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

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

Stock Code: 3332

2015 ANNUAL REPORT

* For identification purposes only

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CORPORATE INFORMATION

DIRECTORS

Executive Directors
Mr. Gui Pinghu (桂平湖) *(Chairman)*
Ms. Zhang Yuan (張源) *(Chief Executive Officer)*
Ms. Xu Li (徐麗)
Ms. Zhu Feifei (朱飛飛)

Non-executive Director
Mr. Xu Chuntao (許春濤)

Independent non-executive Directors
Mr. Jiang Fuxin (蔣伏心)
Ms. Feng Qing (馮晴)
Mr. Vincent Cheng (鄭嘉福)

AUDIT COMMITTEE

Mr. Vincent Cheng (鄭嘉福) *(Chairman)*
Mr. Jiang Fuxin (蔣伏心)
Ms. Feng Qing (馮晴)

REMUNERATION COMMITTEE

Ms. Feng Qing (馮晴) *(Chairman)*
Mr. Vincent Cheng (鄭嘉福)
Ms. Zhu Feifei (朱飛飛)

NOMINATION COMMITTEE

Mr. Jiang Fuxin (蔣伏心) *(Chairman)*
Ms. Feng Qing (馮晴)
Ms. Xu Li (徐麗)

STRATEGY AND DEVELOPMENT COMMITTEE

Mr. Gui Pinghu (桂平湖) *(Chairman)*
Mr. Vincent Cheng (鄭嘉福)
Mr. Jiang Fuxin (蔣伏心)

JOINT COMPANY SECRETARIES

Ms. Zhi Hui (支卉)
Ms. Kam Mei Ha Wendy (甘美霞) *FCS (PE), FCIS*

REGISTERED OFFICE AND HEADQUARTERS

30/F, Deji Building
188 Chang Jiang Road
Xuanwu District
Nanjing, Jiangsu Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Jardine House
1 Connaught Place
Hong Kong

AUTHORISED REPRESENTATIVES

Mr. Gui Pinghu (桂平湖)
Ms. Kam Mei Ha Wendy (甘美霞) *FCS (PE), FCIS*

LEGAL ADVISERS

As to Hong Kong law
Chiu & Partners
40th Floor, Jardine House
1 Connaught Place
Hong Kong

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

COMPLIANCE ADVISER

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

H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

Shanghai Pudong Development Bank Cheng Dong Branch
482 Zhongshan East Road
Nanjing, Jiangsu Province
PRC

Agricultural Bank of China Ma Qun Branch
2-16 Ma Qun Road
Qixia District
Nanjing, Jiangsu Province
PRC

AUDITOR

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

STOCK CODE

3332

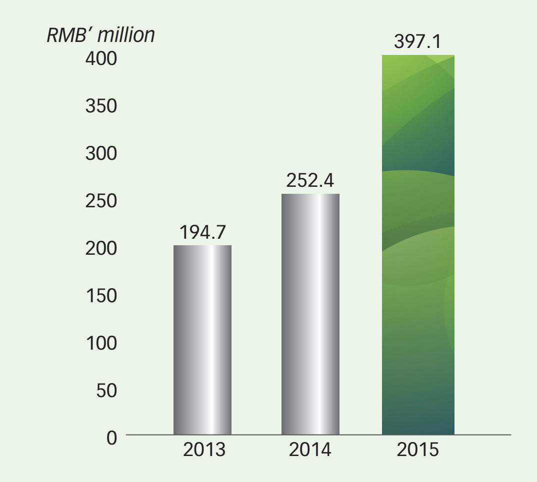
COMPANY'S WEBSITE

www.zs-united.com

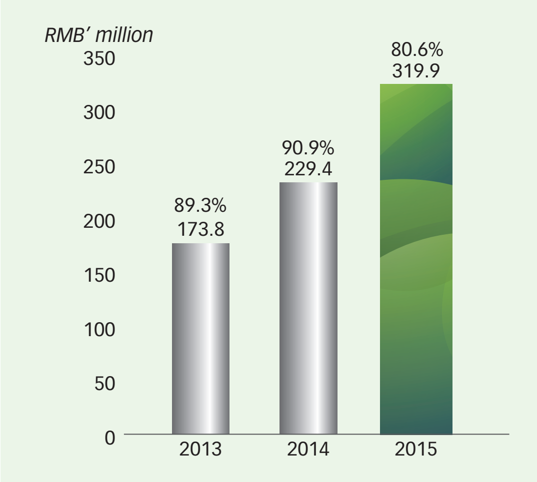
FINANCIAL HIGHLIGHTS

- Revenue increased by approximately 57.3% to RMB397.1 million (2014: RMB252.4 million)
- Gross profit increased by approximately 39.5% to RMB319.9 million (2014: RMB229.4 million)
- Profit for the year increased by approximately 28.8% to RMB139.0 million (2014: RMB107.9 million)
- Basic earnings per share increased by approximately 23.1% to RMB16 cents (2014: RMB13 cents)
- The Board has recommended the payment of final dividend of RMB6.75 cents (2014: RMB6.05 cents) per share, totaling RMB56,547,600 (2014: RMB50,722,200) for the year ended 31 December 2015 and a special dividend of RMB7.57 cents (2014: RMB5.88 cents) per share, totaling RMB63,452,400 (2014: RMB49,271,800) subject to the approval of the shareholders of the Company at the forthcoming annual general meeting.

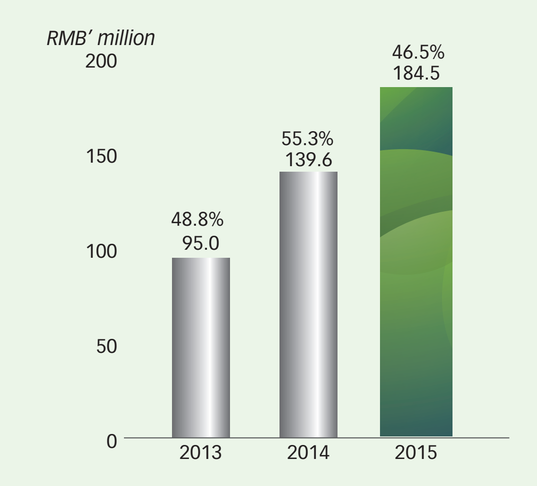
REVENUE



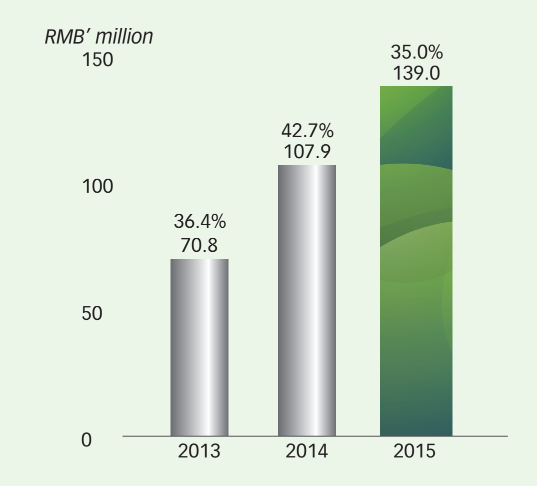
GROSS PROFIT AND GROSS PROFIT MARGIN



PROFIT BEFORE INTEREST AND TAX AND PROFIT MARGIN BEFORE INTEREST AND TAX



NET PROFIT FOR THE YEAR AND NET PROFIT MARGIN FOR THE YEAR



CHAIRMAN'S STATEMENT

To Shareholders,

On behalf of the Board (the "Board") of directors (the "Directors") of Nanjing Sinolife United Company Limited (the "Company"), I am pleased to present the audited annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2015 (the "Year").

With reference to the recent economic research data published by the Department of Commerce in the United States, the health-related industry is the fifth largest industry in the United States, which is only ranked behind the manufacturing industry, servicing industry, financial and insurance service industry and real estate industry. Besides, the health service industry is the fastest growing industry in the United States in the recent decade. It is expected that the turnover for the health-related industry in China could exceed RMB8 trillion by 2020. Great health means great citizen's livelihood, great wealth, great industry and great opportunity.

The Company has grasped the opportunity and the growing trend of the health-related industry in the People's Republic of China ("PRC") with a great enhancement in relation to consolidation of resources and obtained stable growth over the past year.

The Group has newly acquired a new brand, namely Good Health, which is one of the leading health products brands in New Zealand. Over the six-month cooperation and communication, the Group and Good Health Products Limited mutually understood each other. It has developed new marketing plans for the PRC market and Australian market as a result of performing detailed product and marketing research and analysis. In 2016, the new marketing plan will be used for introducing the products to the PRC market, enhancing the cross-border sales in the e-commerce platforms and diversifying the products in the Australian market.

In 2016, the Group is in the process of acquiring Shanghai Hejian Nutritional Food Products Company Limited* (上海禾健營養食品股份有限公司) (the "Target Company"), please refer to the paragraph headed "Material acquisition of subsidiaries" in the section headed "Management discussion and analysis" in this annual report for more details. By combining the competitive strengths of the Target Company and the Group, it undoubtedly will lead to a brilliant future of both companies.

The Group has maintained a rapid growth rate and the optimal development for its products in the past year. It has enhanced its competitive strengths in different areas of the PRC market, including the human resources, marketing, management and product. In 2016, it would continue to focus on development and launch of new products, introducing new ingredients and functions, perform analysis and research on the Australian market. It will then gain more understanding and confidence in the health products in the international market.

The Group bears in mind "to have business partnership, no business competitor" in the past year. It has actively promoted the health food business and cooperated with different business partners. It has also commenced to cooperate with different distributors.

The Group's factory has obtained a high-technology enterprise award at province level in 2015 which enhanced its image. In addition, the local PRC government was pleased about the growth of the Group's business and its tax contributions.

APPRECIATION

On behalf of the Board, I would like to express that the Group will continue to maximize its competitive advantages, including its brand-focused sales network, extensive distribution channels, professional management and diversified product range, so as to increase project-based competitions between different levels of the Group's staff, thereby enhancing the participation and contributions of new generations who were born after 1985 or 1990. It can establish a diversified supporting manpower for the continuing development of the Group. In addition, the Group will grip the opportunity to develop the Australian market and to promote the "Good Health" brand as well as expand its health food business in the PRC market in order to improve the health conditions of people.

Mr. Gui Pinghu
Chairman of the Board

29 March 2016

* *For identification purposes only*

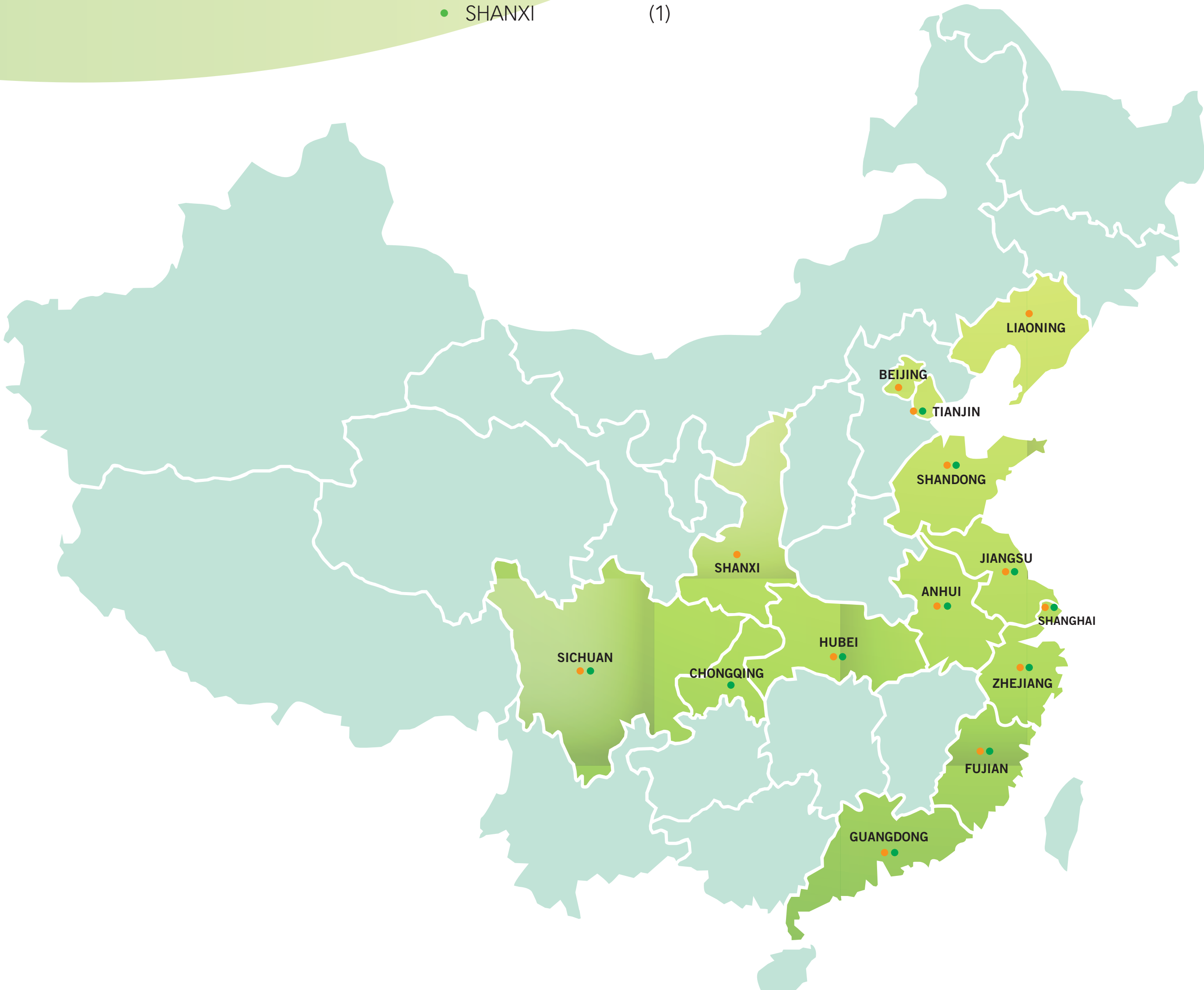
RETAIL NETWORK AND PRODUCT INFORMATION

CONBAIR

SHANGHAI	(5)
JIANGSU	(22)
GUANGDONG	(3)
SHANDONG	(2)
ZHEJIANG	(2)
CHONGQING	(2)
FUJIAN	(1)
ANHUI	(2)
SICHUAN	(1)
HUBEI	(1)
TIANJIN	(2)

ZHONGSHENG

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



RETAIL NETWORK AND PRODUCT INFORMATION

ZHONGSHENG

RETAIL NETWORK AND PRODUCT INFORMATION

CONBAIR

GOOD HEALTH


Propolis Capsules
goodhealth
Propolis
Premium grade


Evening Primrose Oil Capsules
goodhealth
EPO


Hi Cal™ Liquid Calcium & Vitamin D
goodhealth
Hi Cal
Liquid Calcium & Vitamin D


Spirulina Table
goodhealth
Spirulina


Grape Seed 55,000 Capsules
goodhealth


Squalene Capsules
goodhealth
Squalene
Shark liver oil extract

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Benefiting from the Group's competitive advantages and the fast-growing supplements industry in China, the Group has achieved favourable results in 2015. The Group's revenue increased from RMB252.4 million in 2014 to RMB397.1 million in 2015 and the profit for the Year increased from RMB107.9 million in 2014 to RMB139.0 million in 2015, representing an increase of 57.3% and 28.8% respectively.

During the Year, the continuous growth of nutritional supplements industry in China was principally driven by the rising disposal income of consumers, the increasing average age and life expectancy of the population in China, growing population under sub-health condition in China and rising awareness of the benefits of nutritional supplements. By leveraging on the branding-focused specialty store business model with broad and diversified product mix, the Group believes that it is well-positioned to capture attractive market opportunities and deliver strong growth in terms of revenue, profit and customer base.

The Group has achieved strong brand recognition in the target markets and with diversified product mix. The Group has focused on brand building through the Group's retail stores under its Zhongsheng and Cobayer brands, as well as through the distributors and pharmacies for the Good Health brand. As of 31 December 2015, the Group offered 332 products, consisting of 79 Zhongsheng series products, 88 Cobayer series products and 165 Good Health series products. Furthermore, the Group has launched 63 new products, including 22 new Zhongsheng series products, 17 new Cobayer series products and 24 new Good Health series products during the Year.

To achieve fast-growing product development, the Group has adopted a market-oriented research and product development process to meet evolving customer demands and needs. The Group's expenditure on research and development activities in 2015 are mainly for new product developments such as Kanghe Snow Lotus Collagen Powder, Kanghe Instant Lotus Bird's Nest and Kanghe Cordyceps Tablet (Pressed Candy).

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

The Group has a fast-growing retail network and diversified sales platform to serve a broad customer base. The Group has a diversified sales platform with a wide geographic coverage of 27 cities in 14 provinces and centrally administered municipalities in the PRC as of 31 December 2015. The Group's diversified sales platform in the PRC primarily consists of retail stores under the Zhongsheng brand, in the form of 14 specialty stores and 25 regional sales offices; and 43 retail stores under the Cobayer brand. The Zhongsheng retail stores are mainly located in central business districts, well-established residential areas and local transportation centres, and the Cobayer retail stores are mainly located within upscale shopping malls and high-end supermarkets focusing on imported products in first-tier cities. Other than the maintenance of the online Cobayer store at http://conbair.tmall.com and Weixin platform, the Group has cooperated with Alibaba, Tmall International, JD.com, Suning and other cross-border e-commerce platforms during the Year.

FINANCIAL REVIEW

Results

The revenue of the Group in 2015 was RMB397.1 million, representing an increase of approximately 57.3% from RMB252.4 million in 2014. Profit for the Year increased by approximately 28.8% to RMB139.0 million in 2015 from RMB107.9 million in 2014. The Company's basic earnings per share was RMB16 cents (2014: RMB13 cents) based on the weighted average number of 838.2 million (2014: 826.3 million) shares in issue during the Year. The increase in financial results in 2015 was mainly attributable to the acquisition of a well-known nutritional supplements manufacturer and distributor, namely Good Health Products Limited ("GHP"), and the rapid sales of Zhongsheng series products in 2015.

Revenue

The revenue of the Group increased by approximately 57.3% from RMB252.4 million in 2014 to RMB397.1 million in 2015. Sales of Zhongsheng series products increased by approximately 41.2% from RMB174.3 million in 2014 to RMB246.1 million in 2015, which was primarily due to the continuous growth in the sales of newly launched Zhongsheng series products such as Kanghe Snow Lotus Collagen Powder, Kanghe Snow Lotus Bird's Nest, Kanghe Snow Lotus Tablet (Pressed Candy), Kanghe Cordyceps Militaris Tablet (Pressed Candy) and Kanghe Barley Seedling Green Juice Drink during the Year. The newly launched products are well received by consumers and encouraging sales volume, which contributes to increase in revenue. Sales of Good Health series products was RMB77.7 million in 2015, representing 19.6% of Group's revenue. Sales of Cobayer series products decreased by approximately 5.7% from RMB76.9 million in 2014 to RMB72.5 million in 2015, which was primarily because advertising and promotion activities were focused on Zhongsheng series products and Good Health series products during the Year.

Gross profit

The Group's gross profit increased from RMB229.4 million in 2014 to RMB319.9 million in 2015. The Group's average gross profit margin decreased from approximately 90.9% in 2014 to approximately 80.6% in 2015. Such decrease in gross profit margin was mainly due to the gross profit margin of the newly acquired Good Health series products, which was approximately 42.0%. Hence, the Group's gross profit margin decreased accordingly.

Other income and gains

The Group's other income and gains mainly included interest income from bank deposits and financial products purchased from banks, government grants and gain on disposal of a subsidiary. The amount decreased from RMB15.8 million in 2014 to RMB15.0 million in 2015, representing a decrease of approximately 5.1%.

Selling and distribution expenses

The Group's selling and distribution expenses increased by approximately 43.2% from RMB62.9 million in 2014 to RMB90.1 million in 2015, representing approximately 24.9% in 2014 and 22.7% in 2015 of the Group's revenue. Such increase was primarily due to the increase in staff costs of 50.0% from RMB33.4 million in 2014 to RMB50.1 million in 2015 and the increase in outlet rental and related lease expenses of 12.7% from RMB15.0 million in 2014 to RMB16.9 million in 2015.

Administrative expenses

The Group's administrative expenses increased by approximately 53.7% from RMB38.7 million in 2014 to RMB59.5 million in 2015, representing approximately 15.3% in 2014 and 15.0% in 2015 of the Group's revenue. Such increase was primarily due to the increase in staff costs from RMB14.6 million to RMB25.3 million, the increase in professional fee from RMB6.2 million to RMB8.4 million, the increase in daily administration fee from RMB1.9 million to RMB3.9 million and the increase in research and development cost from RMB0.8 million to RMB2.5 million.

Taxation

Income tax expense increased by approximately 43.8% from RMB31.7 million in 2014 to RMB45.6 million in 2015 primarily due to the increase in profit before taxation and the effective tax rates of the New Zealand's subsidiaries was approximately 28%. The Group's effective tax rates in 2014 and 2015 were approximately 22.7% and 24.7% respectively.

Profit for the Year

As a result of the foregoing, the Group's profit for the Year increased from RMB107.9 million in 2014 to RMB139.0 million in 2015. The increase was due to the increase in revenue from RMB252.4 million in 2014 to RMB397.1 million in 2015.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow

In 2015, cash and cash equivalents of the Group decreased by RMB17.7 million, which was comprised of the net cash flows generated from operating activities with the amount of RMB104.7 million, net cash flows used in investment activities with the amount of RMB59.2 million, net cash flows used in financing activities with the amount of RMB63.1 million, while RMB0.1 million was the net effect of foreign exchange rate changes.

Inventories

The Group's inventories increased to RMB70.0 million (2014: RMB17.6 million) as at 31 December 2015 primarily due to the increase in inventory level of Good Health series products for implementation of strong promotion strategy. The Group's inventories comprise raw materials, work in progress, finished goods and goods merchandise. During the Year, inventory turnover was approximately 204 days (2014: 192 days). The longer inventory turnover period during the Year was primarily the result of an increase in inventory at the year end.

Trade receivables

The Group's trade receivables amounted to RMB26.4 million (2014: RMB1.8 million) as at 31 December 2015 primary due to the newly acquired GHP, whose sales are mainly through distributors with credit term ranged from 30 days to 60 days.

Trade payables

The Group's trade payables amounted to RMB12.6 million (2014: RMB2.1 million) as at 31 December 2015. Turnover days for trade payables increased to 34 days (2014: 21 days), which reflects stable settlement with suppliers.

Foreign exchange exposure

As the Group conducts business inbound transactions principally in Renminbi and outbound transactions principally in New Zealand Dollar and Australian Dollar, the management considered the exchange rate risk at the Group's operational level is not significant. Accordingly, the Group had not used any financial instruments for hedging purposes as at 31 December 2015.

Borrowings and pledge of assets

The Group had no outstanding bank borrowings and pledge of assets as of 31 December 2014 and 2015. Accordingly, the gearing ratio for the Group during the Year was 0% (2014: 0%).

Capital expenditure

The Group invested approximately RMB17.9 million in 2015 (2014: RMB2.8 million) for purchase of property, plant and equipment.

Capital commitments and contingent liabilities

As at 31 December 2015, the Group had commitments for acquisition of property, plant and equipment of approximately RMB44.9 million (2014: RMB1.0 million). The Group had no material contingent liabilities as at 31 December 2015 (2014: nil). Apart from above, on 17 December 2015, the Company entered into an agreement to acquire 100% equity interest of the Shanghai Hejian Nutritional Food Products Company Limited by issuing 62,717,770 shares of the Company.

PRINCIPAL RISKS AND UNCERTAINTIES

The uncertainty of the PRC economic conditions could have a material adverse impact on financial condition and results of operations

The economic growth of major emerging economies such as the PRC has also slowed down. According to the National Bureau of Statistics of China, the gross domestic product growth in the PRC has slowed down in recent years. Uncertainties in the PRC and global economies could have adverse impact on, among others, consumer spending, consumer confidence, the level of customer traffic within shopping malls and other shopping environments. Consumer product purchases, including purchases of the Group's products, may decline during recessionary periods. A prolonged downturn or an uncertain outlook in the economy may materially adversely affect the Group's business, financial condition and results of operations.

Foreign exchange risk, and fluctuations in exchange rates could have a material and adverse effect on business and investors' environment

The Group is exposed to foreign currency risk primarily for its purchases in Australian dollars and New Zealand dollars from third-party manufacturers in Australia and New Zealand. As substantially all of the Group's sales are denominated in Renminbi, the appreciation or depreciation of Renminbi against Australian dollars and New Zealand dollars may have a significant impact on the Group's profitability. For example, a depreciation of Renminbi could increase costs of purchasing products from Australia and New Zealand, as such depreciation would require the Group to convert more Renminbi to obtain the equivalent foreign currency necessary to tender payment. The Group has not used any derivative contracts to hedge against its exposure to foreign currency risk.

The value of Renminbi against foreign currencies, including Australian dollars and New Zealand dollars, fluctuates and is affected by, among other things, changes in PRC and international political and economic conditions and the PRC government's fiscal, monetary and currency policies. There remains significant international pressure on the PRC government to adopt a more flexible currency policy. The Group cannot predict how Renminbi will fluctuate in the future. As a result, the fluctuation in the exchange rate between Renminbi and other currencies could have a material and adverse effect on the Group's business, financial condition and results of operations.

The PRC government's control of foreign currency conversion may limit foreign exchange transactions, including dividend payments on H Shares

Currently, Renminbi still cannot be freely converted into any foreign currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange laws and regulations which would affect exchange rates and the Group's foreign exchange transactions. It cannot be guaranteed that under a certain exchange rate, the Group will have sufficient foreign currencies to meet the Group's foreign exchange requirements. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by the Group, including the payment of dividends, does not require prior approval from the State Administration of Foreign Exchange of the PRC (國家外匯管理局) ("SAFE"), but the Group is required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within PRC that have the licenses to carry out foreign exchange business. As a result, the Group will be able to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. The Group's foreign exchange transactions under the capital account, however, must be approved in advance by the SAFE.

There can be no assurance that the policies regarding foreign exchange transactions under the current account and the capital account will continue in the future. In addition, these foreign exchange policies may restrict the Group's ability to obtain sufficient foreign exchange, which could have an effect on the Group's foreign exchange transactions and the fulfillment of the Group's other foreign exchange requirements. If there are changes in the policies regarding the payment of dividends in foreign currencies to shareholders or other changes in foreign exchange policies resulting in insufficient foreign exchange, the Group's payment of dividends in foreign currencies may be affected. If the Group fails to obtain approval from the SAFE to convert Renminbi into any foreign exchange for foreign exchange transactions, capital expenditure plans, and even the Group's business, financial condition and results of operations, may be adversely affected.

HUMAN RESOURCES MANAGEMENT

Quality and dedicated staff are indispensable assets to the Group's success in the competitive market. By providing comprehensive training and corporate culture education periodically, the employees are able to obtain on-going training and development in the nutritional supplements industry. Furthermore, the Group offers competitive remuneration packages commensurated with industry practice and provides various fringe benefits to all employees. The Group reviews its human resources and remuneration policies periodically to ensure they are in line with market practice and regulatory requirements. As at 31 December 2015, the Group employed a work force of 822 (2014: 725). The total salaries and related costs for the Year amounted to approximately RMB76.7 million (2014: RMB51.6 million).

The remuneration payable to the senior management of the Company (excluding Directors and Supervisors) for the Year is within the range of HK$0 to HK$1,000,000.

MATERIAL ACQUISITION OF SUBSIDIARIES

On 17 December 2015, Ms. Zhou Li, Mr. Zhou Dong, Shanghai Jiahanyin Investment Company Limited (上海甲翰寅投資有限公司), Shanghai Zhongwei Chuangye Investment Centre Partnership* (上海中衛創業投資中心（有限合夥）), Shanghai Baojiehui Chuangye Investment Partnership Limited* (上海寶捷會創業投資合夥企業（有限合夥）) ("Baojiehui Partnership") (collectively, the "Vendors"), the Target Company and the Company entered into an acquisition agreement, pursuant to which the parties have conditionally agreed to carry out the acquisition in relation to, among others, the acquisition of the Target Company. On 22 January 2016, the Company, the Target Company and the Vendors entered into a supplemental acquisition agreement to the acquisition agreement dated 17 December 2015, pursuant to which the parties have conditionally agreed to complete the following transactions: (i) the Target Company will apply for delisting of its shares from the National Equities Exchange and Quotations System (commonly known as "PRC New Third Board"); (ii) the Target Company will convert from a joint stock limited liability company to a limited liability company; (iii) the Company will acquire 100% equity interest in the Target Company after it is converted into a limited liability company at a consideration of RMB180 million which will be satisfied by (a) the payment of RMB5.4 million in cash to Baojiehui Partnership; and (b) issue and allotment of 60,836,237 domestic shares in aggregate to the remaining Vendors; and (iv) Mr. Zhou Dong, one of the Vendors, will subscribe for 1,881,533 domestic shares at a total subscription price of RMB5.4 million. The issue price per domestic share shall be RMB2.87 (equivalent to approximately HK$3.5).

The Target Company is a company established in the PRC and mainly engaged in the sale of dietary supplements through online platform to the customers. As the products offered by the Group and the Target Company cover a wide range of customers ranging from children to the elderly, it is expected that the acquisition can diversify the Group's business portfolio by offering more products to the customers of the enlarged Group after the acquisition, and the online sales model of the Target Company and the offline sales model of the Group can complement each other thereby diversifying the distribution channels of the enlarged Group and broadening the income stream of the enlarged Group. The Directors are optimistic about the synergy to be created between the Company and the Target Company after the acquisition.

Details of the abovementioned acquisition were set out in the announcements of the Company dated 17 December 2015 and 22 January 2016 and the circular of the Company dated 29 February 2016. The extraordinary general meeting, class meeting for holders of H shares and class meeting for holders of domestic shares of the Company will be convened on 15 April 2016 to consider and, if thought fit, to approve, among other matters, the transactions contemplated under the acquisition agreement.

* *For identification purposes only*

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

DIRECTORS

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

The information of the Directors is set out as follows:

Name	Age	Date of joining the Group	Position/Title	Date of appointment	Roles and responsibilities
Mr. Gui Pinghu (桂平湖)	56	24 May 1999	Chairman and Executive Director	24 May 1999	Chairman of the Strategy and Development Committee; strategic development of the Company
Ms. Zhang Yuan (張源)	46	25 May 1999	Chief Executive Officer and Executive Director	17 June 2011	General manager, being responsible for the management, organisation and implementation of Board decisions
Ms. Xu Li (徐麗)	41	1 January 2002	Executive Director	25 October 2012	Sales director; member of the Nomination Committee
Ms. Zhu Feifei (朱飛飛)	34	29 July 2003	Executive Director	25 October 2012	Chief production officer; member of the Remuneration Committee
Mr. Xu Chuntao (許春濤)	46	16 May 2013	Non-executive Director	16 May 2013	Representative of the pre-IPO investor of the Company
Mr. Jiang Fuxin (蔣伏心)	59	25 October 2012	Independent non-executive Director	25 October 2012	Chairman of the Nomination Committee; member of each of the Audit Committee and Strategy and Development Committee
Ms. Feng Qing (馮晴)	47	25 January 2013	Independent non-executive Director	25 January 2013	Chairman of the Remuneration Committee; member of each of the Audit Committee and Nomination Committee
Mr. Vincent Cheng (鄭嘉福)	52	10 August 2013	Independent non-executive Director	10 August 2013	Chairman of the Audit Committee; member of each of the Remuneration Committee and Strategy and Development Committee

Executive Directors

Mr. Gui Pinghu (桂平湖), aged 56, the founder of the Group, is the chairman and was appointed as an executive Director on 24 May 1999. Mr. Gui is also a director of Australia Cobayer Health Food Co. Pty Ltd., Shanghai Weiyi Investment & Management Limited* (上海惟翊投資管理有限公司) ("Shanghai Weiyi") and Good Health Products Limited, Shanghai Weiyi's wholly-owned subsidiary. He is primarily responsible for the strategic development of the Company. He graduated from a college in Nanjing, majoring in Chinese in July 1989 and was awarded a degree of Executive Master of Business Administration, which was a part-time programme from Fudan University in June 2010. As at the date of this annual report, Mr. Gui and his spouse were interested in approximately 86.74% of the domestic shares of the Company ("Domestic Shares").

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

Ms. Zhang Yuan (張源), aged 46, was appointed as an executive Director and the Chief Executive Officer on 17 June 2011. Ms. Zhang is also a director of Nanjing Zhongsheng Bio-Tech Co. Limited* (南京中生生物科技有限公司), Hangzhou Zhongyan Biological Products Co. Limited* (杭州中研生物製品有限公司), Beijing Zhongsheng Wonderful Health Technology Co. Limited* (北京中生美好健康科技有限公司), Guangzhou Zhongyuan Bio-Tech Co. Limited* (廣州中院生物科技有限公司), Zhenjiang Zhongsheng Health Bio-Tech Co. Limited* (鎮江中生健康科技有限公司), Shanghai Kanghe Biological Technology Company Limited* (上海康赫生物科技有限公司), Tianjing Kanger Biological Technology Company Limited* (天津康爾生物科技有限公司), Hangzhou Aoka Biological Technology Company Limited* (杭州澳卡生物科技有限公司), Good Health Products Limited and Nanjing Zhaiyigou Electronic Commerce Company Limited* (南京宅易購電子商務有限公司). She was appointed as the chairman of Shanghai Weiyi in October 2014. Ms. Zhang is primarily responsible for the management, organisation and implementation of Board decisions. As at the date of this annual report, Ms. Zhang was interested in approximately 1.08% of the Domestic Shares.

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

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

Ms. Xu Li (徐麗), aged 41, was appointed as an executive Director on 25 October 2012. Ms. Xu is also a director of Suzhou Zhongsheng Health & Biological Products Co. Limited* (蘇州中生健康生物製品有限公司), Wuxi Zhongyan Health Products Co. Limited* (無錫中研健康品有限公司), Changzhou Zhongsheng Wonderful Bio-Health Products Co. Limited* (常州中生美好生物製品有限公司), Jinan Zhongsheng Chinese Commerce Biological Products Co. Limited* (濟南中生華商生物製品有限公司), Shenzhen Zhongsheng Chinese Commerce Bio-Tech Co. Limited* (深圳市中生華商生物科技有限公司), Wuhan Zhongsheng Chinese Commerce Biological Technology Co. Limited* (武漢中生華商生物科技有限公司), Shenyang Zhongsheng Wonderful Biological Technology Company Limited* (瀋陽中生美好生物科技有限公司) and Qingdao Zhongsheng Biological Products Co. Limited* (青島中生康健生物製品有限公司). Ms. Xu is primarily responsible for the marketing of the Group. As at the date of this annual report, Ms. Xu was interested in approximately 0.90% of the Domestic Shares.

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

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

Ms. Xu was awarded an Executive Master of Business Administration's degree of Zhejiang University in December 2015.

Ms. Zhu Feifei (朱飛飛), aged 34, was appointed as an executive Director on 25 October 2012. She is also a director of Fuzhou City Gulou District Zhongsheng Wonderful Biological Technology Company Limited* (福州市鼓樓區中生美好生物科技有限公司). Ms. Zhu is primarily responsible for the production of the Group. As at the date of this annual report, Ms. Zhu was interested in approximately 0.11% of the Domestic Shares.

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

Non-executive Director

Mr. Xu Chuntao (許春濤), aged 46, was appointed as a non-executive Director on 16 May 2013. Mr. Xu is the representative of Shanghai Fosun Chuangfu Shareholding Investment Fund Limited Partnership* (上海復星創富股權投資基金合夥企業(有限合夥)), the pre-IPO investor of the Company.

Mr. Xu joined the Shanghai Chest Hospital as a doctor in July 1993. He joined Fosun Capital Investment & Management Company Limited* (上海復星創富投資管理有限公司), an investment and asset management company in January 2012 and is currently its senior investment director. He is also a director of Good Health Products Limited. Mr. Xu was appointed as the general manager and director of Shanghai Weiyi in October 2014. Mr. Xu obtained a bachelor degree in Clinical Medicine from Shanghai Medical College of Fudan University* (復旦大學上海醫學院) (formerly known as Shanghai Medical University* (上海醫科大學)) in July 1993. He was awarded a master degree in Business Administration from the Charles Darwin University (formerly known as Northern Territory University) in October 1998.

Independent non-executive Directors

Mr. Jiang Fuxin (蔣伏心), aged 59, was appointed as an independent non-executive Director on 25 October 2012. Mr. Jiang graduated from East China Normal University, majoring in History of Foreign Economics Theories in December 1986 and subsequently obtained a master degree in Economics from East China Normal University in September 1987. He was awarded a doctoral degree in Agricultural Studies from Nanjing Agricultural University in July 1996, which was a part-time programme. He was engaged as a teaching assistant and a lecturer of Nanjing Normal University in March 1980 and September 1987 respectively. He was promoted to the position of assistant professor of Nanjing Normal University in September 1989 and a professor in December 1994. In February 2010, he was further appointed as the Dean of Business School, Nanjing Normal University.

Mr. Jiang was an independent non-executive director of Nanjing Xinjiekou Department Store Co., Ltd. (南京新街口百貨商店股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 600682)) which is principally engaged in general merchandise retailing business, between October 2007 and October 2013. In between February 2012 and January 2015, Mr. Jiang was also an independent non-executive director of Jiangsu Yanghe Brewery Joint-Stock Co., Ltd.* (江蘇洋河酒廠股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 002304)) which is principally engaged in brewery business. In January 2015, Mr. Jiang was appointed as an independent director of Jiangsu High Hope International Corporation (江蘇匯鴻股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 600981)).

Ms. Feng Qing (馮晴), aged 47, was appointed as an independent non-executive Director on 25 January 2013. Ms. Feng graduated from Nanjing Agricultural University majoring in Food Science in July 1989 and obtained a master degree in Science from Nanjing Agricultural University in July 1996. She was awarded a doctoral degree in Agricultural Science by the Nagoya University in Japan in March 2002.

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

Mr. Vincent Cheng (鄭嘉福), formerly known as Cheng Ka Fuk Vincent (鄭嘉福) *FCPA (Aust), FCPA (HK), FCIS, FTI (HK)*, aged 52, was appointed as an independent non-executive Director on 10 August 2013. Mr. Cheng obtained a master degree in Business Administration from Deakin University in Australia (as a joint program of Deakin University and CPA Australia) in May 2003, and a bachelor of arts degree in Accountancy from the City University of Hong Kong (formerly known as City Polytechnic of Hong Kong) in November 1993. Mr. Cheng was admitted as a fellow of CPA Australia in December 2000 and a fellow of HKICPA in April 2008.

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

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

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

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

SUPERVISORS

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

Name	Age	Date of joining the Group	Position/title	Date of appointment	Roles and responsibilities
Ms. Yu Min (余敏)	37	16 September 2002	Chairman of the board of Supervisors	25 October 2012	Customer relations manager
Mr. Tao Xingrong (陶興榮)	39	16 May 2013	Supervisor	16 May 2013	Representative of the pre-IPO investor of the Company
Ms. Wu Xuemei (吳雪梅)	37	25 September 2005	Supervisor	25 October 2012	General manager of Cobayer Business Department
Ms. Lu Jiachun (陸佳純)	37	20 June 2001	Employee representative Supervisor	25 October 2012	Accounting clerk
Ms. Chen Xiu (陳秀)	31	30 August 2003	Employee representative Supervisor	16 May 2013	Supervision specialist

Ms. Yu Min (余敏), aged 37, was appointed as the chairman of the board of Supervisors on 25 October 2012. Ms. Yu is also the director of Chengdu Zhongsheng Hua Mei Bio-Teh Co. Limited* (成都中生華美生物科技有限公司), Hefei Aoka Biological Technology Company Limited* (合肥澳卡生物科技有限公司), Xian Aoka Biological Technology Company Limited* (西安澳卡生物科技有限公司) and Nantong Zhongsheng Wonderful Health Food Products Co., Ltd.* (南通中生美好保健食品有限公司).

Ms. Yu graduated from Jinling Institute of Technology* (金陵科技學院) (formerly known as Nanjing Agricultural School* (南京市農業專科學校)) majoring in Accounting in June 1999. As at the date of this annual report, Ms Yu was interested in approximately 0.11% of the Domestic Shares.

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

Mr. Tao Xingrong (陶興榮), aged 39, was appointed as one of the Supervisors on 16 May 2013. Mr. Tao was awarded a bachelor degree in Commercial Law from Zhejiang Gongshang University (浙江工商大學) (formerly known as Hangzhou Commerce College (杭州商學院)) in July 1999. He obtained the Judicial Professional Qualification Certificate* (司法職業資格證書) in September 2002.

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

Ms. Wu Xuemei (吳雪梅), aged 37, was appointed as one of the Supervisors on 25 October 2012. Ms. Wu graduated from a self-learning programme of the Nanjing Normal University majoring in English in June 2003. As at the date of this annual report, Ms. Wu was interested in approximately 0.09% of the Domestic Shares.

In September 2005, Ms. Wu joined the Company as sales clerk and was promoted to be the deputy sales manager of Nanjing in January 2010. In October 2012, she was appointed as a member of the board of Supervisors. In March 2014, she was promoted to general manager of Cobayer Business Department of the Company.

Ms. Lu Jiachun (陸佳純), aged 37, was appointed as the employee representative Supervisor on 25 October 2012. Ms. Lu obtained a bachelor degree in Business Administration from a part-time programme of the Open University of China in October 2005.

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

Ms. Chen Xiu (陳秀), aged 31, was appointed as the employee representative Supervisor on 16 May 2013. Ms. Chen graduated from Jiangsu Institute of Commerce* (江蘇經貿職業技術學院) (formerly known as Jiangsu Vocational and Technical Institute of Economics and Commerce* (江蘇商業管理幹部學院)) majoring in Accounting in July 2004.

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

SENIOR MANAGEMENT

Name	Age	Date of joining the Group	Position/title	Date of appointment	Roles and responsibilities
Ms. Zhi Hui (支卉)	35	4 June 2002	Human resources manager, joint company secretary	25 October 2012	Human resources management and company secretarial matters
Mr. Song Jiming (宋繼明)	62	21 March 2005	Compliance officer	21 March 2005	Compliance assurance
Mr. Li Bin (李斌)	36	1 July 2013	Chief financial officer	1 July 2013	Finance management
Mr. Wu Jun (吳俊)	32	4 September 2006	Financial controller	1 September 2013	Finance management

Ms. Zhi Hui (支卉), aged 35, has more than 10 years of experience in the nutritional supplements industry. She joined the Group in June 2002 as an office clerk. She was promoted as the human resources manager in January 2008. In October 2012, she became the secretary to the Board and served as the human resources manager and a joint company secretary concurrently. As at the date of this annual report, Ms. Zhi was interested in approximately 0.07% of the Domestic Shares.

Ms. Zhi graduated from Sanjiang University majoring in Modern Company Secretary in June 2002.

Mr. Song Jiming (宋繼明), aged 62, has more than 7 years of experience in the nutritional supplements industry. In May 1992, he joined Xinjiang Bohu Reed Industry Co., Ltd* (新疆博湖葦業股份公司), which is a paper production company. From December 1999 to February 2005, he was the secretary to the board of such company. In March 2005, he joined the Group as the compliance officer. As at the date of this annual report, Mr. Song was interested in approximately 0.04% of the Domestic Shares.

Mr. Li Bin (李斌), aged 36, was appointed as the chief financial officer in July 2013. Mr. Li has more than 10 years of accounting experience. He obtained a bachelor degree in Accounting from the Nanjing University of Finance and Economics in August 2003 and was admitted as a Certified Management Accountant of the United States in July 2012.

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

Mr. Wu Jun (吳俊), aged 32, was appointed as the financial controller in September 2013. Mr. Wu has more than 7 years of experience in the nutritional supplements industry. He joined the Group in September 2006 as an accounting clerk of the finance department of Hangzhou Zhongyan Biological Products Co. Limited* (杭州中研生物製品有限公司) and became an accounting clerk of the finance department of the company in August 2008. He was promoted as the finance manager of the Company in January 2011.

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

JOINT COMPANY SECRETARIES

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

Ms. Kam Mei Ha Wendy (甘美霞), *FCS (PE), FCIS*, aged 48, was appointed as a joint company secretary of the Company on 7 November 2013. Ms. Kam is a director of the Corporate Services Division at Tricor Services Limited ("Tricor"). Tricor is a global professional services provider specializing in business, corporate and investor services. Ms. Kam has experience in a diversified range of corporate services and has been providing professional secretarial services for over 20 years. She holds a Practitioner's Endorsement Certificate issued by The Hong Kong Institute of Chartered Secretaries. She is a Chartered Secretary and a fellow member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom.

BOARD COMMITTEES

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

Audit Committee

The Company established an Audit Committee with written terms of reference. The primary duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors, and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company. At present, the Audit Committee comprises Mr. Vincent Cheng, Mr. Jiang Fuxin and Ms. Feng Qing, the independent non-executive Directors. Mr. Vincent Cheng is the chairman of the Audit Committee.

Remuneration Committee

The Company established a Remuneration Committee with written terms of reference. The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration. At present, the Remuneration Committee comprises Ms. Feng Qing, and Mr. Vincent Cheng, the independent non-executive Directors, and Ms. Zhu Feifei, an executive Director. Ms. Feng Qing is the chairman of the Remuneration Committee.

Nomination Committee

The Company established a Nomination Committee with written terms of reference. The primary functions of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of directors, making recommendations to the Board on the appointment and succession planning of directors, and assessing the independence of Independent non-executive Directors. At present, the Nomination Committee comprises Mr. Jiang Fuxin and Ms. Feng Qing, the independent non-executive Directors, and Ms. Xu Li, an executive Director. Mr. Jiang Fuxin is the chairman of the Nomination Committee.

Strategy and Development Committee

The Company established a Strategy and Development Committee with written terms of reference. The primary duties of the Strategy and Development Committee are to conduct researches and submit proposals concerning the long-term development strategies and material investment decisions of the Company. At present, the Strategy and Development Committee comprises Mr. Gui Pinghu, the Chairman and an executive Director, and Mr. Vincent Cheng and Mr. Jiang Fuxin, the independent non- executive Directors. Mr. Gui Pinghu is the chairman of the Strategy and Development Committee.

EMPLOYEES

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

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

* For identification purposes only

DIRECTORS' REPORT

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and engages in the manufacturing and sale of nutritional supplements and the trading of packaged health food products in the PRC, Australia and New Zealand. Particulars of the principal activities of its principal subsidiaries are set out in note 1 to the consolidated financial statements of this annual report.

As far as the Company is aware, for the year ended 31 December 2015, it has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company.

The Group recognises its responsibility to protect the environment from its business activities. The Group continually seeks to identify and manage environmental impacts attributable to its operational activities in order to minimise these impacts if possible. The Group aims to maximise energy conversation in its offices by promoting efficient use of resources and adopting green technologies. For instance, the Group seeks to upgrade equipment such as lighting and air-conditioning systems in order to increase overall operating efficiency. To identify energy efficiency opportunities, the Group measures and records the energy consumption intensity from time to time.

RESULTS AND DIVIDENDS

The results of the Group for 2015 are set out in the consolidated statement of profit or loss and other comprehensive income on page 49 of this annual report.

The final dividend for the year ended 31 December 2015 and special dividend as proposed by the Board, inclusive of tax, amounted to RMB6.75 cents per share (2014: RMB6.05 cents) and RMB7.57 cents per share (2014: RMB5.88 cents) respectively, and are subject to the approval of the Company's shareholders at the forthcoming annual general meeting. The proposed dividends will be payable on Monday, 11 July 2016 to the shareholders whose names appear on the register of members of the Company on Friday, 17 June 2016.

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

Please refer to the section headed "Management discussion and analysis" in this annual report for a business review of the Company for the year ended 31 December 2015.

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

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

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

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

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

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the Group's property, plant and equipment during 2015 are set out in note 12 to the consolidated financial statements of this annual report.

On 12 November 2015, Nanjing Zhongsheng Bio-Tech Co. Limited* (南京中生生物科技有限公司), a wholly-owned subsidiary of the Company, entered into a construction contract with a contractor, under which the contractor would construct a complex of three buildings, comprising offices, research centres and information control centres, with an aggregate area of approximately 23,000 square metres for the Group in Nanjing, the PRC at a consideration of RMB42,500,000. Please refer to the announcement of the Company dated 12 November 2015 for further details.

SHARE CAPITAL

Details of the movements in the issued share capital of the Company during 2015 are set out in note 25 to the consolidated financial statements of this annual report.

RESERVES

The amount of the Company's reserves available for distribution as at 31 December 2015 was RMB147.72 million. Details of the movements in the reserves of the Group during 2015 are set out in the consolidated statement of changes in equity on page 52 of this annual report.

CHARITABLE DONATIONS

The Group had no charitable donations during the Year (2014: nil).

BORROWINGS

The Group had no bank borrowings as at 31 December 2015 (2014: nil). Please refer to note 36 to the financial statements in this annual report for further information in relation to financial risk management of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

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

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

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

DIRECTORS

The Directors during 2015 and up to the date of this annual report are as follows:

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

Non-executive Director
Mr. Xu Chuntao

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

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

SUPERVISORS

During 2015 and up to the date of this annual report, the Supervisors of the Company are as follows:

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

The board of Supervisors of the Company has held three meetings during 2015. Details of the meetings and events conducted by the board of Supervisors during 2015 are set out in the work report of the board of Supervisors of this annual report.

Details of biography of Directors, Supervisors and the senior management are set out on pages 16 to 23 of this annual report.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

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

Each of the Supervisors has entered into a service contract with the Company for a term of three years and may be re-elected. No Director or Supervisor has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group to protect the Directors and officers of the Group against any potential liability arising from the Group's activities which such Directors and officers may be held liable.

REMUNERATION OF THE DIRECTORS

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

Details of the emoluments of Directors, Supervisors and the highest paid individual are set out in note 7 to the consolidated financial statements of this annual report.

EMOLUMENT POLICY

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or its subsidiaries were a party subsisted at the end of 2015 or at any time during the same year in which any Director or Supervisor or any entity connected with the Director or Supervisor had a material interest, either directly or indirectly.

MANAGEMENT CONTRACT

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

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

As at 31 December 2015, the interests and short positions of the Directors, Supervisors and chief executives of the Company in the share capital and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, are set out below:

Name	Capacity	Nature of interest	Class of share of the Company	Number of shares held as at 31 December 2015[1]	Approximate shareholding percentage in the relevant class of shares[4] (%)	Approximate shareholding percentage in the total share capital[3] (%)
Mr. Gui Pinghu	Director	Beneficial owner	Domestic shares	477,126,590 (L)	78.08%	56.92%
("Mr. Gui")[2]		Interest of spouse	Domestic shares	52,965,000 (L)	8.67%	6.32%
Ms. Zhang Yuan	Director	Beneficial owner	Domestic shares	6,599,550 (L)	1.08%	0.79%
Ms. Xu Li	Director	Beneficial owner	Domestic shares	5,498,570 (L)	0.90%	0.66%
Ms. Zhu Feifei	Director	Beneficial owner	Domestic shares	659,340 (L)	0.11%	0.08%
Ms. Yu Min	Supervisor	Beneficial owner	Domestic shares	659,340 (L)	0.11%	0.08%
Ms. Wu Xuemei	Supervisor	Beneficial owner	Domestic shares	551,480 (L)	0.09%	0.07%

Notes:

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

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

(3) The percentages are calculated based on the total issued shares of the Company of 838,169,000, being the total number of issued shares of the Company after the global offering and taking into account the further shares of 23,258,000 issued and allotted by the Company pursuant to the exercise of the over-allotment option set out in the announcement of the Company dated 29 January 2014.

(4) As at 31 December 2015, the number of issued Domestic Shares of the Company was 611,111,000.

Save as disclosed above, as at the date of this directors' report, none of the Directors, Supervisors and chief executives of the Company, or any of their spouses, or children under 18 years of age, has any interests or short positions in the shares and underlying shares of the Company, recorded in the register required to be kept under section 352 of the SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section headed "Directors', Supervisors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares", at no time in 2015 was the Company or any of its subsidiaries or fellow subsidiaries a party to any arrangements which enable the Directors and Supervisors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors and Supervisors, or any of their spouses or children under 18 years of age was granted any right to subscribe for the equity or debt securities of the Company or any other body corporate nor had exercised any such right.

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

As at 31 December 2015, the interests and short positions of the persons who hold 5% or more of the class shares in the issued share capital of the Company (other than Directors and Supervisors of the Company), as recorded in the register required to be kept by the Company under section 336 of the SFO are set out below:

Shareholders	Nature of interest	Class of share of the Company	Number of shares held as at 31 December 2015[1]	Approximate shareholding percentage in the relevant class of share capital[5] (%)	Approximate shareholding percentage in the total share capital[3] (%)
Ms. Wu Yanmei[2]	Beneficial owner	Domestic shares	52,965,000 (L)	8.67%	6.32%
	Interest of spouse	Domestic shares	477,126,590 (L)	78.08%	56.92%
Shanghai Fosun Chuangfu Shareholding Investment Fund Limited Partnership	Beneficial owner	Domestic shares	61,111,000 (L)[6]	10.00%	7.29%
Shanghai Fosun Capital Investment Management Co., Ltd.	Interest of controlled corporation	Domestic shares	61,111,000 (L)[6]	10.00%	7.29%
Shanghai Fosun Industrial Investment Co., Ltd.	Interest of controlled corporation	Domestic shares	61,111,000 (L)[6]	10.00%	7.29%
Shanghai Fosun High Technology (Group) Co., Ltd.	Interest of controlled corporation	Domestic shares	61,111,000 (L)[6]	10.00%	7.29%
Fosun International Limited	Interest of controlled corporation	Domestic shares	61,111,000 (L)[6]	10.00%	7.29%
Fosun Holdings Limited	Interest of controlled corporation	Domestic shares	61,111,000 (L)[6]	10.00%	7.29%
Fosun International Holdings Ltd.	Interest of controlled corporation	Domestic shares	61,111,000 (L)[6]	10.00%	7.29%

Shareholders	Nature of interest	Class of share of the Company	Number of shares held as at 31 December 2015[1]	Approximate shareholding percentage in the relevant class of share capital[5] (%)	Approximate shareholding percentage in the total share capital[3] (%)
Mr. Guo Guangchang	Interest of controlled corporation	Domestic shares	61,111,000 (L)[6]	10.00%	7.29%
Town Health Corporate Advisory and Investments Limited	Beneficial owner	H shares	25,288,000 (L)[4]	11.14%	3.02%
Town Health International Medical Group Limited (formerly known as Town Health International Investments Limited)	Interest of controlled corporation	H shares	25,288,000 (L)[4]	11.14%	3.02%
Mr. Chen Xuelin	Beneficial owner	H shares	26,500,000 (L)	11.67%	3.16%
First Beijing Investment (Cayman) Limited	Investment manager	H shares	11,880,000 (L)[8]	5.23%	1.42%
First Manhattan Co.	Investment manager	H shares	11,880,000 (L)[8]	5.23%	1.42%
First Manhattan LLC	Interest of controlled corporation	H shares	11,880,000 (L)[8]	5.23%	1.42%
RAYS Capital Partners Limited	Investment manager	H shares	15,962,000 (L)[7]	7.03%	1.90%
Mr. Ruan David Ching-chi	Interest of controlled corporation	H shares	15,962,000 (L)[7]	7.03%	1.90%
Ms. Yip Yok Tak Amy	Interest of controlled corporation	H shares	15,962,000 (L)[7]	7.03%	1.90%
Asian Equity Special Opportunities Portfolio Master Fund Limited	Beneficial owner	H shares	13,648,000 (L)[7]	6.01%	1.63%
Andre Desmarais (as trustee of the Desmarais Family Residuary Trust)	Trustee (other than a bare trustee)	H shares	11,420,000 (L)[7]	5.03%	1.36%
Jacqueline Desmarais (as trustee of the Desmarais Family Residuary Trust)	Trustee (other than a bare trustee)	H shares	11,420,000 (L)[9]	5.03%	1.36%

Shareholders	Nature of interest	Class of share of the Company	Number of shares held as at 31 December 2015[1]	Approximate shareholding percentage in the relevant class of share capital[5] (%)	Approximate shareholding percentage in the total share capital[3] (%)
Paul Desmarais Jr. (as trustee of the Desmarais Family Residuary Trust)	Trustee (other than a bare trustee)	H shares	11,420,000 (L)[9]	5.03%	1.36%
Guy Fortin (as trustee of the Desmarais Family Residuary Trust)	Trustee (other than a bare trustee)	H shares	11,420,000 (L)[9]	5.03%	1.36%
Michel Plessis-Belair (as trustee of the Desmarais Family Residuary Trust)	Trustee (other than a bare trustee)	H shares	11,420,000 (L)[9]	5.03%	1.36%
Pansolo Holding Inc.	Interest of controlled corporation	H shares	11,992,000 (L)[9]	5.28%	1.43%
Power Corporation of Canada	Beneficial owner	H shares	11,420,000 (L)[9]	5.03%	1.36%

Notes:

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

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

(3) The percentages are calculated based on the total issued shares of the Company of 838,169,000, being the total number of issued shares of the Company after the global offering and taking into account the further H shares of 23,258,000 issued and allotted by the Company pursuant to the exercise of the over-allotment option set out in the announcement of the Company dated 29 January 2014.

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

(5) As at 31 December 2015, the number of issued Domestic Shares and H shares of the Company was 611,111,000 and 227,058,000 respectively.

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

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

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

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

(7) Asian Equity Special Opportunities Portfolio Master Fund Limited was a wholly owned subsidiary of RAYS Capital Partners Limited, which was held evenly by Mr. Ruan David Ching-chi and Ms. Yip Yok Tak Amy. Accordingly, Mr. Ruan David Ching-chi and Ms. Yip Yok Tak Amy were deemed to hold interests in the H shares held by Asian Equity Special Opportunities Portfolio Master Fund Limited and RAYS Capital Partners Limited under the SFO.

(8) First Beijing Investment (Cayman) Limited, through its subsidiaries, held these 11,880,000 H shares in its capacity as investment manager. First Beijing Investment (Cayman) Limited was held as to 10% by First Manhattan Co., which was held as to 10% by First Manhattan LLC. Accordingly, First Manhattan Co. and First Manhattan LLC were deemed to hold interests in these 11,880,000 H shares under the SFO.

(9) Power Corporation of Canada was held as to 59.2% by Pansolo Holding Inc. Jacqueline Desmarais (who is also a beneficiary), Paul Desmarais Jr., Andre Desmarais, Michel Plessis-Belair and Guy Fortin are the trustees of Desmarais Family Residuary Trust, which indirectly held Power Corporation of Canada. Accordingly, Jacqueline Desmarais, Paul Desmarais Jr., Andre Desmarais, Michel Plessis-Belair, Guy Fortin and Pansolo Holding Inc. were deemed to hold interests in the H shares held by Power Corporation of Canada under the SFO.

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

CONNECTED TRANSACTION

During 2015, there was no connected transaction of the Group that required for the reporting, annual reviews, announcement and independent shareholders' approval under Chapter 14A of the Listing Rules.

AUDIT COMMITTEE

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

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Jiang Fuxin, Ms. Feng Qing and Mr. Vincent Cheng. The Audit Committee is primarily responsible for the review and supervision of the financial reporting process and internal control system. It has reviewed the accounting principles and practices adopted by the Company and the audited final results of the Group for the Year.

PRE-EMPTIVE RIGHTS

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

CONTRACTS WITH CONTROLLING SHAREHOLDERS

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

NON-COMPETITION UNDERTAKINGS

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

CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the CG Code since the date of listing of shares of the Company (the "Listing") on the Main Board of the Stock Exchange and up to 31 December 2015.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code governing the Directors in their dealings in the Company's securities. The Company has made specific enquiry with the Directors and all Directors confirmed that they have complied with the Model Code throughout the period from the date of Listing and up to 31 December 2015.

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

The H Shares of the Company were listed on the Stock Exchange on the date of Listing. Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during 2015.

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

The total net proceeds (the "Net Proceeds") from the initial public offering after the issue of the over-allotment shares amounted to approximately HK$428.7 million (RMB336.4 million).

As at 31 December 2015, (i) the Net Proceeds of approximately RMB72.0 million has been used on the acquisition of GHP, a company incorporated in New Zealand with limited liability; (ii) the Net Proceeds of approximately RMB11.2 million has been used to build a research and development and testing center; (iii) the Net Proceeds of approximately RMB7.5 million has been used on the marketing and promotional activities; (iv) the Net Proceeds of approximately RMB6.0 million has been used to expand the sales network and expand into new regions; (v) the Net Proceeds of approximately RMB28.5 million has been used for working capital; and the remaining of the Net Proceeds of approximately RMB211.2 million has been deposited into banks, which are intended to be applied in accordance with the proposed application set out in the section headed "Future Plans and Use of Proceeds" of the prospectus of the Company dated 31 December 2013.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by public as at the date of this report.

AUDITOR

BDO Limited was the Company's auditor for the two years ended 31 December 2014. BDO Limited retired as the auditors of the Company upon expiration of its term of office with effect from the conclusion of the annual general meeting of the Company held on 19 May 2015 ("2015 AGM") and did not seek for reappointment. Upon the recommendation made by the audit committee of the Company, the Board considered that the Company should appoint new auditors for the purpose of aligning with the Group's business development strategies. The Board resolved to propose the appointment of Ernst & Young and Ernst & Young Hua Ming LLP as the international auditors and the domestic auditors of the Company respectively, to hold office until the conclusion of the forthcoming annual general meeting of the Company, and such resolution was passed by the shareholders of the Company in the 2015 AGM. Please refer to the announcement of the Company dated 1 April 2015 for further details. A resolution of the reappointment of Ernst & Young and Ernst & Young Hua Ming LLP as the international auditors and the domestic auditors of the Company respectively will be proposed at the forthcoming annual general meeting.

OTHER EVENTS DURING THE YEAR

Issue of A shares

At a Board meeting held on 20 April 2015, it was resolved that, subject to shareholders' approval, the Company would (i) apply to the regulatory authorities in the PRC including but not limited to the China Securities Regulatory Commission ("CSRC") for the issue and allotment of not more than 150,000,000 unconsolidated A shares or, subject to the completion of the proposed share consolidation, 15,000,000 consolidated A shares (subject to adjustment) to natural persons, legal persons and other institutional investors, who maintain A share accounts with the Shanghai Stock Exchange according to the PRC laws and regulations and other regulatory requirements that the Company is required to comply with; and (ii) apply to the Shanghai Stock Exchange for the listing of, and permission to deal in, such A shares and the domestic shares. The issue of A shares would be subject to, among other things, (i) approval from the shareholders at an extraordinary general meeting and separate class meetings; (ii) approval from the CSRC; and (iii) the approval of the Shanghai Stock Exchange as to the listing of, and permission to deal in, the A shares and the domestic shares. The relevant resolutions were passed at the extraordinary general meeting and the respective class meetings of the Company held on 30 June 2015. Please refer to the announcements of the Company dated 10 April 2015, 20 April 2015 and 14 May 2015 and 30 June 2015, and the circular of the Company dated 15 May 2015 for further details.

The Directors believe that the issue of A Shares will further broaden the Company's funding channels, and thereby improve the Company's capital structure and its debt financing capacity. The Company intended to use the proceeds raised from the issue of A Shares to, among others, develop E-business platforms.

Due to the market conditions in the second half of 2015, the Company has not made a formal application to the CSRC for the approval of the issue of A shares. The Company will make further announcements to update the shareholders and potential investors of the Company in relation to the progress of the issue of A shares when necessary and in accordance with the applicable laws and the Listing Rules.

FUTURE OUTLOOK

With reference to the recent economic research data published by the Department of Commerce in the United States, the health-related industry is the fifth largest industry in the United States, which is only ranked behind the manufacturing industry, servicing industry, financial and insurance service industry and real estate industry. Besides, the health service industry is the fastest growing industry in the United States in the recent decade. It is expected that the turnover for the health-related industry in China could exceed RMB8 trillion by 2020. Great health means great citizen's livelihood, great wealth, great industry and great opportunity.

The Company has grasped the opportunity and the growing trend of the health-related industry in the PRC with a great enhancement in relation to consolidation of resources and obtained stable growth over the past year.

In 2015, the Group has completed the acquisition of a new brand, namely Good Health, which is one of the leading health products brands in New Zealand. Over the six-month cooperation and communication, the Group and GHP mutually understood each other. It has developed new marketing plans for the PRC market and Australian market as a result of performing detailed product and marketing research and analysis. In 2016, the new marketing plan will be used for introducing the products to the PRC market, enhancing the cross-border sales in the e-commerce platforms and diversifying the products in the Australian market.

In 2016, the Group will continue to focus on development and launch of new products, introducing new ingredients and functions, perform analysis and research on the Australian market. It will then gain more understanding and confidence in the health products in the international market.

The Group bears in mind "to have business partnership, no business competitor". In the past year, it has actively promoted the health food business and cooperated with different business partners. It has also commenced to cooperate with different distributors.

The Group will continue to increase project-based competitions between different levels of staff in order to enhance the participation and contributions of new generations who were born after 1985 or 1990. It can establish a diversified supporting manpower for the continuing development of the Group.

In 2016, the Group will grip the opportunity to develop the Australian market and to promote the "Good Health" brand as well as expand its health food business in the PRC market in order to improve the health conditions of people.

On behalf of the Board

Mr. Gui Pinghu
Chairman

Nanjing, the PRC, 29 March 2016

* *For identification purposes only*

2015 WORK REPORT OF THE BOARD OF SUPERVISORS

During the Year, the board of Supervisors carefully and thoroughly performs its supervisory functions in favor of the Company and the shareholders in a responsible manner according to the Company Law, the Articles, and the rules of procedures for the board of Supervisors, and the requirements under the relevant law and regulations, while duly monitoring and examining the operations, financial conditions, investment conditions of the Company. In addition, the board of Supervisors supervises the performance of the members of the Board, the managers, and other senior management members.

I. DAILY WORK OF THE BOARD OF SUPERVISORS

In 2015, the board of Supervisors convened three meetings.

On 10 March 2015, it considered the *2014 Work Report of the Board of Supervisors of the Company,* the *Resolution on the 2014 Audited Consolidated Financial Statements,* the *2014 Financial Settlement and the Resolution regarding the 2015 Financial Budget,* the *Resolution on 2014 Profit Distribution Plan, the Resolution regarding the Appointment of the Auditor for 2014 and the Authorisation Granted at the General Meeting to the Board to Determine Its Remuneration,* the *Resolution regarding the Authorisation Granted at the General Meeting to the Board to Determine the Remunerations of the Directors and Supervisors,* the *Resolution on 2014 Statutory Reserve Withdrawal of the Company,* and the *Resolution where the Board is granted the general mandate at the General Meeting to issue, allocate, and deal with additional Domestic Shares and H Shares, both numbers of which will be no more than 20% of the total amount of Domestic Shares and H Shares in issue respectively, and the Board is authorised to revise the Articles, as it sees fit, for the purposes of reflecting the new shareholding structure upon the allocation or issuance of additional Shares under the relevant mandate*.

On 20 April 2015, it considered the *proposed amendments to the rules of procedures for the board of Supervisors of the Company.*

On 9 September 2015, it considered the *Resolution regarding Nominating the Members to the Second Session of the Board of Supervisors, and the Resolution of the Remuneration of the Supervisors.*

II. LAWFUL OPERATION OF THE COMPANY

The board of Supervisors of the Company attended the meetings of the Board of Directors during the Year, and duly performed its supervisory duties on the production and operation of the Company. It effectively discharged its supervisory duties on the development strategies and the significant decisions of the Company on a timely basis, thus fully delivering its duties in the development of the Company in 2015.

In the opinion of the board of Supervisors:

1. In 2015, with strong support from all its shareholders, the Board and management played an active role in the corporate governance and strategic development of the Company. Through close collaboration and exertion, all staff members proceeded with the operation of the Company in compliance with the Companies Law and the Articles, and the procedures for making decisions on production and operation of the Company are lawful and effective, thus making positive advancements in this respect.

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

III. INSPECTION ON FINANCIAL STATUS OF THE COMPANY

The board of Supervisors reviewed the proposal on business operation of the Company and its subsidiaries for 2015 and the proposal on business plan of the Company for the financial year ending 2016.

In the opinion of the board of Supervisors, the financial report of the Company reflects its financial position and operating results that are complete, true and accurate. The annual operating results of the Company have been audited by Ernst & Young who has also issued an audit report on the Group's financial statements.

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

The board of Supervisors is of the view that the Group had no connected transaction in 2015 which was subject to the reporting, annual review, announcement and independent shareholders' approval requirements as set out in Chapter 14A of the Listing Rules.

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

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

VI. IMPLEMENTATION OF RESOLUTIONS ADOPTED AT THE SHAREHOLDERS' MEETINGS

The members of the board of Supervisors had no objection to the contents of resolutions submitted to the shareholders' meetings. The board of Supervisors supervised the implementation of resolutions adopted at the shareholders' meetings, and considered that the Board was able to implement the relevant resolutions earnestly. The board of Supervisors is of opinion that the Board will carefully follow through all relevant resolutions at the general meetings, without prejudicing the interests of the Shareholders.

We hereby submit our report.

On behalf of the board of Supervisors

Ms. Yu Min
Chairman

Nanjing, the PRC, 29 March 2016

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining high corporate governance standards.

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

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

In the opinion of the Directors, the Company has complied with all the code provisions as set out in the CG Code for the Year.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code governing the securities dealings by its Directors and relevant employees who are likely to possess inside information in relation to the Company or its securities. Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the Year.

BOARD OF DIRECTORS

The Board comprises the following Directors:

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

Non-executive Director:
Mr. Xu Chuntao

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

The biographical information of the Directors are set out in the section headed "Directors" on pages 16 to 19 of this annual report.

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

Chairman and Chief Executive Officer

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

Independent Non-executive Directors

During the Year, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

Non-executive Director and Directors' Re-election

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

According to the requirements under the Articles, Directors shall be elected by shareholders at shareholders' general meeting and their term of office shall be three years. Directors are eligible for re-election upon expiry of their terms of office, while the successive terms of office of independent directors shall not exceed six years.

At the extraordinary general meeting of the Company held on 23 October 2015, each of the current Directors were re-appointed under his/her service contract or letter of appointment for a specific term ending 22 October 2018 and is subject to the provisions in the Articles. At the said extraordinary general meeting, each of Ms. Yu Min, Mr. Tao Xingrong and Ms. Wu Xuemei was re-elected as the Supervisor for a specific term ending 22 October 2018 and is subject to the provisions in the Articles. On 23 October 2015, in accordance to the relevant provisions of the Company Law of the PRC and the Articles, the staff representative meeting of the Company was held and Ms. Chen Xiu and Ms. Lu Jiachun were re-elected as the Supervisors representing the employees of the Company for a term of three years with effect from 23 October 2015.

Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

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

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

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

Continuous Professional Development of Directors

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

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

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for Directors will be arranged and reading material on relevant topics will be issued to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 December 2015, the Directors have participated in continuous professional development by attending external seminars/programmes and/or reading materials on the following topics to develop and refresh their knowledge and skills:

Directors	**Topic** *Note*
Executive Directors	
Gui Pinghu	1, 2, 3
Zhang Yuan	1, 2, 3
Xu Li	1, 2, 3
Zhu Feifei	1, 2, 3
Non-executive Director	
Xu Chuntao	1, 2, 3
Independent non-executive Directors	
Jiang Fuxin	1, 2, 3
Feng Qing	1, 2, 3
Vincent Cheng	1, 2, 3

Notes:

1. directors' duties and responsibilities regarding insider dealing

2. corporate risk management and internal control

3. connected transactions under the Listing Rules

BOARD COMMITTEES

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

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

Audit Committee

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

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

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

The Audit Committee held meetings to review, amongst other things, the annual financial results and reports in respect of the year ended 31 December 2014 and the interim results for the six months ended 30 June 2015. The Audit Committee also considered significant issues on the financial reporting and compliance procedures, internal control and risk management systems, and arrangements for employees to raise concerns about possible improprieties.

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

The Company's annual financial results for the year ended 31 December 2015 have been reviewed by the Audit Committee.

Remuneration Committee

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

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

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

The Remuneration Committee met once to review and make recommendation to the Board on the remuneration policy and structure of the Company, and the remuneration packages of the Directors and senior management and other related matters.

Details of the remuneration of each Director and the members of senior management by band for the Year are set out in note 7 to the financial statements of the Company.

Nomination Committee

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

In assessing the Board composition, the Nomination Committee would make good use of differences, including but not limited to, skills, regional and industry experience, background, age, gender and other qualities of Directors. These differences would be taken into account in determining the optimum composition of the Board. All appointments on the Board will be made on a merit basis. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

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

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

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

Strategy and Development Committee

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

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

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

Corporate Governance Functions

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

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

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

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

	Attendance/Number of Meetings						
Name of Director	Board	Nomination Committee	Remuneration Committee	Audit Committee	Strategy and Development Committee	Annual General Meeting	Other General Meetings (if any)
Gui Pinghu	10/10	N/A	N/A	N/A	1/1	1/1	5/5
Zhang Yuan	10/10	N/A	N/A	N/A	N/A	1/1	5/5
Xu Li	10/10	1/1	N/A	N/A	N/A	1/1	5/5
Zhu Feifei	10/10	N/A	1/1	N/A	N/A	1/1	5/5
Xu Chuntao	10/10	N/A	N/A	N/A	N/A	1/1	5/5
Jiang Fuxin	10/10	1/1	N/A	2/2	1/1	1/1	5/5
Feng Qing	10/10	N/A	1/1	2/2	N/A	1/1	5/5
Vincent Cheng	10/10	1/1	1/1	2/2	1/1	1/1	5/5

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

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

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

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

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

AUDITORS' REMUNERATION

During the year, the remuneration paid/payable to the Company's external auditors is set out below:

Type of Services	RMB'000
Annual audit services, Ernst & Young	1,700
Audit services for A-share IPO, Ernst & Young Hua Ming LLP	750
Assurance services on a circular, Ernst & Young	450

INTERNAL CONTROLS

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

COMPANY SECRETARY

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

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

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

NON-COMPETITION UNDERTAKING

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

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

SHAREHOLDERS' RIGHTS

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

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

Convening Extraordinary General Meeting

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

Putting Forward Proposals at General Meetings

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

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

Putting Forward Enquiries to the Board

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

Contact Details

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

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

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

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

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

Constitutional Document

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

INDEPENDENT AUDITORS' REPORT

EY 安永

TO THE SHAREHOLDERS OF NANJING SINOLIFE UNITED COMPANY LIMITED
(Established in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Nanjing Sinolife United Company Limited (the "Company") and its subsidiaries set out on pages 49 to 109, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, 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.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, 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 auditors' 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 auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

INDEPENDENT AUDITORS' REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

29 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
REVENUE	5	**397,064**	252,449
Cost of sales		**(77,138)**	(23,099)
Gross profit		**319,926**	229,350
Other income and gains	5	**15,008**	15,785
Selling and distribution expenses		**(90,054)**	(62,911)
Administrative expenses		**(59,488)**	(38,743)
Other expenses		**(1,212)**	(3,923)
Share of profit of a joint venture		**327**	–
PROFIT BEFORE TAX		**184,507**	139,558
Income tax expense	9	**(45,557)**	(31,688)
PROFIT FOR THE YEAR		**138,950**	107,870
OTHER COMPREHENSIVE INCOME			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods, after tax			
Exchange differences on translation of foreign operations		**804**	(288)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**139,754**	107,582
Profit attributable to:			
Owners of the parent		**136,233**	107,873
Non-controlling interests		**2,717**	(3)
		138,950	107,870
Total comprehensive income attributable to			
Owners of the parent		**136,558**	107,585
Non-controlling interests		**3,196**	(3)
		139,754	107,582
		RMB	RMB
EARNINGS PER SHARE			
— Basic and diluted	11	**16 cents**	13 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**37,149**	21,737
Prepaid land lease payments	13	**10,957**	11,326
Goodwill	14	**54,096**	–
Other intangible assets	15	**19,350**	–
Investment in a joint venture	16	**8,069**	–
Deferred tax assets	24	**5,839**	2,335
Pledged deposit	30	**1,146**	–
Deposit for acquisition of a subsidiary		**–**	11,292
Other non-current assets	31	**2,671**	–
Total non-current assets		**139,277**	46,690
CURRENT ASSETS			
Inventories	17	**69,990**	17,575
Trade receivables	18	**26,430**	1,817
Prepaid land lease payments	13	**247**	125
Prepayments, deposits and other receivables	19	**11,413**	13,652
Short-term investments		**–**	35,000
Other current assets		**76**	–
Cash and cash equivalents	20	**532,326**	550,044
Total current assets		**640,482**	618,213
Total assets		**779,759**	664,903
CURRENT LIABILITIES			
Trade payables	21	**12,574**	2,132
Other payables and accruals	22	**25,874**	16,113
Tax payables		**20,908**	13,705
Total current liabilities		**59,356**	31,950
NET CURRENT ASSETS		**581,126**	586,263
TOTAL ASSETS LESS CURRENT LIABILITIES		**720,403**	632,953

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	24	**4,059**	–
Provision	23	**631**	–
Total non-current liabilities		**4,690**	–
Net assets		**715,713**	632,953
EQUITY			
Equity attributable to owners of the parent			
Share capital	25	**83,817**	83,817
Other reserves	26	**580,703**	544,139
Non-controlling interests		**51,193**	4,997
Total equity		**715,713**	632,953

Gui Pinghu
Chairman and Executive Director

Zhang Yuan
Chief Executive Officer and Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

	Attributable to owners of the parent								
	Share capital RMB'000 (note 25)	Capital reserve RMB'000	Translation reserve RMB'000	Statutory surplus reserve RMB'000	Merger reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2014	61,111	46,292	(382)	7,463	(3,871)	73,269	183,882	–	183,882
Profit for the year	–	–	–	–	–	107,873	107,873	(3)	107,870
Other comprehensive income for the year:									
Exchange difference on translation of foreign operations	–	–	(288)	–	–	–	(288)	–	(288)
Total comprehensive income for the year	–	–	(288)	–	–	107,873	107,585	(3)	107,582
Issue of shares	22,706	334,528	–	–	–	–	357,234	–	357,234
Share issue expenses	–	(20,745)	–	–	–	–	(20,745)	–	(20,745)
Transfer from retained profits	–	–	–	12,068	–	(12,068)	–	–	–
Capital injection from non-controlling interests	–	–	–	–	–	–	–	5,000	5,000
At 31 December 2014	83,817	360,075*	(670)*	19,531*	(3,871)*	169,074*	627,956	4,997	632,953
At 1 January 2015	**83,817**	**360,075**	**(670)**	**19,531**	**(3,871)**	**169,074**	**627,956**	**4,997**	**632,953**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**136,233**	**136,233**	**2,717**	**138,950**
Other comprehensive income for the year:									
Exchange difference on translation of foreign operations	**–**	**–**	**325**	**–**	**–**	**–**	**325**	**479**	**804**
Total comprehensive income for the year	**–**	**–**	**325**	**–**	**–**	**136,233**	**136,558**	**3,196**	**139,754**
Capital injection from non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**43,000**	**43,000**
Final 2014 dividend declared and paid	**–**	**–**	**–**	**–**	**–**	**(99,994)**	**(99,994)**	**–**	**(99,994)**
Transfer from retained profits	**–**	**–**	**–**	**16,821**	**–**	**(16,821)**	**–**	**–**	**–**
At 31 December 2015	**83,817**	**360,075***	**(345)***	**36,352***	**(3,871)***	**188,492***	**664,520**	**51,193**	**715,713**

* These reserve accounts comprise the consolidated other reserves of RMB580,703,000 (2014: RMB544,139,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**184,507**	139,558
Adjustments for:			
Share of profits of a joint venture		**(327)**	–
Interest income	5	**(10,304)**	(12,575)
Short term investment income	5	**(2,649)**	(772)
Gain on disposal of a subsidiary	29	**(9)**	–
Depreciation	12	**5,474**	2,731
Amortisation of other intangible assets	15	**1,129**	32
Amortisation of prepaid land lease payments	13	**247**	125
Loss/(gain) on disposal of property, plant and equipment		**427**	(5)
Inventory written down	6	**182**	–
Impairment of trade and other receivables	18	**284**	–
		178,961	129,094
Increase in inventories		**(28,038)**	(10,451)
Increase in pledged deposits		**(1,146)**	–
Increase in trade and other receivables		**(5,396)**	(2,210)
Increase/(decrease) in trade and other payables		**3,996**	(1,242)
Cash generated from operations		**148,377**	115,191
Income tax paid		**(43,719)**	(27,542)
Net cash flows from operating activities		**104,658**	87,649
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments to acquire property, plant and equipment		**(17,855)**	(2,820)
Deposits for construction in progress		**(1,487)**	–
Acquisition of a subsidiary	28	**(91,117)**	(11,292)
Proceeds from disposal of property, plant and equipment		**28**	8
Purchase of leasehold land		**–**	(7,310)
Redemption/(purchase) of short-term investment		**35,000**	(35,000)
Short term investment income received		**2,649**	772
Dividends received from a joint venture		**213**	–
Disposal of a subsidiary	29	**150**	–
Interest received		**13,217**	11,967
Net cash flows used in investing activities		**(59,202)**	(43,675)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**–**	357,234
Share issue expenses		**–**	(20,745)
Capital injection from non-controlling interests		**43,000**	5,000
Repayment of loans of the newly acquired subsidiary		**(6,116)**	–
Repayment to a director		**–**	(12)
Dividend paid to owners of the Company	10	**(99,994)**	–
Net cash flows (used in)/generated from financing activities		**(63,110)**	341,477
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(17,654)**	385,451
Cash and cash equivalents at beginning of year		**550,044**	164,780
Effect of foreign exchange rate changes, net		**(64)**	(187)
CASH AND CASH EQUIVALENTS AT END OF YEAR	20	**532,326**	550,044

1. CORPORATE AND GROUP INFORMATION

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

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

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation or establishment and place of operation/date of incorporation and establishment/ type of legal entity	Fully paid share capital/ registered capital	Percentage of equity attributable to the Group Direct	Percentage of equity attributable to the Group Indirect	Principal activities
南京中生生物科技有限公司	The PRC 17 June 2003 Limited liability company	RMB20,000,000	100%	–	Manufacture, processing and sale of health food products
蘇州中生健康生物製品有限公司	The PRC 26 March 2003 Limited liability company	RMB600,000	100%	–	Retailing of health food products
杭州中研生物製品有限公司	The PRC 2 April 2008 Limited liability company	RMB600,000	100%	–	Retailing of health food products
北京中生美好健康科技有限公司	The PRC 9 April 2008 Limited liability company	RMB600,000	100%	–	Retailing of health food products
無錫中研健康品有限公司	The PRC 10 April 2008 Limited liability company	RMB600,000	100%	–	Retailing of health food products
常州中生美好生物製品有限公司	The PRC 22 April 2008 Limited liability company	RMB600,000	100%	–	Retailing of health food products
濟南中生華商生物製品有限公司	The PRC 30 April 2008 Limited liability company	RMB600,000	100%	–	Retailing of health food products
廣州中院生物科技有限公司	The PRC 27 June 2008 Limited liability company	RMB600,000	100%	–	Retailing of health food products

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

Name	Place of incorporation or establishment and place of operation/date of incorporation and establishment/ type of legal entity	Fully paid share capital/ registered capital	Percentage of equity attributable to the Group Direct	Indirect	Principal activities
Australia Cobayer Health Food Co Pty Ltd.	Australia 2 March 2009 Limited liability company	AUD2,000	100%	–	Trading of food products
深圳市中生華商生物科技有限公司	The PRC 23 April 2009 Limited liability company	RMB600,000	100%	–	Retailing of health food products
成都中生華美生物科技有限公司	The PRC 6 April 2011 Limited liability company	RMB500,000	100%	–	Retailing of health food products
鎮江中生健康科技有限公司	The PRC 28 April 2011 Limited liability company	RMB100,000	100%	–	Retailing of health food products
武漢中生華商生物科技有限公司	The PRC 23 May 2011 Limited liability company	RMB100,000	100%	–	Retailing of health food products
青島中生健康生物製品有限公司	The PRC 24 June 2011 Limited liability company	RMB100,000	100%	–	Retailing of health food products
上海康赫生物科技有限公司	The PRC 18 November 2013 Limited liability company	RMB10,000	100%	–	Retailing of health food products
天津康爾生物科技有限公司	The PRC 20 August 2014 Limited liability company	RMB10,000	100%	–	Retailing of health food products
合肥澳卡生物科技有限公司	The PRC 17 July 2014 Limited liability company	RMB10,000	100%	–	Retailing of health food products
瀋陽中生美好生物科技有限公司	The PRC 30 October 2014 Limited liability company	RMB10,000	100%	–	Retailing of health food products

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

Name	Place of incorporation or establishment and place of operation/date of incorporation and establishment/ type of legal entity	Fully paid share capital/ registered capital	Percentage of equity attributable to the Group Direct	Indirect	Principal activities
上海惟翊投資管理有限公司	The PRC 21 October 2014 Limited liability company	RMB12,500,000	60%*	–	Investment holding
西安澳卡生物科技有限公司	The PRC 5 February 2015 Limited liability company	RMB10,000	100%	–	Retailing of health food products
杭州澳卡生物科技有限公司	The PRC 15 April 2015 Limited liability company	RMB10,000	100%	–	Retailing of health food products
福州中生美好生物科技有限公司	The PRC 15 April 2015 Limited liability company	RMB10,000	100%	–	Retailing of health food products
南通中生美好生物科技有限公司	The PRC 6 May 2015 Limited liability company	RMB10,000	100%	–	Retailing of health food products
南京宅易購電子商務有限公司	The PRC 21 April 2015 Limited liability company	RMB1,000,000	100%	–	Retailing of health food products
Good Health Products Limited	New Zealand 22 December 1987 Limited liability company	NZD2,200,002	–	60%**	Manufacture, processing and sale of health food products
Sinolife United (Hong Kong) Company Limited 中生聯合(香港)有限公司	Hong Kong 23 March 2015 Limited liability company	HKD1	100%	–	Trading of food products

* 上海惟翊投資管理有限公司 is a limited liability company which is owned as to 60% by the Company.

** Good Health Products Limited ("GHP") is a limited liability company incorporated in New Zealand of which its entire equity interests were acquired by Shanghai Weiyi Investment & Management Limited Company 上海惟翊投資管理有限公司 ("Shanghai Weiyi") during the year ended 31 December 2015.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Renminbi and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2015. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 described for subsidiaries above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards for the first time for the current year's financial statements.

Amendments to HKAS 19 *Defined Benefit Plans: Employee Contributions*
Annual Improvements to HKFRSs 2010–2012 Cycle
Annual Improvements to HKFRSs 2011–2013 Cycle

The nature and the impact of each amendment is described below:

(a) Amendments to HKAS 19 apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction of service cost in the period in which the related service is rendered. The amendments have had no impact on the Group as the Group does not have defined benefit plans.

(b) The *Annual Improvements to HKFRSs 2010–2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no impact on the Group.

- HKAS 16 *Property, Plant and Equipment* and HKAS 38 *Intangible Assets*: Clarifies the treatment of gross carrying amount and accumulated depreciation or amortisation of revalued items of property, plant and equipment and intangible assets. The amendments have had no impact on the Group as the Group does not apply the revaluation model for the measurement of these assets.

- HKAS 24 *Related Party Disclosures*: Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Group as the Group does not receive any management services from other entities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(c) The *Annual Improvements to HKFRSs 2011–2013 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 3 *Business Combinations*: Clarifies that joint arrangements but not joint ventures are outside the scope of HKFRS 3 and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has had no impact on the Group as the Company is not a joint arrangement and the Group did not form any joint arrangement during the year.

- HKFRS 13 *Fair Value Measurement*: Clarifies that the portfolio exception in HKFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of HKFRS 9 or HKAS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which HKFRS 13 was initially applied. The amendment has had no impact on the Group as the Group does not apply the portfolio exception in HKFRS 13.

- HKAS 40 *Investment Property*: Clarifies that HKFRS 3, instead of the description of ancillary services in HKAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisitions of investment properties. The amendment has had no impact on the Group as there was no acquisition of investment properties during the year and so this amendment is not applicable.

In addition, the Company has adopted the amendments to the Listing Rules issued by the Hong Kong Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKAS 1	*Disclosure Initiative*[1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012–2014 Cycle	Amendments to a number of HKFRSs[1]

Notes:

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016, and therefore is not applicable to the Group
4 No mandatory effective date yet determined but is available for adoption.

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group is currently assessing the impact of the standard.

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1 January 2016.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

The amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In September 2015, the HKICPA issued an amendment to HKFRS 15 regarding a one-year deferral of the mandatory effective date of HKFRS 15 to 1 January 2018. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in HKAS 1;

(ii) that specific line items in the statement of profit or loss and other comprehensive income and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss and other comprehensive income. The Group expects to adopt the amendments from 1 January 2016. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of joint ventures is included in the consolidated profit or loss and other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its joint ventures are eliminated to the extent of the Group's investments in the joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of joint ventures is included as part of the Group's investments in joint ventures.

When an investment in a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations.*

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed 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. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, 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, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction contract assets, financial assets, investment properties and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets (continued)

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost (or valuation) less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	5%
Leasehold improvements	33%–49%
Plant and machinery	10%–20%
Furniture and fixtures	20%–33%
Motor vehicles	20%–25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (other than goodwill) (continued)

Trademark and distribution network (continued)

The trademark and distribution network were assessed as having finite useful lives and were amortised over their useful lives of 10 years on the straight-line basis.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables and available-for-sale financial investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Available-for-sale financial investments (continued)

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in profit or loss as other income in accordance with the policies set out for “Revenue recognition” below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for the investment, or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group’s consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets (continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss — is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (continued)

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, financial liabilities are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Cost of finished goods comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the rendering of services, on the percentage of completion basis, as further explained in the accounting policy for "Contracts for services" below;

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(d) dividend income, when the shareholders' right to receive payment has been established.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contracts for services

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Other employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain fixed percentages of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Final dividends proposed by the directors were classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. With reference to the implementation of the Hong Kong Companies Ordinance (Cap. 622), proposed final dividends are disclosed in the notes to the financial statements.

Foreign currencies

These financial statements are presented in Renminbi, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries and joint ventures are currencies other than Renminbi. As at the end of the reporting period, the assets and liabilities of these entities are translated into Renminbi at the exchange rates prevailing at the end of the reporting period and their profit or loss are translated into Renminbi at the weighted average exchange rates for the year.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Renminbi at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Renminbi at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

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

Useful lives of intangible assets

The intangible assets are amortised on the straight-line basis by taking into account the residual value. The Group reviews the estimated useful lives periodically to determine the related amortisation for its intangible assets. The estimation is based on the historical experience of the actual useful lives of intangible assets of similar nature and functions, with consideration of market condition. Management will increase the amortisation when useful lives become shorter than previously estimated.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2015 was RMB53,889,000 (2014: RMBNil). Further details are given in note 14.

3. SIGNIFICANT ACCOUNTING ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The outcome of their actual utilisation may be different. The net carrying values of deferred tax assets relating to recognised deductible temporary differences at 31 December 2015 was RMB5,839,000 (2014: RMB2,335,000). Further details are contained in note 25 to the financial statements.

4. OPERATING SEGMENT INFORMATION

(a) Reportable segments

The Group determines its operating segments based on the reports reviewed by the chief operating decision maker that are used to make strategic decisions. For management purposes, the Group operates in one business unit based on its products, and has one reportable segment which is the manufacture and sale of nutritional supplements and the sale of packaged health food products in the PRC, Australia and New Zealand.

(b) Geographical information

Most of the group companies are domiciled in the PRC and the majority of the non-current assets are located in the PRC and New Zealand. The Group's revenue from external customers is primarily derived in the PRC and New Zealand.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

(b) Geographical information

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

	2015 RMB'000	2014 RMB'000
Mainland China	**319,957**	252,449
New Zealand	**68,384**	–
Others	**8,723**	–
	397,064	252,449

(c) Non-current assets

	2015 RMB'000	2014 RMB'000
Mainland China	**39,629**	32,768
New Zealand	**26,992**	–
Australia	**835**	295
	67,456	33,063

The non-current asset information above is based on the locations of the assets and excludes goodwill, investment in a joint venture, deferred tax assets, pledged deposit, deposit for acquisition of a subsidiary and other non-current assets.

(d) Information about major customers

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

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts and the value of services rendered.

An analysis of revenue, other income and gains is as follows:

	Note	**2015 RMB'000**	2014 RMB'000
Revenue			
Sale of goods		**396,274**	252,449
Rendering of services		**790**	–
		397,064	252,449
Other income			
Bank interest income		**10,304**	12,575
Short term investment income		**2,649**	772
Government grants*		**2,046**	2,438
		14,999	15,785
Gains			
Gain on disposal of a subsidiary	29	**9**	–
		15,008	15,785

* Various government grants have been received for boosting local economic development from local government of Xuanwu District (玄武區) in Nanjing, the PRC. There are no unfulfilled conditions or contingencies relating to these grants.

6. PROFIT BEFORE TAX

Profit before tax is arrived at after charging:

	Notes	2015 RMB'000	2014 RMB'000
Cost of inventories sold		**71,694**	18,676
Amortisation of prepaid land lease payments	13	**247**	125
Amortisation of intangible assets	15	**1,129**	32
Auditor's remuneration		**2,441**	1,205
Depreciation of property, plant and equipment	12	**5,474**	2,731
Operating lease payments on properties and retail shops		**16,879**	15,023
Research and development expenses		**2,520**	764
Employment benefits:			
Wages and salaries		**62,038**	39,966
Pension scheme contributions		**11,754**	8,496
Other benefits		**2,919**	3,185
Impairment of trade and other receivables		**284**	–
Write-down of inventories to net realisable value		**182**	–

7. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2015 RMB'000	2014 RMB'000
Fees	**242**	246
Other emoluments:		
Basic salaries and bonus	**2,523**	2,898
Social insurance and housing fund	**491**	278
	3,014	3,176
	3,256	3,422

7. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2015 RMB'000	2014 RMB'000
Independent non-executive directors		
Mr. Jiang Fuxin (note i)	**60**	60
Ms. Feng Qing (note i)	**60**	60
Mr. Vincent Cheng (note i)	**122**	126
	242	246

There were no other emoluments payable to the independent non-executive directors during the year (2014: Nil).

(b) Executive directors, a non-executive director and supervisors

	Fees RMB'000	**Basic salaries and bonus RMB'000**	**Social insurance and housing fund RMB'000**	**Total RMB'000**
2015				
Executive directors				
Mr. Gui Ping Hu	**–**	**895**	**119**	**1,014**
Ms. Zhang Yuan (note ii)	**–**	**337**	**39**	**376**
Ms. Xu Li	**–**	**339**	**36**	**375**
Ms. Zhu Feifei	**–**	**196**	**31**	**227**
	–	**1,767**	**225**	**1,992**
Non-executive director				
Mr. Xu Chuntao	**–**	**–**	**–**	**–**
Supervisors				
Ms. Yu Min	**–**	**274**	**112**	**386**
Ms. Wu Xuemei	**–**	**258**	**97**	**355**
Ms. Lu Jiachun	**–**	**118**	**28**	**146**
Mr. Tao Xingrong	**–**	**–**	**–**	**–**
Ms. Chen Xiu	**–**	**106**	**29**	**135**
	–	**756**	**266**	**1,022**

7. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(b) Executive directors, a non-executive director and supervisors (continued)

	Fees RMB'000	Basic salaries and bonus RMB'000	Social insurance and housing fund RMB'000	Total RMB'000
2014				
Executive directors				
Mr. Gui Ping Hu	–	1,079	97	1,176
Ms. Xu Li	–	452	30	482
Ms. Zhang Yuan	–	467	32	499
Ms. Zhu Feifei	–	196	23	219
	–	2,194	182	2,376
Non-executive director				
Mr. Xu Chuntao	–	–	–	–
Supervisors				
Ms. Yu Min	–	242	27	269
Ms. Wu Xuemei	–	240	25	265
Ms. Lu Jiachun	–	78	23	101
Ms. Chen Xiu	–	144	21	165
	–	704	96	800

Notes:

(i) The directors' fees for the forthcoming 12 months were paid to the directors on the date of appointment and will be payable on the same date of each year subsequently.

(ii) Appointed as the chief executive on 25 October 2012

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year. There was no compensation paid during the financial year or receivable by directors or any employees for loss of office as a director of any member of the Group. No payment was made by the Group or receivable by directors or any employees during the financial year as an inducement to join or upon joining the Company.

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors and the chief executive (2014: three directors), details of whose remuneration are set out in note 7 above. Details of the remuneration for the year of the remaining two (2014: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2015 **RMB'000**	2014 RMB'000
Wages and salaries	**458**	574
Social insurance and housing fund	**73**	85
	531	659

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2015	2014
Nil to HK$1,000,000	**2**	2

9. INCOME TAX

(a) The amounts of income tax expense in the consolidated statement of profit or loss and other comprehensive income represent:

	2015 **RMB'000**	2014 RMB'000
Current		
— PRC	**45,600**	33,081
— New Zealand	**3,925**	–
— Over provision in Australia in prior years	**–**	(180)
	49,525	32,901
Deferred tax	**(3,968)**	(1,213)
Income tax	**45,557**	31,688

9. INCOME TAX (CONTINUED)

(a) (continued)

One of the Group's subsidiaries obtained the certificate of new and hi-tech enterprises in 2015 and was approved by tax authorities to enjoy the preferential tax rate of 15%. Another subsidiary of the Group was deemed as small and micro business and was entitled to enjoy the reduced tax rate of 4%. Except for the aforementioned subsidiaries, the income tax of the Company and its subsidiaries incorporated in the PRC are subject to the statutory rate of 25% of the assessable profits as determined in accordance with the relevant income tax rules and regulations of the PRC. New Zealand Income tax is calculated at 28% of the assessable profits of the subsidiary operating in New Zealand. Australia Income tax is calculated at 30% of the assessable profits of the subsidiary operating in Australia.

(b) A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the countries in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates to the effective tax rates, are as follows:

2015

	Mainland China		New Zealand		Australia		Total	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Profit/(loss) before tax	175,787	–	9,254	–	(534)	–	184,507	–
Tax at the statutory tax rate	43,947	25.0	2,591	28	(160)	30	46,378	25.1
Preferential income tax rates applicable to subsidiaries	(1,517)	(0.8)	–	–	–	–	(1,517)	(0.8)
Additional deductible allowance for research and development expenses	(183)	(0.1)	–	–	–	–	(183)	(0.1)
Expenses not deductible for tax	229	0.1	68	0.7	–	–	297	0.2
Tax losses not recognised	940	0.5	–	–	–	–	940	0.5
Others	(161)	(0.1)	(197)	(2.1)	–	–	(358)	(0.2)
Tax charge/(credit) at the Group's effective rate	43,255	24.6	2,462	26.6	(160)	30	45,557	24.7

9. INCOME TAX (CONTINUED)

(b) (continued)

2014

	Mainland China		Australia		Total	
	RMB'000	%	RMB'000	%	RMB'000	%
Profit before tax	138,934	–	624	–	139,558	–
Tax at the statutory tax rate	34,734	25.0	187	30	34,921	25.0
Preferential income tax rates applicable to subsidiaries	(52)	–	–	–	(52)	–
Adjustments in respect of current tax of previous periods	5	–	(367)	(59)	(362)	(0.2)
Expenses not deductible for tax	33	–	–	–	33	–
Tax losses not recognised	173	0.1	–	–	173	0.1
Others	(3,025)	(2.2)	–	–	(3,025)	(2.2)
Tax charge at the Group's effective rate	31,868	22.9	(180)	(29)	31,688	22.7

10. DIVIDENDS

	2015	2014
	RMB'000	RMB'000
Dividends approved and paid	**99,994**	–

Pursuant to the annual general meeting on 19 May 2015, the Company declared a dividend of RMB6.05 cents (2014: Nil) per share, totalling RMB50,722,200 (2014: Nil) and a special dividend of RMB5.88 cents (2014: Nil) per share, totalling RMB49,271,800 (2014:Nil), which was paid in June 2015.

The Directors proposed a final dividend of RMB6.75 cents (2014: RMB6.05 cents) per share, totaling RMB56,547,600 (2014: RMB50,722,200) for the year ended 31 December 2015 and a special dividend of RMB7.57 cents (2014: RMB5.88 cents) per share, totaling RMB63,452,400 (2014: RMB49,271,800) after the end of the reporting period, subject to the approval of the shareholders of the Company at the forthcoming annual general meeting. The final dividend has not been recognised as liabilities at the end of the reporting period.

11. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 838,169,000 (2014: 826,271,485) in issue during the year, as adjusted to reflect the rights issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2015 and 2014.

The calculation of basic earnings per share is based on:

	2015 **RMB'000**	2014 RMB'000
Earnings		
Earnings for the purpose of the basic earnings per share calculation	**136,233**	107,873

	2015	2014
Shares		
Weighted average number of ordinary shares for the purpose of the basic earnings per share calculation	**838,169,000**	826,271,485

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2015							
At 1 January 2015:							
Cost	**25,513**	**3,884**	**4,653**	**3,593**	**4,218**	**218**	**42,079**
Accumulated depreciation	**(8,767)**	**(1,810)**	**(4,381)**	**(2,057)**	**(3,327)**	**–**	**(20,342)**
Net carrying amount	**16,746**	**2,074**	**272**	**1,536**	**891**	**218**	**21,737**
At 1 January 2015, net of accumulated depreciation	**16,746**	**2,074**	**272**	**1,536**	**891**	**218**	**21,737**
Additions	**–**	**1,135**	**1,529**	**2,287**	**2,112**	**10,239**	**17,302**
Acquisition of a subsidiary	**–**	**1**	**3,656**	**338**	**3**	**–**	**3,998**
Depreciation provided during the year	**(1,179)**	**(1,472)**	**(1,259)**	**(869)**	**(695)**	**–**	**(5,474)**
Disposals	**(437)**	**–**	**–**	**(54)**	**–**	**–**	**(491)**
Exchange realignment	**–**	**29**	**2**	**19**	**27**	**–**	**77**
At 31 December 2015, net of accumulated depreciation	**15,130**	**1,767**	**4,200**	**3,257**	**2,338**	**10,457**	**37,149**
At 31 December 2015:							
Cost	**24,564**	**5,018**	**9,837**	**8,489**	**6,451**	**10,457**	**64,816**
Accumulated depreciation	**(9,434)**	**(3,251)**	**(5,637)**	**(5,232)**	**(4,113)**	**–**	**(27,667)**
Net carrying amount	**15,130**	**1,767**	**4,200**	**3,257**	**2,338**	**10,457**	**37,149**
31 December 2014							
At 1 January 2014:							
Cost	25,513	2,526	4,513	2,779	4,058	151	39,540
Accumulated depreciation	(7,585)	(1,235)	(4,213)	(1,658)	(3,079)	–	(17,770)
Net carrying amount	17,928	1,291	300	1,121	979	151	21,770
At 1 January 2014, net of accumulated depreciation	17,928	1,291	300	1,121	979	151	21,770
Additions	–	1,358	140	846	409	67	2,820
Depreciation provided during the year	(1,182)	(575)	(168)	(422)	(384)	–	(2,731)
Disposals	–	–	–	(1)	(2)	–	(3)
Exchange realignment	–	–	–	(8)	(111)	–	(119)
At 31 December 2014, net of accumulated depreciation	16,746	2,074	272	1,536	891	218	21,737
At 31 December 2014:							
Cost	25,513	3,884	4,653	3,593	4,218	218	42,079
Accumulated depreciation	(8,767)	(1,810)	(4,381)	(2,057)	(3,327)	–	(20,342)
Net carrying amount	16,746	2,074	272	1,536	891	218	21,737

13. PREPAID LAND LEASE PAYMENTS

	2015 RMB'000	2014 RMB'000
Carrying amount at beginning of year	**11,451**	4,266
Additions	**–**	7,310
Amortisation recognised during the year	**(247)**	(125)
Carrying amount at end of year	**11,204**	11,451
Current portion included in prepayments, deposits, and other receivables	**(247)**	(125)
Non-current portion	**10,957**	11,326

14. GOODWILL

	2015 RMB'000
Cost at 1 January 2015	**–**
Acquisition of a subsidiary	**53,889**
Exchange realignment	**207**
Cost and net carrying amount at 31 December 2015	**54,096**

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to GHP products cash-generating unit for impairment testing:

The recoverable amount of the GHP products cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 20.2%. The growth rate used to extrapolate the cash flows of the GHP products cash-generating unit beyond the five-year period is 2%.

Assumptions were used in the value in use calculation of the GHP products cash-generating unit for 31 December 2015. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins
The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rates
The discount rates used are before tax and reflect specific risks relating to the relevant units.

15. OTHER INTANGIBLE ASSETS

	Trademark RMB'000	Distribution network RMB'000	Total RMB'000
31 December 2015			
Cost at 1 January 2015, net of accumulated amortisation	–	–	–
Acquisition of a subsidiary	16,985	3,344	20,329
Amortisation provided during the year	(944)	(185)	(1,129)
Exchange realignment	126	24	150
At 31 December 2015	16,167	3,183	19,350
At 31 December 2015:			
Cost	17,168	3,380	20,548
Accumulated amortisation	(1,001)	(197)	(1,198)
Net carrying amount	16,167	3,183	19,350

16. INVESTMENT IN A JOINT VENTURE

	2015 RMB'000	2014 RMB'000
Share of net assets	509	–
Goodwill on acquisition	7,560	–
	8,069	–

Particulars of the Group's joint venture are as follows:

Name	Numbers of issued shares held	Place of registration and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activity
Brandfolio Limited	NZD100	New Zealand	36	36	36	Distribution service

The above investment is directly held by GHP which was acquired by the Group in the current year.

17. INVENTORIES

	2015	2014
	RMB'000	RMB'000
Raw materials	**19,613**	3,562
Work-in-progress	**877**	1,473
Finished goods	**32,158**	2,409
Goods merchandise	**17,342**	10,131
	69,990	17,575

18. TRADE RECEIVABLES

	2015	2014
	RMB'000	RMB'000
Trade receivables	**26,714**	1,817
Impairment	**(284)**	–
	26,430	1,817

In general, the entities in the Group other than GHP has no credit period granted to the customers, invoices would be due once they have been issued. The credit period offered by GHP to its customers is generally 30 to 60 days. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

The ageing analysis of trade receivables (net of impairment losses) as of the end of each reporting period, based on the invoice date and net of provisions, is as follows:

	2015	2014
	RMB'000	RMB'000
Within 1 month	**24,500**	1,387
Over 1 month but within 3 months	**1,547**	373
Over 3 months but within 1 year	**380**	57
Over 1 year	**3**	–
	26,430	1,817

18. TRADE RECEIVABLES (CONTINUED)

The movements in provision for impairment of trade receivables are as follows:

	2015 **RMB'000**	2014 RMB'000
At beginning of the year	**–**	–
Impairment losses recognised (note 6)	**284**	–
	284	–

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB284,000 (2014: Nil) with a carrying amount before provision of RMB284,000 (2014: Nil).

The aging analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2015 **RMB'000**	2014 RMB'000
Neither past due nor impaired	**17,679**	1,147
Less than 1 month past due	**6,821**	612
1 to 3 months past due	**1,547**	34
Over 3 months past due	**383**	24
	26,430	1,817

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015 **RMB'000**	2014 RMB'000
Prepayments	**5,902**	5,154
Deposits and other receivables	**5,217**	5,292
Interest receivable	**294**	3,206
	11,413	13,652

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

20. CASH AND CASH EQUIVALENTS

	Note	2015 RMB'000	2014 RMB'000
Cash and bank balances		**312,217**	329,318
Time deposits		**221,255**	220,726
		533,472	550,044
Less: pledged deposit	30	**(1,146)**	–
Cash and cash equivalents		**532,326**	550,044
Denominated in RMB		**525,748**	549,193
Denominated in HKD		**919**	839
Denominated in AUD		**1,713**	6
Denominated in NZD		**3,734**	–
Denominated in USD		**206**	6
Denominated in EUR		**6**	–
Total		**532,326**	550,044

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

21. TRADE PAYABLES

An aging analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2015 RMB'000	2014 RMB'000
Within 1 month	**9,726**	1,106
Over 1 month but within 3 months	**1,158**	674
Over 3 months but within 1 year	**1,596**	322
Over 1 year	**94**	30
	12,574	2,132

The trade payables are non-interest-bearing and are normally settled on 40-day terms.

22. OTHER PAYABLES AND ACCRUALS

	2015 RMB'000	2014 RMB'000
Other payables	**8,926**	1,200
Accrued payroll	**4,161**	6,902
Other tax payables	**12,563**	7,988
Advance from customers	**224**	23
	25,874	16,113

Other payables are non-interest-bearing.

23. PROVISION

	2015 RMB'000
At 1 January 2015	**–**
Acquisition of a subsidiary	**606**
Increase in discounted amounts arising from the passage of time	**17**
Exchange realignment	**8**
At 31 December 2015	**631**

GHP has a restoration obligation under a property lease agreement.

24. DEFERRED TAX

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

	Taxable loss RMB'000	Unrealised profit arising from intra-group transactions RMB'000	Write-down of inventories RMB'000	Impairment of trade receivables RMB'000	Accrued expense RMB'000	Total RMB'000
At 1 January 2015	–	2,335	–	–	–	2,335
Acquisition of a subsidiary	–	–	415	149	661	1,225
Deferred tax credited/(charged) to profit or loss during the year	629	1,869	48	38	(305)	2,279
Exchange realignment	2	–	7	4	(13)	–
Gross deferred tax at 31 December 2015	631	4,204	470	191	343	5,839

	Unrealised profit arising from intra-group transactions RMB'000
At 1 January 2014	1,122
Deferred tax credited to profit or loss during the year	1,213
Deferred tax assets at 31 December 2014	2,335

24. DEFERRED TAX (CONTINUED)

(b) Details of the deferred tax liabilities recognised in the consolidated statement of financial position and movements during the year are as follows:

	Fair value adjustments arising from acquisition of a subsidiary RMB'000
At 1 January 2015	–
Acquisition of a subsidiary	5,790
Deferred tax credited to profit or loss during the year	(1,689)
Exchange realignment	(42)
Gross deferred tax liabilities at 31 December 2015	4,059

The Group has tax losses arising in Mainland China of RMB6,858,000 (2014:RMB692,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of the losses of RMB4,452,000 (2014:RMB692,000) as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

25. SHARE CAPITAL

Shares

	2015 RMB'000	2014 RMB'000
Issued and fully paid:		
838,169,000 (2014: 838,169,000) ordinary shares	83,817	83,817

25. SHARE CAPITAL (CONTINUED)

Shares (continued)

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue par value of RMB 0.1 each	Share capital RMB'000
At 1 January 2014	611,111,000	61,111
Issue of shares	227,058,000	22,706
At 31 December 2014 and 1 January 2015 and at 31 December 2015	838,169,000	83,817

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

26. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 52 of the financial statements.

(i) Statutory surplus reserve

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

(ii) Capital reserve

The amounts represented the balance of the credit amount arising from the excess of the par value of the shares from the paid-in capital contribution. These arose from (i) the share issue in 2012 when the Company was reformed into a stock limited company and (ii) the share issue in 2014 under the initial public offering.

(iii) Merger reserve

On 24 December 2012, the Group acquired the entire equity interest in Australia Cobayer Health Food Co Pty Ltd. ("Australia Cobayer") from Mr. Gui. This transaction has been accounted for using the principles of merger accounting as a result of common control transaction. The excess of consideration paid over the carrying amounts of the net assets acquired was directly debited into the merger reserve.

(iv) Translation reserve

This reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

27. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

Shanghai Weiyi, a 60%-owned subsidiary of the Company, has material non-controlling interests ("NCI").

Summarised consolidated financial information in relation to the NCI of Shanghai Weiyi and its subsidiary GHP, before intra-group eliminations, is presented below:

	2015 RMB'000	2014 RMB'000
Revenue	90,237	–
Cost	(56,290)	–
Total expenses	(24,693)	7
Profit/(loss) for the year	6,793	(7)
Total comprehensive income for the year	7,990	(7)

	2015 RMB'000	2014 RMB'000
Current assets	67,135	12,492
Non-current assets	85,736	–
Current liabilities	(24,624)	–
Non-current liabilities	4,690	–

	2015 RMB'000	2014 RMB'000
Net cash flows generated from/(used in) operating activities	7,791	(8)
Net cash flows used in investing activities	(100,684)	(11,304)
Net cash flows generated from financing activities	101,384	12,500
Net increase in cash and cash equivalents	8,491	1,188

28. BUSINESS COMBINATION

Acquisition of Good Health Products Ltd. ("GHP")

On 29 May 2015, Shanghai Weiy, a 60% owned subsidiary of the Group, acquired 100% interests in GHP. GHP is a limited liability company incorporated in New Zealand that specialises in the manufacture of nutritional supplements. The acquisition has been accounted for using the acquisition method. The consolidated financial statements include the results of GHP for the seven months period from the acquisition date.

28. BUSINESS COMBINATION (CONTINUED)

Acquisition of Good Health Products Ltd. ("GHP") (continued)

The fair values of the identifiable assets and liabilities of GHP as at the date of acquisition were as follows:

	Fair value recognised on acquisition RMB'000
Assets	
Property, plant and equipment	3,998
Cash	5,277
Trade receivables	19,655
Inventories	24,297
Prepayments	779
Deferred tax assets	1,225
Intangible assets -trademark	16,985
Intangible assets — distribution network	3,344
Investment in a joint venture	7,956
	83,516
Liabilities	
Long-term loans and borrowings	(6,116)
Deferred tax liabilities	(5,790)
Income tax payable	(1,392)
Trade and other payables	(16,421)
	(29,719)
Total identifiable net assets at fair value	53,797
Goodwill arising on acquisition	53,889
Purchase consideration transferred	107,686

28. BUSINESS COMBINATION (CONTINUED)

Analysis of cash flows on acquisition:

	RMB'000
Total purchase consideration of the acquisition	107,686
Cash and bank balance acquired	(5,277)
Deposits paid for the acquisition in 2014	(11,292)
Net cash outflow on acquisition (included in cash flows from investing activities)	91,117

From the date of acquisition, GHP has contributed RMB77,149,233 to the Group's revenue and RMB7,811,443 to the consolidated profit before tax for the year ended 31 December 2015. If the acquisition had taken place at the beginning of the year, revenue and profit before tax of the Group for the year would have been RMB449,879,242 and RMB195,720,880, respectively.

The goodwill recognised is primarily attributed to the expected synergies and other benefits from combining the assets and activities of GHP with those of the Group. The goodwill is not deductible for income tax purposes.

The Group incurred transaction costs of RMB1,310,244 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in profit or loss and are part of operating cash flows in the statement of cash flows.

29. DISPOSAL OF A SUBSIDIARY

	2015 **RMB'000**
Net assets disposed of:	
Property, plant and equipment	**38**
Prepayments and other receivables	**103**
	141
Gain on disposal of a subsidiary	**9**
Satisfied by cash	**150**

	2015 **RMB'000**
Cash consideration	**150**
Net inflow of cash and cash equivalents In respect of the disposal of a subsidiary	**150**

30. PLEDGED DEPOSITS

During the year, a subsidiary of the Group entered into a lease arrangement as the lessee. Pursuant to the lease agreement, bank deposit equivalent to RMB1,146,000 (AUD242,000) (2014: nil) was pledged for three years.

31. OTHER NON-CURRENT ASSETS

	2015 **RMB'000**	2014 RMB'000
Long-term deposits	**1,487**	–
Prepayment for acquisition of a software system	**1,184**	–
	2,671	–

The long-term deposits were related to the construction of the new plant of the Group located in Nanjing, the PRC.

32. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases the majority of its shops and office properties under operating lease arrangements. The terms of property leases range from one to five years.

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

	2015 **RMB'000**	2014 RMB'000
Within one year	**9,664**	13,881
In the second of fifth years, inclusive	**5,093**	5,727
	14,757	19,608

33. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2015 RMB'000	2014 RMB'000
Contracted, but not provided for:		
Land and buildings	44,602	–
Plant and machinery	274	989
Commitment for acquisition of a subsidiary	–	95,783
	44,876	96,772

Apart from above, on 17 December 2015, the Company entered into an agreement to acquire 100% equity interest of Shanghai Hejian Nutritional Food Products Company Limited by issuing 62,717,770 shares of the Company. As of report date, the acquisition transaction was pending for the approval of the class meeting for the shareholders and has not yet been completed.

34. RELATED PARTY DISCLOSURES

Details of the Group's principal related parties are as follows:

Name	Relationship
Gui Pinghu (桂平湖) ("Mr. Gui")	Controlling shareholder and director of the Company ("Controlling Shareholder")
Gui Ke (桂客)	Son of Mr. Gui ("close family member")
Brandfolio Limited	A joint venture of the Group

(a) In addition to the transactions detailed elsewhere in the financial statements, the Group had the following transactions with related parties during the year:

	2015 RMB'000	2014 RMB'000
Commission paid to a joint venture	3,065	–
Management fee income from the joint venture	790	–
Transactions with the Controlling Shareholder:		
— Rental expenses paid to Mr. Gui	95	95
Transaction with a close family member of the Controlling Shareholder:		
— Rental expenses paid to Gui Ke	–	86

34. RELATED PARTY DISCLOSURES (CONTINUED)

(b) Compensation of key management personnel of the Group:

	2015 RMB'000	2014 RMB'000
Basic salaries and bonus	1,560	3,667
Social insurance and housing fund	249	418
	1,809	4,085

(c) Commitments with related parties

On 1 January 2014, the Company has entered into a three year lease agreement as a lessee with Mr. Gui, who was the Controlling Shareholder of the Group. The annual lease payment was RMB94,730.

35. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2015

Financial assets

	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Trade receivables	26,430	–	26,430
Financial assets included in prepayments, deposits and other receivables	5,511	–	5,511
Cash and cash equivalents	532,326	–	532,326
Pledged deposits	1,146	–	1,146
Long term deposits	1,487	–	1,487
	566,900	–	566,900

35. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2015

Financial liabilities

	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade payables	**12,574**	**12,574**
Financial liabilities included in other payables and accruals	**8,926**	**8,926**
	21,500	**21,500**

2014

Financial assets

	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Short-term investments	25,000	10,000	35,000
Trade receivables	1,817	–	1,817
Financial assets included in prepayments, deposits and other receivables	8,498	–	8,498
Cash and cash equivalents	550,044	–	550,044
Pledged deposits	–	–	–
	585,359	10,000	595,359

Financial liabilities

	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade payables	2,132	2,132
Financial liabilities included in other payables and accruals	1,200	1,200
	3,332	3,332

36. FINANCIAL RISK MANAGEMENT

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

(a) Credit risk

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

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

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

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in Note 18.

(b) Liquidity risk

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

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

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (Continued)

	Carrying amount RMB'000	Total contractual undiscounted cash flows RMB'000	On demand or within one year RMB'000
As at 31 December 2015			
Trade payables	**12,574**	**12,574**	**12,574**
Other payables	**8,926**	**8,926**	**8,926**
	21,500	**21,500**	**21,500**
As at 31 December 2014			
Trade payables	2,132	2,132	2,132
Other payables	1,200	1,200	1,200
	3,332	3,332	3,332

(c) Fair value and fair value hierarchy of financial instruments

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair value	
	2015 RMB'000	2014 RMB'000	**2015 RMB'000**	2014 RMB'000
Financial assets				
Pledged deposits	**1,146**	–	**1,146**	–
Long term deposits	**1,487**	–	**1,487**	–
	2,633	–	**2,633**	–

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade and payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. Approximately 19% (2014: Nil) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sale, whilst approximately 61% (2014: Nil) of costs were denominated in the units' functional currencies.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in RMB rate	**Increase/ (decrease) in profit before tax**	**Increase/ (decrease) in in equity***
	%	RMB'000	RMB'000
2015			
If NZD weakens against RMB	**(1%)**	**(37)**	**(609)**
If NZD strengthens against RMB	**1%**	**37**	**609**
2014			
If HKD weakens against RMB	(1%)	(8)	–
If HKD strengthens against RMB	1%	8	–

* Excluding retained profits

(e) Interest rate risk

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

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

(i) Interest rate profile

	2015		2014	
	Effective interest rate	**One year or less**	Effective interest rate	One year or less
	%	**RMB'000**	%	RMB'000
Cash and bank balances	**1.94**	**532,326**	2.29	550,044

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Interest rate risk (continued)

(ii) Sensitivity analysis

At 31 December 2015, it is estimated that a general increase/decrease of 30 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's profit after tax and retained profits by approximately RMB1,597,000 (2014: RMB1,650,000). Other components of consolidated equity would not be affected (2014:Nil) by the changes in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for cash and bank balances in existence at that date. The 30 basis point increase/decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next annual reporting period. The analysis is performed on the same basis for 2014.

(f) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2015 and 31 December 2014.

37. EVENTS AFTER THE REPORTING PERIOD

Other than the transaction detailed elsewhere in the financial statements, there is no material subsequent event undertaken by the Company or the Group after 31 December 2015.

38. COMPARATIVE AMOUNTS

Certain comparative figures have been re-presented to conform to the current year's presentation.

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of the financial position of the company at the end of the reporting period is as follows:

	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**10,581**	10,538
Investment properties	**3,233**	3,431
Investment in subsidiaries	**103,270**	39,170
Other non-current assets	**1,184**	–
Total non-current assets	**118,268**	53,139
CURRENT ASSETS		
Inventories	**35,220**	12,603
Trade receivables	**811**	491
Due from subsidiaries	**42,783**	11,386
Prepayments, deposits and other receivables	**3,427**	6,470
Short term investments	**–**	35,000
Cash and cash equivalents	**453,077**	465,634
Total current assets	**535,318**	531,584
CURRENT LIABILITIES		
Trade payables	**105**	251
Due to subsidiaries	**9,421**	1,020
Other payables and accruals	**10,730**	7,754
Tax payables	**8,198**	4,435
Total current liabilities	**28,454**	13,460
NET CURRENT ASSETS	**506,864**	518,124
TOTAL ASSETS LESS CURRENT LIABILITIES	**625,132**	571,263
NET ASSETS	**625,132**	571,263
EQUITY		
Share capital	**83,817**	83,817
Other reserves (note)	**541,315**	487,446
Total equity	**625,132**	571,263

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserves is as follows:

	Capital reserve RMB'000	Surplus reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2014	46,292	7,463	6,939	60,694
Issue of share capital	334,528	–	–	334,528
Share issue expenses	(20,745)	–	–	(20,745)
Transfer to surplus reserve	–	10,437	(10,437)	–
Total comprehensive income for the year	–	–	112,969	112,969
At 31 December 2014	**360,075**	**17,900**	**109,471**	**487,446**
Transfer to surplus reserve	**–**	**15,618**	**(15,618)**	**–**
Dividend declared and paid	**–**	**–**	**(99,994)**	**(99,994)**
Total comprehensive income for the year	**–**	**–**	**153,863**	**153,863**
At 31 December 2015	**360,075**	**33,518**	**147,722**	**541,315**

40. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 29 March 2016.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and re-presented as appropriate, is set out below.

	Year ended 31 December				
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2014 RMB'000	**2015** **RMB'000**
RESULTS					
REVENUE	103,244	150,372	194,736	252,449	**397,064**
Cost of sales	(20,080)	(20,276)	(20,909)	(23,099)	**(77,138)**
Gross profit	83,164	130,096	173,827	229,350	**319,926**
Other income and gains	337	1,484	2,385	15,785	**15,008**
Selling and distribution expenses	(20,339)	(34,047)	(39,807)	(62,911)	**(90,054)**
Administrative expenses	(15,955)	(20,621)	(41,332)	(38,743)	**(59,488)**
Other expenses	–	–	(76)	(3,923)	**(1,212)**
Share of profits of:					
a joint venture	–	–	–	–	**327**
PROFIT BEFORE TAX	47,207	76,912	94,997	139,558	**184,507**
Income tax	(12,393)	(19,675)	(24,211)	(31,688)	**(45,557)**
PROFIT FOR THE YEAR	34,814	57,237	70,786	107,870	**138,950**
Attributable to:					
Owners of the parent	34,814	57,237	70,786	107,873	**136,233**
Non-controlling interests	–	–	–	(3)	**2,717**
	34,814	57,237	70,786	107,870	**138,950**

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2014 RMB'000	**2015** **RMB'000**
TOTAL ASSETS	113,896	139,631	211,745	664,903	**779,759**
TOTAL LIABILITIES	(18,703)	(20,118)	(27,863)	(31,950)	**(64,046)**
NON-CONTROLLING INTERESTS	–	–	–	(4,997)	**(51,193)**
TOTAL	95,193	119,513	183,882	627,956	**664,520**