bank loans								
– variable rate	6.6%	80,498	251,318	404,127	3,152	50,366	789,461	754,000
– fixed rate	6.2%	1,978	51,809	80,521	–	–	134,308	130,000
Convertible loan notes	13%	156,539	–	–	–	–	156,539	156,539
		361,073	303,127	484,648	3,152	50,366	1,202,366	1,162,597

	Weighted average interest rate	On demand and 3 months or less RMB'000	3 – 6 months RMB'000	6 – 12 months RMB'000	1 – 2 years RMB'000	2 – 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Financial liabilities								
At December 31, 2013								
Trade and other payables	–	134,745	–	–	–	–	134,745	134,745
Short-term bank loans								
– variable rate	6.3%	56,891	72,269	148,683	3,040	55,322	336,205	315,000
– fixed rate	6.2%	90,752	459	30,056	–	–	121,267	120,000
Convertible loan notes	13%	147,174	–	–	–	–	147,174	147,174
		429,562	72,728	178,739	3,040	55,322	739,391	716,919

6. FINANCIAL INSTRUMENTS-CONTINUED

Interest rate risk management

The Group is exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets and liabilities, mainly interest bearing bank balances and short-term bank loans at variable interest rates. Bank loans and convertible loan notes at fixed interest rates expose the Group to fair value interest rate risk. The Group currently does not have an interest rate hedging policy. However, the management will consider hedging significant interest rate risk should the need arise.

The sensitivity analysis below has been determined based on the exposure to interest rates for interest bearing bank balances and variable rate bank loans at the end of the reporting period and assumed that the amount of assets and liabilities outstanding at the end of the reporting period was outstanding for the whole year.

If interest rates on bank balances and bank loans had been 50 basis points lower and all other variables were held constant, the potential effect on profit after taxation is as follows:

	2014 **RMB'000**	2013 RMB'000
Decrease in profit after taxation	**(3,825)**	(4,580)

There would be an equal and opposite impact on the profit after taxation if interest rates had been 50 basis points higher.

6. FINANCIAL INSTRUMENTS-CONTINUED

Fair value of measurements financial instruments

Some of the Group's financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial liabilities at FVTPL	Fair value as at December 31 2014 RMB'000	2013 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)
Conversion option derivative and early redemption option embedded in the convertible loan notes classified as derivative financial liabilities	**2,300**	13,293	Level 3	The fair values of the embedded conversion option and the issuer's early redemption option were determined using binomial option pricing model, based on spot price, conversion price, dividend yield, time to maturity, risk-free rate, volatility and discount rate that reflects the credit risk of counterparties.

There were no transfers between Level 1, 2 and 3 in the period.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair value at the end of the reporting period.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

	At December 31, 2014			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Embedded derivatives of convertible loan notes	–	–	**2,300**	**2,300**

6. FINANCIAL INSTRUMENTS-CONTINUED

Fair value of measurements financial instruments — continued

	At December 31, 2013			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Embedded derivatives of convertible loan notes	–	–	13,293	13,293

Note: The categorisation of fair value measurements into the different levels of the fair value hierarchy depends on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement.

Reconciliation of Level 3 fair value measurements of financial liabilities

	Embedded derivatives of convertible loan notes	
	2014 **RMB'000**	2013 RMB'000
At January 1	**13,293**	–
Issued during the year	**–**	17,836
Change in fair value recognised in profit or loss (note 9)	**(11,019)**	(4,614)
Currency realignment	**26**	71
At December 31	**2,300**	13,293

7. TURNOVER AND SEGMENT INFORMATION

Segment information has been identified on the basis of internal management reports which are reviewed by the Chief Executive Officer in order to allocate resources to the reportable segments and to assess their performance.

The Group's reportable segments under HKFRS 8 are as follows:

Health and nutritional supplements	—	manufacture and sales of health and nutritional supplements
Health drinks	—	manufacture and sales of health drinks
Pharmaceutical products	—	manufacture and sales of pharmaceutical products

Each reportable segment derives its turnover from the sales of products. They are managed separately because each product requires different production and marketing strategies.

7. TURNOVER AND SEGMENT INFORMATION-CONTINUED

Turnover represents the fair value of the consideration received or receivable for goods sold to outside customers during the year.

Segment results represent the gross profits earned by each segment.

The following is an analysis of the Group's revenue and results by reportable segment:

	Turnover		Results	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Health and nutritional supplements	**1,437,524**	1,368,778	**1,125,725**	1,064,718
Health drinks	**450,984**	408,591	**229,936**	147,026
Pharmaceutical products	**173,389**	125,773	**90,631**	82,631
	2,061,897	1,903,142	**1,446,292**	1,294,375
Advertising and promotional expenses			**(320,280)**	(348,371)
Other operating expenses			**(322,953)**	(264,675)
Other income			**19,014**	7,876
Gain on disposal of property, plant and equipment			**1,616**	–
Change in fair value of derivative component of convertible loan notes			**11,019**	4,614
Impairment loss recognised in respective of intangible asset			**(23,158)**	–
Interest income			**54,394**	40,032
Interest expenses			**(55,488)**	(33,551)
Profit before taxation			**810,456**	700,300

7. TURNOVER AND SEGMENT INFORMATION-CONTINUED

Information of segment assets and segment liabilities are as follows:

Segment assets represent property, plant and equipment, land use rights, goodwill, intangible assets, deposits made on acquisition of property, plant and equipment, advance payments for acquisition of technical knowhow, inventories and trade and other receivables which are directly attributable to the relevant reportable segment. Segment liabilities represent trade and other payables which are directly attributable to the relevant reportable segment. These are the measures reported to the Chief Executive Officer for the purpose of resource allocation and assessment of segment performance. No operating segments identified by the Chief Executive Officer have been aggregated in arriving at the reportable segments of the Group.

	2014 **RMB'000**	2013 RMB'000
Assets		
Segment assets		
— health and nutritional supplements	**2,365,832**	1,859,011
— health drinks	**569,907**	548,942
— pharmaceutical products	**1,062,033**	545,736
	3,997,772	2,953,689
Deferred tax assets	**83**	250
Unallocated corporate assets (note a)	**1,904,033**	1,656,434
Consolidated total assets	**5,901,888**	4,610,373
Liabilities		
Segment liabilities		
— health and nutritional supplements	**157,796**	132,290
— health drinks	**41,134**	61,712
— pharmaceutical products	**38,626**	17,354
	237,556	211,356
Taxation	**58,671**	46,408
Deferred tax liabilities	**93,383**	17,159
Unallocated corporate liabilities (note b)	**1,042,839**	595,467
Consolidated total liabilities	**1,432,449**	870,390

Notes:

(a) Unallocated corporate assets represent bank balances and cash.

(b) Unallocated corporate liabilities represent short-term bank loans and convertible loan notes.

For the year ended December 31, 2014

7. TURNOVER AND SEGMENT INFORMATION-CONTINUED

Other information

	2014 RMB'000	2013 RMB'000
Amounts included in the measure of segment result or segment assets:		
Additions to non-current assets other than deferred tax assets		
— health and nutritional supplements	**520,624**	472,132
— health drinks	**1,137**	14,724
— pharmaceutical products	**419,483**	174,667
	941,244	661,523
Depreciation of property, plant and equipment		
— health and nutritional supplements	**64,877**	68,592
— health drinks	**36,112**	35,826
— pharmaceutical products	**12,999**	12,771
	113,988	117,189
Amortisation of intangible assets		
— health and nutritional supplements	**8,880**	6,800
— health drinks	**479**	—
— pharmaceutical products	**13,983**	9,795
	23,342	16,595
Operating lease rentals in respect of land use rights		
— health and nutritional supplements	**2,624**	2,094
— health drinks	**863**	863
— pharmaceutical products	**1,032**	939
	4,519	3,896

7. TURNOVER AND SEGMENT INFORMATION-CONTINUED

Other information-continued

Turnover from external customers attributed to the Group by location of operations, other than the Company's country of domicile, is presented as follows:

	2014 RMB'000	2013 RMB'000
Turnover		
— Mainland China (the "PRC")	**2,061,592**	1,902,633
— Hong Kong	**305**	509
	2,061,897	1,903,142

Total non-current assets other than deferred tax assets by location of assets, other than the Company's country of domicile is presented as follows:

	2014 RMB'000	2013 RMB'000
Total non-current assets other than deferred tax assets		
— PRC	**3,004,612**	2,140,507
— Hong Kong	**358**	242
	3,004,970	2,140,749

Information about major customers

For the years ended December 31, 2014 and December 31, 2013, there was no customer which accounted for more than 10% of total turnover.

8. OTHER INCOME

	2014 RMB'000	2013 RMB'000
Interest income	**54,394**	40,032
Facilities rental income	**7,495**	6,329
Franchise income	**11,026**	—
Others	**493**	39
	73,408	46,400

9. OTHER GAINS AND LOSSES

	2014 **RMB'000**	2013 RMB'000
Gain on disposal of property, plant and equipment	**1,616**	—
Gain from change in fair value of derivative component of convertible loan notes	**11,019**	4,614
Net foreign exchange (loss) gain	**(465)**	1,508
Impairment loss recognised in respect of intangible assets	**(23,158)**	—
	(10,988)	6,122

10. FINANCE COSTS

	2014 **RMB'000**	2013 RMB'000
Interest on borrowings wholly repayable within five years		
— bank borrowings	**(37,182)**	(25,666)
— convertible loan notes	**(18,306)**	(7,885)
	(55,488)	(33,551)

11. PROFIT BEFORE TAXATION

	2014 RMB'000	2013 RMB'000
Profit before taxation has been arrived at after charging:		
Directors' remuneration (note 12)	**7,155**	6,837
Other staff retirement benefits scheme contributions	**3,418**	3,111
Other staff equity-settled share-based payments	**4,373**	317
Other staff costs	**32,942**	30,250
	47,888	40,515
Amortisation of intangible assets included in		
— cost of goods sold	**11,909**	6,677
— administrative expenses	**11,433**	9,918
	23,342	16,595
Operating lease rentals in respect of		
— land use rights	**8,327**	7,521
Less: capitalised under construction in progress	**(3,808)**	(3,625)
	4,519	3,896
— rented premises	**68,170**	51,068
Advertising and promotional expenses	**320,280**	348,371
Auditor's remuneration		
— audit services	**2,533**	2,380
— non-audit services	**1,055**	1,022
Depreciation of property, plant and equipment	**113,988**	117,189
Equity-settled share-based payments to other participants	**24,581**	280

The cost of goods sold represent the cost of inventories recognised as expenses during both years.

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

The emoluments of directors and the chief executive during the year are analysed as follows:

	2014					2013				
	Fees RMB'000	Salaries and other benefits RMB'000	Retirement benefits scheme contributions RMB'000	Equity-settled share-based payments RMB'000	Total RMB'000	Fees RMB'000	Salaries and other benefits RMB'000	Retirement benefits scheme contributions RMB'000	Equity-settled share-based payments RMB'000	Total RMB'000
Executive directors										
– Mr. Wang Fucai	3,591	99	32	120	3,842	3,641	81	28	–	3,750
– Mr. Yu Yan	189	86	28	60	363	192	69	24	66	351
– Mr. Li Lin	189	28	9	60	286	192	26	9	66	293
– Mr. Yi Lin	189	28	9	60	286	192	26	9	66	293
– Mr. Zhang Yan	189	85	28	60	362	192	68	23	66	349
– Ms. Au-Yeung Kam Ling Celeste	851	–	13	60	924	894	–	12	31	937
Non-executive directors										
– Mr. Ip Tak Chuen, Edmond	142	–	–	–	142	144	–	–	–	144
– Mr. Tsang Sze Wai Claudius	142	–	–	–	142	144	–	–	–	144
Independent non-executive directors										
– Mr. Wong Lung Tak, Patrick	142	–	–	60	202	144	–	–	–	144
– Dr. Fong Chi Wah, Felix	142	–	–	60	202	144	–	–	–	144
– Mr. Chan Kee Ming	142	–	–	60	202	144	–	–	–	144
– Mr. Xu Hua Feng	142	–	–	60	202	144	–	–	–	144
	6,050	326	119	660	7,155	6,167	270	105	295	6,837

Mr. Wang Fucai is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

For the year ended December 31, 2014, the five highest paid individuals included a director and the Chief Executive (2013: a director and the Chief Executive), details of whose emoluments are set out above. The emoluments of the remaining three (2013: three) highest paid employees were as follows:

	2014 RMB'000	2013 RMB'000
Employees		
— basic salaries and allowances	2,990	2,985
— equity-settled share-based payments	142	9
— retirement benefits scheme contributions	39	36
	3,171	3,030

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS-CONTINUED

Their emoluments were within the following bands:

	Number of employees	
	2014	2013
Up to HK$1,000,000	**2**	2
HK$1,500,001 to HK$2,000,000	**1**	1

During the year, no emoluments were paid by the Group to the directors, the chief executive or the five highest paid individuals (including directors, the chief executive and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the year.

13. TAXATION

	2014	2013
	RMB'000	RMB'000
The charge comprises:		
Current tax		
— PRC Enterprise Income Tax	**(222,564)**	(198,626)
— PRC withholding tax	**(6,095)**	(4,146)
Deferred taxation	**(546)**	(4,403)
	(229,205)	(207,175)

The PRC income tax is calculated at the applicable rates in accordance with the relevant laws and regulations in the PRC.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

13. TAXATION-CONTINUED

According to a joint circular of Ministry of Finance and the State Administration of Taxation, Cai Shui 2009 No. 1, only the profits earned by foreign-investment enterprise prior to January 1, 2008, when distributed to foreign investors, can be grandfathered and exempted from PRC withholding tax. Dividends distributed out of the profit generated thereafter shall be subject to EIT at 10% and withheld by the PRC entity, pursuant to Articles 3 and 27 of the EIT Law and Article 91 of its Detailed Implementation Rules. By the Tax Arrangement for Avoidance of Double Taxation between China and Hong Kong (China — HK TA), a Hong Kong resident company should be entitled to a preferential tax rate of 5% when receiving dividends from its PRC subsidiary. The immediate holding company of 無錫瑞年實業有限公司 (Wuxi Ruinian Industry & Commerce Co., Limited) ("Ruinian Industry"), which is incorporated in Hong Kong and has been holding Ruinian Industry for more than a year, should be able to enjoy the preferential tax rate aforementioned. The deferred tax liability on the undistributed profits earned during the year ended December 31, 2014 has been accrued at the tax rate of 5% (2013: 5%) on the expected dividend stream of 30% (2013: 30%) which is determined by the directors of the Company.

南京瑞年百思特製藥有限公司 (Nanjing Ruinian Best Pharmaceutical Co., Ltd.) ("Nanjing Ruinian") and 無錫瑞年醫藥有限公司 (Wuxi Ruinian Pharmaceutical Company Limited) ("Ruinian Pharmaceutical") are wholly-owned by the same Hong Kong company, though 75% and 100% of which are held indirectly through Ruinian Industry respectively. According to Article 26 of the EIT Law, dividend income received by Ruinian Industry should be exempted from EIT. However, if Ruinian Industry pays the dividend to its holding company, it will be subject to the 5% withholding tax as mentioned above. For the direct interest of 25% held by the Hong Kong company, the preferential tax rate of 5% on dividend also applies as the Hong Kong company has been holding Nanjing Ruinian for more than a year. The deferred tax liability on the undistributed profits earned for the year ended December 31, 2014 have been accrued at the tax rate of 5% (2013: 5%) on the expected dividend stream of 30% (2013: 30%) which is determined by the directors of the Company after setting off the deficit incurred in the prior period.

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group's operations in Hong Kong had no assessable profit for the year.

13. TAXATION-CONTINUED

Tax charge for the year is reconciled to profit before taxation as follows:

	2014 RMB'000	2014 %	2013 RMB'000	2013 %
Profit before taxation	**810,456**		700,300	
Tax at the applicable income tax rate	**(202,614)**	**(25.0)**	(175,075)	(25.0)
Tax effect of expenses not deductible for tax purposes	**(21,604)**	**(2.7)**	(25,481)	(3.6)
Utilisation of tax losses previously not recognised	**2,130**	**0.3**	–	–
PRC withholding tax on undistributed earnings	**(7,117)**	**(0.9)**	(6,619)	(0.9)
Tax charge and effective tax rate for the year	**(229,205)**	**(28.3)**	(207,175)	(29.5)

14. DIVIDENDS

	2014 RMB'000	2013 RMB'000
Dividends recognised as a distribution during the year		
— 2013 final dividend of HK3.5 cents (2013: 2012 final dividend of HK3.2 cents) per share	**31,052**	28,625
— 2014 interim dividend of HK3.0 cents (2013: 2013 interim dividend of HK2.5 cents) per share	**26,595**	22,244
	57,647	50,869

The final dividend of HK4.2 cents per share (2013: HK3.5 cents per share) which was proposed by the directors of the Company for the year is subject to approval by the shareholders of the Company at the annual general meeting and is calculated on the basis of 1,174,091,000 shares in issue as at the date of this report.

15. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	2014 RMB'000	2013 RMB'000
Earnings:		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**574,300**	493,125

	2014 '000	2013 '000
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**1,126,466**	1,123,036
Effect of dilutive potential ordinary shares on share options	**10,196**	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**1,136,662**	1,123,036

The computation of diluted earnings per share for the year ended December 31, 2014 and December 31, 2013 does not assume the exercise of the Company's convertible loan notes because the exercise price of those convertible loan notes was higher than the average market price of the shares.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Plant and machinery RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At January 1, 2013	326,215	182,004	18,070	410,031	333,275	1,269,595
Additions	21	1,774	249	4,427	465,171	471,642
Transfers	45,373	27,420	–	–	(72,793)	–
At December 31, 2013	371,609	211,198	18,319	414,458	725,653	1,741,237
Additions	–	3,617	219	6,620	542,736	553,192
Disposals	–	(3,612)	–	(606)	–	(4,218)
Transfers	231,215	63,626	–	225,099	(519,940)	–
Acquisition through business combinations	60,355	296	–	4,100	–	64,751
At December 31, 2014	663,179	275,125	18,538	649,671	748,449	2,354,962
DEPRECIATION						
At January 1, 2013	52,930	37,225	7,512	81,195	–	178,862
Provided for the year	25,163	39,181	3,150	49,695	–	117,189
At December 31, 2013	78,093	76,406	10,662	130,890	–	296,051
Eliminated on disposals of asset	–	(2,059)	–	(43)	–	(2,102)
Provided for the year	26,196	43,560	3,187	41,045	–	113,988
At December 31, 2014	104,289	117,907	13,849	171,892	–	407,937
CARRYING VALUES						
At December 31, 2014	558,890	157,218	4,689	477,779	748,449	1,947,025
At December 31, 2013	293,516	134,792	7,657	283,568	725,653	1,445,186

The Group's buildings are erected on land held under medium-term land use rights in the PRC.

At the end of the reporting period, there were accumulated operating lease rentals in respect of land use rights amounting to RMB13,715,000 (2013: RMB9,907,000) capitalised under construction in progress.

Also, at the end of the reporting period, there were certain buildings of the Group erected on land in the PRC with carrying value of RMB396,816,000 (2013: RMB174,393,000) were not granted formal title of their ownership. In the opinion of the directors, the lack of formal title does not impair the value of the relevant buildings. The directors also believe that the formal title of these buildings will be granted to the Group in due course.

17. LAND USE RIGHTS

	2014 RMB'000	2013 RMB'000
CARRYING VALUE		
At January 1	**379,355**	276,483
Additions	**7,329**	110,393
Acquisition through business combination	**7,100**	–
Operating lease rentals capitalised under construction in progress	**(3,808)**	(3,625)
Released to profit or loss during the year	**(4,519)**	(3,896)
At December 31	**385,457**	379,355

The balance represents the prepayment of rentals for medium-term land use rights situated in the PRC for a period of 50 years.

At the end of the reporting period, there were land use rights with a carrying value of RMB169,518,000 (2013: RMB199,656,000) in connection with the rights to the use of land in the PRC where the relevant government authorities have not granted formal title. In the opinion of the directors, the lack of formal title for these land use rights does not impair the value of the relevant properties to the Group. The directors also believe that the formal title to these land use rights will be granted to the Group in due course.

18. GOODWILL

	RMB'000
COST	
At 31 December 2013	–
Recognised from acquisition of subsidiaries (note 31)	113,650
At 31 December 2014	113,650

19. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

Goodwill has been allocated for impairment testing purposes to the cash generating unit related to pharmaceutical products.

The carrying amount of goodwill and intangible assets with indefinite useful lives were allocated to the cash-generating unit as follows:

	December 31, 2014 RMB'000
Goodwill	**113,650**
Intangible assets with indefinite useful lives	**266,770**
	380,420

Pharmaceutical products

The recoverable amount of this group of cash-generating unit is determined based on a value in use calculation which uses cash flow projections approved by the directors covering a nine-year period, and a discount rate of 20.5% per annum.

Cash flow projections during the budget period are based on the same expected gross margins and raw materials' price inflation throughout the budget period. The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the group of units to exceed the aggregate its recoverable amount.

20. INTANGIBLE ASSETS

	Product development costs RMB'000	Technical knowhow RMB'000	Patent RMB'000	GMP* certifications RMB'000	Total RMB'000
CARRYING VALUE					
At January 1, 2013	6,738	66,889	–	1,260	74,887
Transferred from advance payments for acquisition of technical knowhow	–	11,000	–	–	11,000
Charged to profit or loss during the year	(1,901)	(13,434)	–	(1,260)	(16,595)
At December 31, 2013	4,837	64,455	–	–	69,292
Acquisition through business combinations	–	38,880	266,770	–	305,650
Impairment loss	–	(23,158)	–	–	(23,158)
Transferred from advance payments for acquisition of technical knowhow	–	45,000	–	–	45,000
Charged to profit or loss during the year	(1,356)	(21,986)	–	–	(23,342)
At December 31, 2014	3,481	103,191	266,770	–	373,442

* GMP represents Good Manufacturing Practices.

Product development costs represent the development costs in connection with certain products. Technical knowhow represents the acquired knowhow in connection with certain products. Both product development costs and technical knowhow are amortised on a straight line basis over their estimated useful life of 10 years. GMP certificates are amortised on a straight line basis over their estimated useful life of 50 months.

Intangible assets with indefinite useful lives

The patent has a legal life of twenty years but is renewable at minimal cost. The directors of the Company are of the opinion that the Group would renew the patent continuously and have the ability to do so. Various studies including product life cycle studies, market, competitive and environmental trends, and brand extension opportunities have been performed by management of the Group, which supports the Group's position that the patent has no foreseeable limit to the period over which the patented products are expected to generate net cash flows for the Group.

20. INTANGIBLE ASSETS-CONTINUED

As a result, the patent is considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The patent will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired. Particulars of the impairment testing are disclosed in note 19.

21. ADVANCE PAYMENTS FOR ACQUISITION OF TECHNICAL KNOWHOW

	2014 **RMB'000**	2013 RMB'000
At January 1	**156,155**	162,059
Additions	**1,050**	5,096
Transferred to intangible assets	**(45,000)**	(11,000)
At December 31	**112,205**	156,155

The balance represents the substantial payments made in connection with the acquisition of technical knowhow for certain products of which the completion is subject to the license expected to be granted by the relevant PRC government authorities by the end of 2015 and 2016.

22. DEFERRED TAXATION

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior years:

	Product development costs RMB'000	PRC withholding tax on undistributed earnings RMB'000	Accelerated tax depreciation RMB'000	Total RMB'000
At January 1, 2013	2,180	(14,686)	—	(12,506)
Charged to profit or loss during the year	(1,930)	(6,619)	—	(8,549)
PRC withholding tax paid	—	4,146	—	4,146
At December 31, 2013	250	(17,159)	—	(16,909)
Charged to profit or loss during the year	(167)	(7,117)	643	(6,641)
PRC withholding tax paid	—	6,095	—	6,095
Acquisition through business combination	—	—	(75,845)	(75,845)
At December 31, 2014	83	(18,181)	(75,202)	(93,300)

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2014 RMB'000	2013 RMB'000
Deferred tax assets	**83**	250
Deferred tax liabilities	**(93,383)**	(17,159)
	(93,300)	(16,909)

22. DEFERRED TAXATION-CONTINUED

At the end of the reporting period, the Group has an unrecognised deferred tax liability of RMB80,415,000 (2013: RMB57,617,000) in relation to PRC withholding tax on undistributed earnings of RMB1,608,302,000 (2013: RMB1,152,335,000) due to the retention of undistributed earnings by the subsidiaries in the PRC determined by the directors of the Company.

As at December 31, 2013, the Group had unused tax losses of RMB8,518,000 (2014: nil) available for offset against future profits. Deferred tax assets thereon have not been recognised because of the unpredictability of future profit streams. The unused tax losses will expire in 2019 (2013: 2018).

23. INVENTORIES

	2014 RMB'000	2013 RMB'000
At cost:		
Raw materials	21,417	20,925
Work in progress	12,566	13,834
Finished goods	26,610	30,519
Merchandise for resale	3,846	416
Packaging materials	9,263	9,052
	73,702	74,746

24. TRADE AND OTHER RECEIVABLES

	2014 RMB'000	2013 RMB'000
Trade receivables	736,364	550,116
Bills receivables	1,979	1,542
	738,343	551,658
Deposits paid to suppliers	35,701	10,968
Property rental deposits	20,152	18,555
Prepayments for media airtime	64,406	104,562
Other receivables, prepayments and deposits	60,498	52,451
	919,100	738,194

24. TRADE AND OTHER RECEIVABLES-CONTINUED

Payment terms with customers are mainly on credit. Invoices are normally payable 90 days from date of issuance. The following is an aged analysis of trade and bills receivables based on invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	2014 RMB'000	2013 RMB'000
Age		
0 — 90 days	**466,299**	409,094
91 — 180 days	**232,073**	126,201
181 to 365 days	**36,857**	15,413
Over 1 year	**3,114**	950
	738,343	551,658

The Group does not hold any collateral over these balances. The average age of these receivables at the end of the reporting period is 87 days (2013: 84 days).

Included in the Group's trade receivables balance are trade debtors with an aggregate carrying amount of RMB272,044,000 (2013: RMB142,564,000) which are past due as at the reporting date for which the Group has not provided for impairment loss.

Aging of trade receivables which are past due but not impaired is as follows:

	2014 RMB'000	2013 RMB'000
Age		
91 — 180 days	**232,073**	126,201
181 to 365 days	**36,857**	15,413
Over 1 year	**3,114**	950
	272,044	142,564

In determining the recoverability of the trade receivables, the Group monitors the change in the credit quality of the trade receivables since the credit was granted and up to the reporting date. The directors considered that the concentration of credit risk is limited due to the customer base being large and unrelated.

No interest is charged on trade receivables. Allowances on trade receivables are made based on estimated irrecoverable amounts from the sale of goods by reference to past default experience and objective evidence of impairment determined by the difference between the carrying amount and the present value of the estimate future cash flow discounted at the original effective interest rate.

25. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. Bank balances carry interest at the prevailing market interest rate ranging from 1.5% to 4.3% per annum at the end of the reporting period (2013: 2.9% to 4.3%).

Included in bank balances and cash is an amount of RMB14,918,000 (2013: RMB27,624,000) and RMB100,188,000 (2013: RMB16,090,000) denominated in HK$ and US$ other than the functional currency of the relevant group companies respectively.

26. TRADE AND OTHER PAYABLES

	2014 RMB'000	2013 RMB'000
Trade payables (note a)	**97,686**	124,216
Other tax payables	**43,452**	26,213
Customers' deposits	**29,323**	20,746
Advertising accruals	**20,798**	6,294
Other payables	**14,936**	14,899
Payroll and welfare payables	**14,259**	12,927
Construction payables	**13,411**	2,947
Other accruals	**3,691**	3,114
	237,556	211,356

The Group normally receives credit terms of 90 days from its suppliers. The following is an aged analysis of trade payables based on the invoice date at the end of the reporting period:

	2014 RMB'000	2013 RMB'000
Age		
0 to 90 days	**81,998**	95,209
91 to 180 days	**5,679**	24,056
181 to 365 days	**4,849**	3,436
Over 1 year	**5,160**	1,515
	97,686	124,216

Note:

(a) Included in the trade payables, RMB2,082,000 (2013: nil) are amounts due to a related party. The amounts are unsecured and interest free.

27. SHORT-TERM BANK LOANS

	2014 **RMB'000**	2013 RMB'000
Short-term bank loans		
— secured	**104,000**	100,000
— unsecured	**780,000**	335,000
	884,000	435,000
The Group's bank loans carry interest at		
— variable rate	**754,000**	315,000
— fixed rate	**130,000**	120,000
	884,000	435,000

All the variable rate bank loans carry interest at the prime rate offered by the People's Bank of China which were repriced monthly to every three months. At the end of the reporting period, the Group has variable rate bank loans carrying interest at 5.6% to 7.2% (2013: 6.0% to 6.9%) per annum and fixed rate bank loans carrying interest at 6.0% to 6.4% (2013: 6.0% to 6.6%) per annum.

As at December 31, 2014, the secured bank loans are secured by the Group's land use rights and buildings under property, plant and equipment with an aggregate carrying value of approximately RMB154,147,000 (2013: RMB97,803,000).

At the end of the reporting period, the Group has unutilised available credit facilities amounting to RMB112,000,000 (2013: RMB185,000,000).

All the short-term bank loans are denominated in RMB.

28. CONVERTIBLE LOAN NOTES

On May 28, 2013, an independent third party, Newport Consulting Ltd. (the "Subscriber") has entered into a subscription agreement with the Company, pursuant to which the subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to issue a first tranche convertible bond in the principal amount of HK$200,000,000 (equivalent to RMB157,246,000) on the first completion date, a second tranche convertible bond in the principal amount of HK$400,000,000 (equivalent to RMB314,492,000) together with warrants that can be convertible into 20,000,000 ordinary share of the Company on the second completion date subject to the terms and conditions of the subscription agreement. The Subscriber is a company incorporated in the Seychelles and is a wholly-owned subsidiary of CITIC Merchant Co., Limited. The net proceeds from issuing the convertible bonds was utilised by the Group as its general working capital, as funds for future development of the existing business of the Group and as funds for the Group's future acquisition in healthcare sector in the PRC.

The Company issued HK$200,000,000 (equivalent to RMB157,246,000), 6% first tranche convertible bonds to the Subscriber on July 22, 2013. The convertible bonds are secured by 40% of the registered capital of Ruinian Industry, a wholly-owned subsidiary of the Company established in the PRC.

The convertible bonds entitle the holders to convert them into ordinary shares of the Company at any time between the date of issue of the bonds and their settlement date on July 22, 2015 at a conversion price of HK$3 per convertible bonds. If the bonds have not been converted, they will be redeemed on July 22, 2015 at the principal amount outstanding plus accrued interest. The Company shall have the right at any time after the first anniversary of the date of issue of the first tranche convertible bonds but prior to the maturity date of July 22, 2015 to redeem the whole or any principal amount of the first tranche convertible bonds outstanding at face value thereof with the accrued interest.

The convertible bonds contain three components: a liability component, a conversion option derivative and an early redemption derivative. The liability component of the convertible bond is carried at amortised cost using the effective interest method. The conversion option derivative and early redemption derivative are measured at fair value with changes in fair value recognised in profit or loss.

At the issuance date of July 22, 2013, the fair value of the liability component and the derivative component, including the conversion option derivative and early redemption derivative, amounted to HK$177,314,000 (equivalent to RMB139,410,000) and HK$22,686,000 (equivalent to RMB17,836,000) respectively.

At the end of the reporting period, December 31, 2014, the fair value of the liability component and the derivative component, including the conversion option derivative and early redemption derivative, amounted to HK$198,433,000, equivalent to RMB156,539,000 (2013: HK$187,189,000, equivalent to RMB147,174,000) and HK$2,917,000, equivalent to RMB2,300,000 (2013: HK$16,908,000, equivalent to RMB13,293,000). The change in fair value of the derivative component amounted to HK$13,991,000, equivalent to RMB11,019,000 (2013: HK$5,778,000, equivalent to RMB4,614,000) and is recognised in profit or loss.

28. CONVERTIBLE LOAN NOTES-CONTINUED

The second tranche convertible bonds and warrants are subject to the fulfillment of certain conditions precedent under the subscription agreement on or before the second long stop date, being January 22, 2015. As the second long stop date has been passed and the second completion conditions have not been fulfilled, the second completion under the subscription agreement will not take place and the transaction under the second completion shall cease to be of any effect. As a result, the Company will not issue the second tranche convertible bonds and the warrants in future.

First tranche convertible loan notes

The movements of the first tranche convertible loan notes are set out below:

	Principal amount RMB'000	Liability component RMB'000	Embedded derivatives RMB'000	Total RMB'000
At January 1, 2013	—	—	—	—
Issued during the year	157,246	139,410	17,836	157,246
Interest charged (net of interest paid)	—	7,885	—	7,885
Change in fair value	—	—	(4,614)	(4,614)
Currency realignment	—	(121)	71	(50)
At December 31, 2013	157,246	147,174	13,293	160,467
Interest charged (net of interest paid)	—	8,855	—	8,855
Change in fair value	—	—	(11,019)	(11,019)
Currency realignment	—	510	26	536
At December 31, 2014	157,246	156,539	2,300	158,839

28. CONVERTIBLE LOAN NOTES-CONTINUED

First tranche convertible loan notes-continued

The following assumptions were used to calculate the fair values of the embedded derivatives:

Valuation date	At December 31, 2014	At December 31, 2013	At July 22, 2013 (the issuance date)
Spot price	HK$2.02	HK$2.00	HK$2.16
Conversion price	HK$3.00	HK$3.00	HK$3.00
Dividend yield	2.62%	2.00%	2.00%
Time to maturity	0.56 years	1.56 years	2 years
Risk-free rate	0.0805%	0.24%	0.31%
Volatility	45%	60%	70%

The Binomial model has been used to estimate the fair value of the embedded derivatives. The variables and assumptions used in computing the fair value of the embedded derivatives are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the embedded derivatives.

29. SHARE CAPITAL

	Authorised		Issued and fully paid	
	Number of shares '000	Amount HK$'000	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.01 each — at January 1, 2013 and December 31, 2013	2,000,000	20,000	1,123,036	1,123
Exercise of share options under 2010 Share Option Scheme (note 30)	—	—	27,611	27
— at December 31, 2014	2,000,000	20,000	1,150,647	1,150

	2014 RMB'000	2013 RMB'000
Shown in the consolidated statement of financial position	**10,076**	9,858

The new shares rank pari passu with the existing shares in all respects.

30. SHARE OPTION SCHEMES

(a) Pre-IPO Share Option Schemes

According to an ordinary resolution passed on January 29, 2010, the Company adopted two share option schemes (the "Pre-IPO Share Option Schemes"), which expired on February 18, 2013. Options to subscribe for an aggregate of 20,000,000 shares of the Company and options to purchase an aggregate of 20,000,000 shares of the Company had been granted by Strong Ally. A nominal consideration of HK$1 is payable on acceptance of the grant of options. The maximum number of shares in respect of which options may be granted under the Pre-IPO Share Option Schemes may not exceed 4% of the issued number of share capital of the Company at the listing date.

On February 3, 2010, a total of 40,000,000 share options were granted to 104 qualified participants, including the directors of the Company, at an exercise price of HK$3 per share option under the terms of the Pre-IPO Share Option Schemes. Total consideration received from the participants for taking up the options granted by the Company was insignificant.

On February 18, 2013, the exercisable period of the abovementioned share option schemes expired. On March 5, 2013, Strong Ally extended the expiry date of the options to purchase shares of the Company to December 31, 2013.

The closing price of the Company's shares immediately before March 5, 2013, the date of extension, was HK$2.04.

The fair values of the options determined at the date of extension using the Binomial model and recognised immediately in profit or loss was HK$1,092,000 (equivalent to RMB870,000).

The following assumptions were used to calculate the fair values of share options:

	March 5, 2013
Grant date share price	HK$2.04
Exercise price	HK$3.00
Expected life	0.8 years
Expected volatility	57%
Dividend yield	2.2%
Risk-free interest rate	0.136%

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

No options had been granted and remained outstanding under the Pre-IPO Share Option Schemes as at December 31, 2013 and December 31, 2014.

30. SHARE OPTION SCHEMES-CONTINUED

(a) Pre-IPO Share Option Schemes-continued

A summary of the movements of the outstanding options during the year under the Pre-IPO Share Option Schemes is as follows:

Type of participants	Date of grant	Vesting period	Exercise period*	Exercise price per share	Number of share options			
					Outstanding at 1.1.2013	Exercised during the year	Lapsed during the year	Outstanding at 12.31.2013
				HK$				
Directors	2.3.2010	2.3.2010–8.19.2010	8.20.2010–2.18.2013	3	826,667	(826,667)	–	–
	2.3.2010	2.3.2010–1.31.2013	3.1.2012–12.31.2013	3	4,473,333	(1,493,333)	(2,980,000)	–
Employees	2.3.2010	2.3.2010–8.19.2010	8.20.2010–2.18.2013	3	2,205,993	(2,205,993)	–	–
	2.3.2010	2.3.2010–1.31.2013	3.1.2012–12.31.2013	3	8,419,333	(2,042,691)	(6,376,642)	–
Others#	2.3.2010	2.3.2010–8.19.2010	8.20.2010–12.31.2013	3	5,262,033	(3,446,015)	(1,816,018)	–
	2.3.2010	2.3.2010–1.31.2013	3.1.2013–2.18.2013	3	13,774,000	–	(13,774,000)	–
					34,961,359	(10,014,699)	(24,946,660)	

* One-third of the options granted are exercisable six months after the listing date and 1/36th of the options are exercisable at one year after the listing date in 24 tranches until the expiry date. The expiry date of the options was extended from February 18, 2013 to December 31, 2013.

\# The Company's share options granted to other participants are measured by reference to the fair value of options granted to directors/employees of the Group since the fair value of the services provided by such other participants to the Group cannot be estimated accurately.

In respect of share options exercised during the year ended December 31, 2013, the weighted average share price at the date of exercise is HK$2.45. The number of share options exercised represent the options to purchase for shares that had been granted by Strong Ally. All remaining share options lapsed on December 31, 2013.

The Group recognised total expenses of RMB892,000 for the year ended December 31, 2013 in relation to the Pre-IPO Share Option Schemes.

30. SHARE OPTION SCHEMES-CONTINUED

(b) 2010 Share Option Scheme

Pursuant to the written resolutions passed by the then sole shareholder on February 1, 2010, the Company adopted the share option scheme (the "2010 Share Option Scheme") to provide incentives for qualified participants as defined in the 2010 Share Option Scheme to subscribe the shares in the Company. A nominal consideration of HK$1 is payable on acceptance of the grant of options. The maximum number of shares in respect of which options may be granted under the 2010 Share Option Scheme may not exceed 10% of the issued number of share capital of the Company. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in a 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time.

On July 4, 2014, a total of 99,600,000 share options were granted to 72 qualified participants, including the directors of the Company, at an exercise price of HK$2 per share option under the terms of the 2010 Share Option Scheme. These options are exercisable starting from the date of acceptance of the offer by each Grantee to 3 July 2016 (both days inclusive). All share options vested immediately at the date of grant. Total consideration received from the participants for taking up the options granted by the Company was insignificant.

The closing price of the Company's shares immediately before July 4, 2014, the date of grant, was HK$1.77.

The fair values of the options determined at the grant date using the Binomial model and recognised immediately in profit or loss was HK$37,540,000 (equivalent to RMB29,614,000).

The following assumptions were used to calculate the fair values of share options:

	July 4, 2014
Grant date share price	HK$1.77
Exercise price	HK$2.00
Expected life	2 years
Expected volatility	50%
Dividend yield	1.93%
Risk-free interest rate	0.505%

In accordance with the terms of the 2010 Share Option Scheme, options vested at the date of grant. The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

30. SHARE OPTION SCHEMES-CONTINUED

(b) 2010 Share Option Scheme-continued

A summary of the movements of the outstanding options during the year under the 2010 Share Option Scheme is as follows:

				Number of share options			
Type of participants	Date of grant	Exercise period	Exercise price per share HK$	Outstanding at 1.1.2014	Granted during the year	Exercised during the year	Outstanding at 12.31.2014
Directors	7.4.2014	7.4.2014–7.3.2016	2	–	2,200,000	(200,000)	2,000,000
Employees	7.4.2014	7.4.2014–7.3.2016	2	–	15,400,000	(300,000)	15,100,000
Others#	7.4.2014	7.4.2014–7.3.2016	2	–	82,000,000	(27,111,000)	54,889,000
				–	99,600,000	(27,611,000)	71,989,000

\# The Company's share options granted to other participants are measured by reference to the fair value of options granted to directors/employees of the Group since the fair value of the services provided by such other participants to the Group cannot be estimated accurately.

	2014	2013
Number of share options exercisable at December 31	**71,989,000**	–

In respect of share options exercised during the year, the weighted average share price at the date of exercise was HK$2.58.

31. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of 60% equity interest in Magic Galaxy Worldwide Limited ("Magic Galaxy")

On June 27, 2014, Sure Unity Limited (the "Purchaser"), a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement (the "Agreement") and agreed to acquire a 60% equity interest in Magic Galaxy at an aggregate consideration of RMB200 million. It was also agreed that a purchaser loan (the "Purchaser Loan") in the sum of RMB100 million will be provided by the Purchaser to Magic Galaxy to repay the vendor shareholder loan in full upon entering into the Agreement and the Purchaser Loan will be turned into and deemed to be an interest-free shareholder loan provided by the Purchaser to Magic Galaxy since the completion of the acquisition on July 15, 2014.

31. ACQUISITION OF SUBSIDIARIES-CONTINUED

(a) Acquisition of 60% equity interest in Magic Galaxy Worldwide Limited ("Magic Galaxy")-continued

Magic Galaxy is an investment company. The core businesses of its active subsidiary is sales and manufacturing of high end eye drop products in the PRC. Its principal asset is the equity interest in Anhui Province Shuangke Pharmaceutical Company Limited 安徽省雙科藥業有限公司 ("Anhui Shuangke"). The acquisition is in line with the Group's business strategy to further expand its high end eye medicine product portfolio and better utilise its existing pharmaceutical sales network. Anhui Shuangke has a diverse portfolio of high end eye drop products which can complement the Company's existing eye medicine product range.

	Total RMB'000
Considerations transferred:	
Cash considerations paid	200,000
Fair value of assets acquired and liabilities recognised at the date of acquisition:	
Property, plant and equipment	64,751
Land use rights	7,100
Intangible assets	305,650
Inventories	2,833
Trade and other receivables	35,112
Bank balances and cash	383
Trade and other payables	(14,300)
Borrowings — due within one year	(6,000)
Shareholder loan	(100,000)
Deferred tax liabilities	(75,845)
	219,684
Goodwill arising on acquisition	
Consideration	200,000
Plus: non-controlling interests	133,334
Less: net assets acquired	(219,684)
	113,650
Net cash outflows arising from the acquisition	
Cash consideration paid	200,000
Less: bank balances and cash acquired	(383)
	199,617

31. ACQUISITION OF SUBSIDIARIES-CONTINUED

(a) Acquisition of 60% equity interest in Magic Galaxy Worldwide Limited ("Magic Galaxy")-continued

Goodwill arose in the acquisition mainly attributable to the difference between the fair value of the consideration and the underlying assets and liabilities acquired. In addition, the considerations paid for the combination effectively included amounts in relation to the benefit of expected synergies arising from revenue growth and future market development of the targets. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The non-controlling interest recognised at the respective acquisition date was measured with reference to the non-controlling interests' proportionate share of fair values of the net assets at that date.

Included in the profit for the year ended 31 December 2014 was revenue of RMB42,765,000 and profit of RMB17,378,000 attributable to the additional business generated by Magic Galaxy and its subsidiaries.

Had the acquisition of Magic Galaxy and its subsidiaries been completed on 1 January 2014, total group revenue for the year ended 31 December 2014 would have been RMB2,111,379,000 and profit for the year would have been RMB606,812,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2014, nor is it intended to be a projection of future results.

32. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group was committed to make the following future minimum lease payments in respect of rented premises under non-cancellable operating leases which fall due as follows:

	2014 **RMB'000**	2013 RMB'000
Within one year	**69,122**	59,417
In the second to fifth year inclusive	**39,604**	67,293
	108,726	126,710

Leases are negotiated and rentals are fixed for lease terms of three years.

33. CAPITAL COMMITMENTS

	2014 RMB'000	2013 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of:		
— property, plant and equipment	**217,359**	166,255
— technical knowhow	**51,104**	56,154
	268,463	222,409

34. RETIREMENT BENEFITS SCHEME

The Group's qualifying employees in Hong Kong participate in the MPF in Hong Kong. The assets of the MPF are held separately from those of the Group in funds under the control of trustees. The Group and each of the employees make monthly mandatory contributions to the MPF Scheme.

The employees of the Group's PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligations of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

35. RELATED PARTY TRANSACTIONS

Details of the balances with a related party are set out in note 26.

During the year, the Group entered into the following transactions with a related party:

Related party	Relationship	Number of transactions	2014 RMB'000	2013 RMB'000
Jiangsu Ruinian Qianjin Pharmaceutical Company Limited	(Note 1)	Trade purchases	7,938	804

In the opinion of the directors, the above transactions were undertaken in the ordinary course of business on terms mutually agreed between the Group and the related party.

(Note 1) Mr. Wang Fucai (Chairman and Chief Executive Officer) is the controlling shareholder of the Company.

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2014 RMB'000	2013 RMB'000
Salaries and other benefits	**9,365**	9,422
Equity-settled share-based payments	**801**	304
Retirement benefits scheme contributions	**160**	141
	10,326	9,867

36. PRINCIPAL SUBSIDIARIES

Details of Company's principal subsidiaries, all of which are wholly-owned by the Company indirectly, at the end of the reporting period are as follows:

Name of subsidiary	Country of establishment/operations	Registered capital	Principal activity
Ruinian Industry	PRC as a wholly foreign owned enterprise for a term until June 9, 2036 commencing August 22, 2006	RMB530,000,000	Manufacture and sales of health and nutritional supplements
Nanjing Ruinian	PRC as a sino-foreign equity joint venture for a term of 20 years commencing January 5, 2004	US$20,000,000	Manufacture and sales of pharmaceutical products
Ruinian Pharmaceutical	PRC	RMB8,000,000	Sales of pharmaceutical products
無錫正乾生物科技有限公司 (Wuxi Zhenqian Bio-technology Company Limited)	PRC as a wholly foreign owned enterprise for a term of 50 years commencing June 22, 2010	US$45,000,000	Manufacture and sales of health drinks
無錫銀乾生物科技有限公司 (Wuxi Yinqian Bioscience Company Limited)	PRC as a wholly foreign owned enterprise for a term of 50 years commencing October 27, 2010	US$38,000,000	Property holding for construction of production facilities
江蘇千聚實業有限公司 (Jiangsu Qiansu Industry and Commerce Co. Limited)	PRC as a wholly foreign owned enterprise for a term of 20 years commencing February 4, 2013	RMB50,000,000	Property holding for construction of production facilities
安徽省雙科藥業有限公司 (Anhui Province Shuangke Pharmaceutical Company Limited)*	PRC as a 60% non-wholly owned foreign enterprise for a term of 40 years commencing December 11, 2000	RMB20,000,000	Manufacture and sales of pharmaceutical products

* This subsidiary was newly acquired in July 2014.

36. PRINCIPAL SUBSIDIARIES-CONTINUED

The above table lists the principal subsidiaries of Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the consolidated net assets. To give details of all the subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. A majority of these subsidiaries operate in the PRC and Hong Kong. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Principal place of business	Number of subsidiaries 2014	2013
Trading of health and nutritional supplements	Hong Kong	1	1
Investment holding	British Virgin Islands	3*	2
	Hong Kong	2*	1
Property holding for construction of production facilities	PRC	2	2
Inactive	British Virgin Islands	2	2
	Hong Kong	1	1
	PRC	1**	–#

\# This subsidiary was deregistered in April 2013.

* Two subsidiaries were newly acquired in July 2014.

** This subsidiary was newly set up in April 2014

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

37. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests at the end of reporting period:

Name of subsidiaries	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests	Profit allocated to non-controlling interests RMB'000	Accumulated non-controlling interests RMB'000
Anhui Shuangke	PRC	40%	6,897	139,919
Individually immaterial subsidiaries with non-controlling interests			54	366
			6,951	140,285

Summarised financial information in respect of Anhui Shuangke, that has material non-controlling interests, is set out below. The summarised financial information below represents amounts before intragroup eliminations:

	At December 31, 2014 RMB'000
Current assets	39,645
Non-current assets	484,108
Current liabilities	(98,753)
Non-current liabilities	(75,203)
Equity attributable to owners of Anhui Shuangke	209,878
Non-controlling interests	139,919

37. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS-CONTINUED

	Year ended December 31, 2014 RMB'000
Revenue	42,765
Expenses	(25,522)
Profit and total comprehensive income attributable to owners of the Company	10,346
Profit and total comprehensive income attributable to the non-controlling interests	6,897
Profit and total comprehensive income for the year	17,243
Net cash outflow from operating activities	(30)
Net cash inflow from investing activities	116
Net cash outflow from financing activities	(210)
Net cash outflow	(124)

38. EVENTS AFTER THE REPORTING PERIOD

(a) Possible acquisition of 100% equity interest in Shenzhen City Ailire Investment Consulting Company Limited 深圳市艾利爾投資諮詢有限公司

On January 14, 2015, Ray Sail Investments Limited, a wholly-owned subsidiary of the Company (the "Proposed Purchaser"), entered into a memorandum of understanding for acquisition ("MOU") with Shenzhen City Ailire Investment Consulting Company Limited 深圳市艾利爾投資諮詢有限公司, a domestic enterprise established in the People's Republic of China ("Proposed Target") and its two individual shareholders ("Proposed Vendors") relating to the possible acquisition ("Proposed Acquisition") of 100% of the equity interest of the Proposed Target (or 100% equity interest of an offshore company which owns a 100% equity interest of the Proposed Target) ("Proposed Target Interest").

The Proposed Target is currently a domestic enterprise established in the People's Republic of China ("PRC"). Following the completion of the corporate restructuring and integration of the Proposed Target Group, it is expected that the Proposed Target will control and operate not less than 600 integrated drug retail chain stores in various provinces and cities in the PRC including Guangdong Province, Hubei Province, Fujian Province, Guizhou Province and Hainan Province, selling a combination of Chinese and western patented drugs, imported drugs, biochemical pharmaceutical products, health-care and medical devices and health and nutritional supplements. The integrated drug retail chain stores network of the Proposed Target Group following such restructuring mainly comprises over 300 retail pharmacies of Shenzhen China Associate Pharmacy Holding Co., Ltd. 深圳中聯大藥房控股有限公司 and over 150 retail pharmacies of Huizhou Tianlong Pharmaceutical Chain Co., Ltd. 惠州市天龍藥業連鎖有限公司. The acquisition is in line with the Group's business strategy to further expand its distribution channels of its products in the PRC.

(b) Proposed separate listing of certain beverage businesses of the Group on the Stock Exchange of Hong Kong (the "Proposed Spin-Off")

On February 1, 2015, the Company has engaged a sponsor and other professional parties to consider the possibility of the Proposed Spin-Off. No application for the Proposed Spin-Off has yet been made to the Stock Exchange of Hong Kong. No decision has yet been made as to which assets would be included in the spun-off entity, the transaction structure, as well as whether or when to proceed with the Proposed Spin-Off.

The Company will make further announcements in connection with the Proposed Spin-Off as and when appropriate.

INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2014 RMB'000	2013 RMB'000
Unlisted investment in subsidiary	**433,977**	433,977
Amounts due from subsidiaries	**1,471,821**	1,369,750
Other assets	**14,543**	39,813
Total assets	**1,920,341**	1,843,540
Total liabilities	**169,982**	172,677
Net assets	**1,750,359**	1,670,863
Share capital	**10,076**	9,858
Reserves	**1,740,283**	1,661,005
Total equity	**1,750,359**	1,670,863

MOVEMENT IN RESERVES

	Share premium RMB'000	Contribution surplus RMB'000	Capital redemption reserve RMB'000	Share option reserve RMB'000	Translation reserve RMB'000	Non-distributable reserve RMB'000	Retained profits RMB'000	Total RMB'000
At January 1, 2013	1,213,108	427,384	71	14,764	–	3,211	7,911	1,666,449
Profit for the year	–	–	–	–	–	–	44,483	44,483
Exchange differences arising on translation of convertible loan notes	–	–	–	–	50	–	–	50
Recognition of equity-settled share-based payments	–	–	–	17	–	875	–	892
Dividends	–	–	–	–	–	–	(50,869)	(50,869)
At December 31, 2013	1,213,108	427,384	71	14,781	50	4,086	1,525	1,661,005
Profit for the year	–	–	–	–	–	–	63,973	63,973
Exchange differences arising on translation of convertible loan notes	–	–	–	–	(7)	–	–	(7)
Recognition of equity-settled share-based payments	–	–	–	29,614	–	–	–	29,614
Issue of ordinary shares under share option scheme	51,618	–	–	(8,273)	–	–	–	43,345
Dividends	–	–	–	–	–	–	(57,647)	(57,647)
At December 31, 2014	**1,264,726**	**427,384**	**71**	**36,122**	**43**	**4,086**	**7,851**	**1,740,283**

FINANCIAL SUMMARY

	Year ended December 31,				
	2010	2011	2012	2013	**2014**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
RESULTS					
Turnover	1,357,246	1,789,894	1,755,201	1,903,142	**2,061,897**
Profit before taxation	528,067	774,559	676,445	700,300	**810,456**
Taxation	(175,802)	(222,921)	(210,517)	(207,175)	**(229,205)**
Profit for the year	352,265	551,638	465,928	493,125	**581,251**

	At December 31,				
	2010	2011	2012	2013	**2014**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
ASSETS AND LIABILITIES					
Total assets	2,684,829	3,236,963	3,667,571	4,610,373	**5,901,888**
Total liabilities	(303,870)	(360,022)	(371,875)	(870,390)	**(1,432,449)**
Net assets	2,380,959	2,876,941	3,295,696	3,739,983	**4,469,439**
Attributable to:					
Owners of the Company	2,380,959	2,876,941	3,295,696	3,739,983	**4,329,154**
Non-controlling interests	–	–	–	–	**140,285**
	2,380,959	2,876,941	3,295,696	3,739,983	**4,469,439**