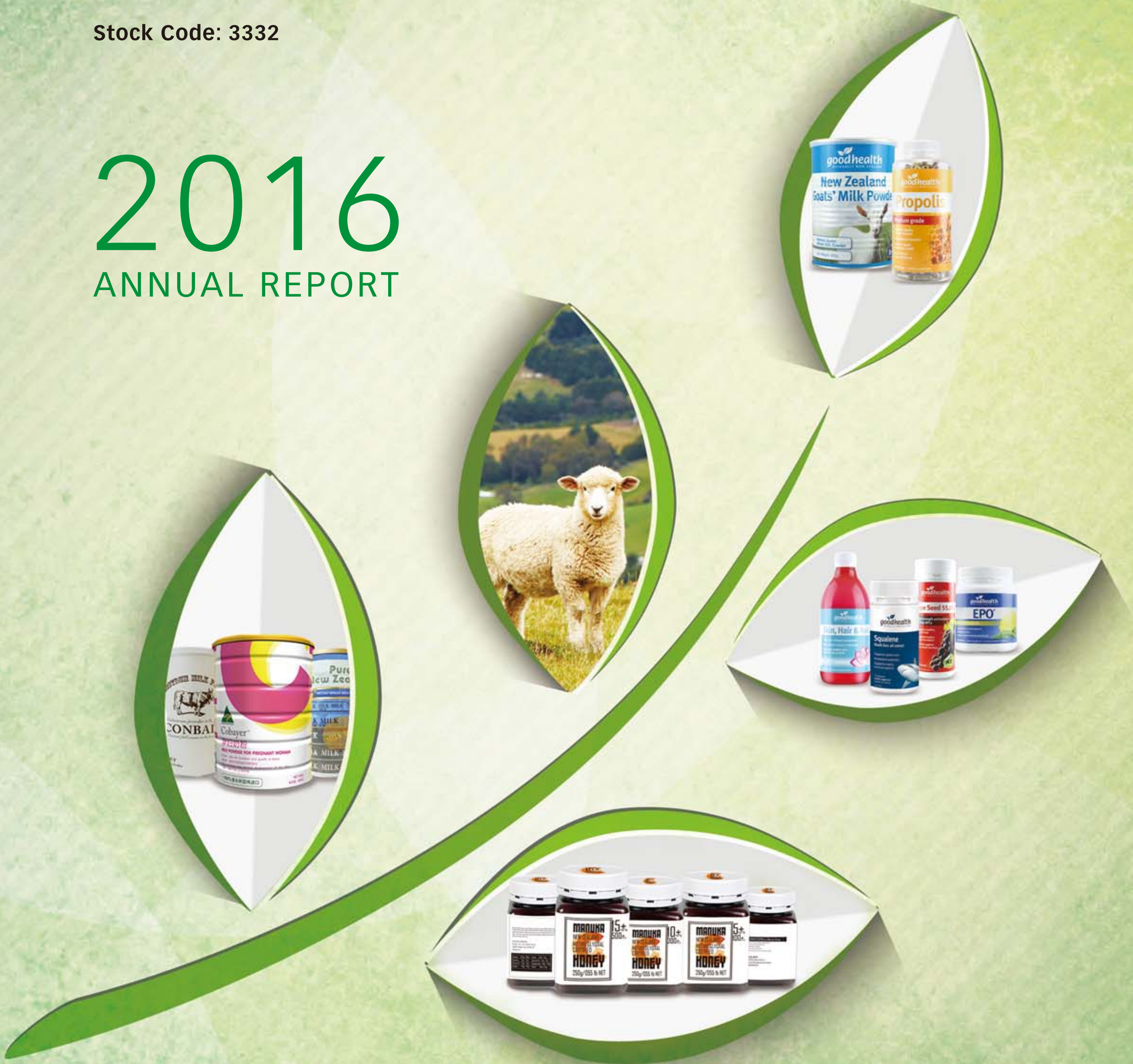
南京中生聯合股份有限公司
NANJING SINOLIFE UNITED COMPANY LIMITED*

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

Stock Code: 3332

2016
ANNUAL REPORT



* For identification purposes only

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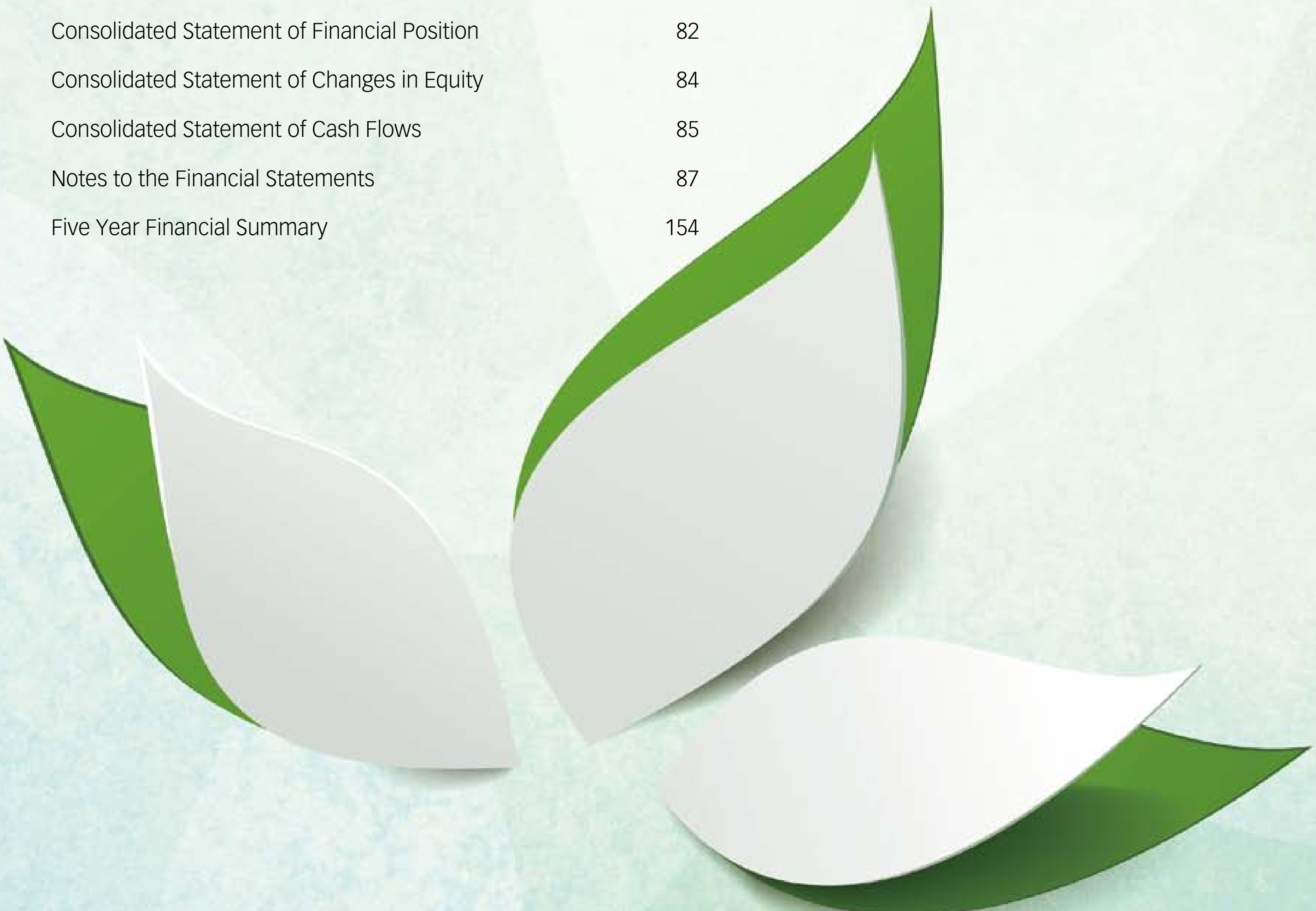

CORPORATE INFORMATION

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

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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

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Hong Kong

As to PRC law
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Wanchai
Hong Kong

PRINCIPAL BANKERS

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PRC

Agricultural Bank of China Ma Qun Branch
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Nanjing, Jiangsu Province
PRC

AUDITOR

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

STOCK CODE

3332

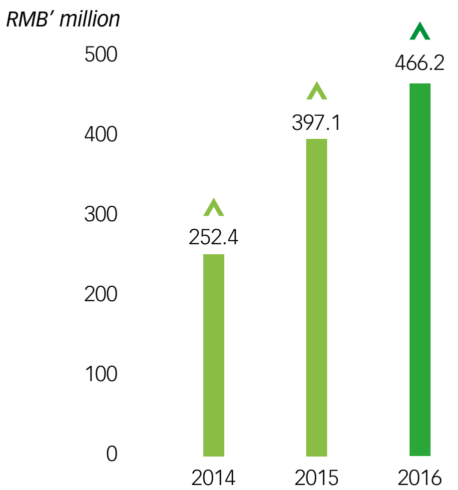
COMPANY'S WEBSITE

www.zs-united.com

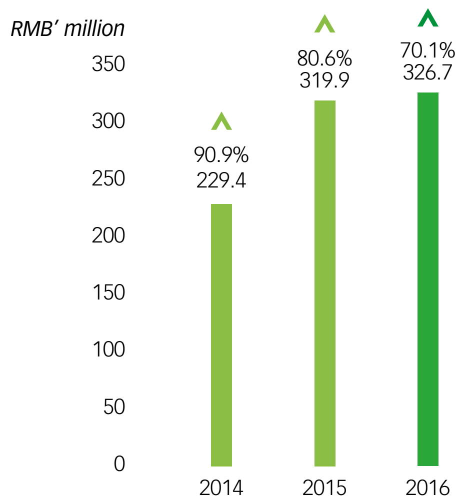
FINANCIAL HIGHLIGHTS

- Revenue increased by approximately 17.4% to RMB466.2 million (2015: RMB397.1 million)
- Gross profit increased by approximately 2.1% to RMB326.7 million (2015: RMB319.9 million)
- Profit for the year decreased by approximately 34.8% to RMB90.6 million (2015: RMB139.0 million)
- Basic earnings per share decreased by approximately 37.5% to RMB10 cents (2015: RMB16 cents)
- The Board has recommended the payment of final dividend of RMB6.00 cents (2015: RMB6.75 cents) per share, totalling RMB56,777,902 (2015: RMB56,547,600) for the year ended 31 December 2016 and a special dividend of RMB4.57 cents (2015: RMB7.57 cents) per share, totalling RMB43,222,098 (2015: RMB63,452,400) subject to the approval of the shareholders of the Company at the forthcoming annual general meeting.

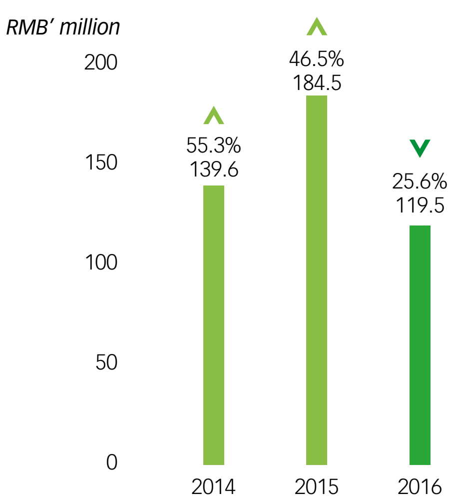
REVENUE



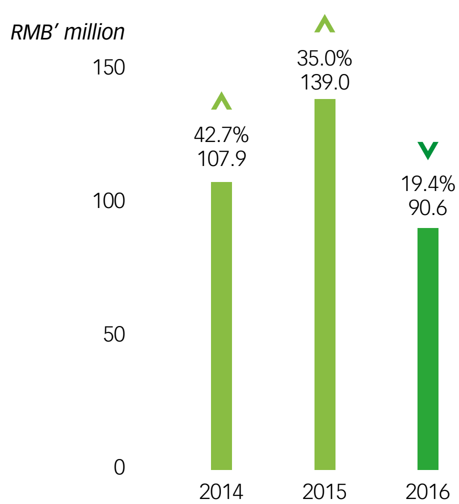
GROSS PROFIT AND GROSS PROFIT MARGIN



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 2016 (the "Year").

The year of 2016 is a special year for the nutritional supplements industry.

In August 2016, the Meeting of Political Bureau of the Communist Party of China Central Committee considered the "Healthy China 2030 Plan". "Healthy China" has been upgraded to a state-level strategy. China's nutritional supplements industry will enter into a brand new era.

It was a crucial year for the Company in 2016. We had acquired 100% equity interests of Shanghai Hejian Nutritional Food Products Company Limited* (上海禾健營養食品有限公司) ("Hejian") which has an online and offline marketing system and we had acquired 100% Interests of Living Nature Natural Products Limited ("Living Nature") which holds a New Zealand organic cosmetics brand named "Living Nature" during the Year. In 2016, Good Health series products in the People's Republic of China's (the "PRC") TV shopping platform became popular and opened up a new cross-border business mode.

In 2016, the Company reorganised its resources in diversified dimension and ready to take on future challenges. We believe 2017 would be a prosperous year for us.

The construction of information technology research and development centres is a brand new start for the Company. After completion of the construction, the Company will have sound information technology equipment, high-end research and development technology and staff. The Company will put more resources into research and development of products to provide customers with higher-quality products.

CHAIRMAN'S STATEMENT

2017 will be a critical year for the Group's brands development. In 2017, it will be the Company's 18th anniversary, Good Health Products Limited ("GHP")'s 30th anniversary, Living Nature's 30th anniversary and Hejian's 16th anniversary. The Company will make use of this opportunity to increase marketing inputs, and by enhancing each brand's influencing power, the Group's strategic goal is to establish a globalized brand, using brand culture, brand history and brand building to enhance the development of each brand.

In 2017, we will continue to promote the call centre system and vigorously develop the call centre system business through branding, marketing, information technology and team building.

Our mission is to serve life. Our responsibility is to improve the quality of life. This is a supreme goal which is full of mercy and care. As long as there is human, there will be health needs. We will adhere to our beginning of thought, continue to dedicate our effort to serve the community, in order to make life become healthier, more long-lasting and nicer.

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

28 March 2017

* *For identification purposes only*

RETAIL NETWORK AND PRODUCT INFORMATION

CONBAIR/COBAYER

- SHANGHAI (2)
- JIANGSU (15)
- GUANGDONG (1)
- SHANDONG (1)
- ZHEJIANG (1)
- ANHUI (1)
- SICHUAN (2)
- TIANJIN (1)

OTHERS

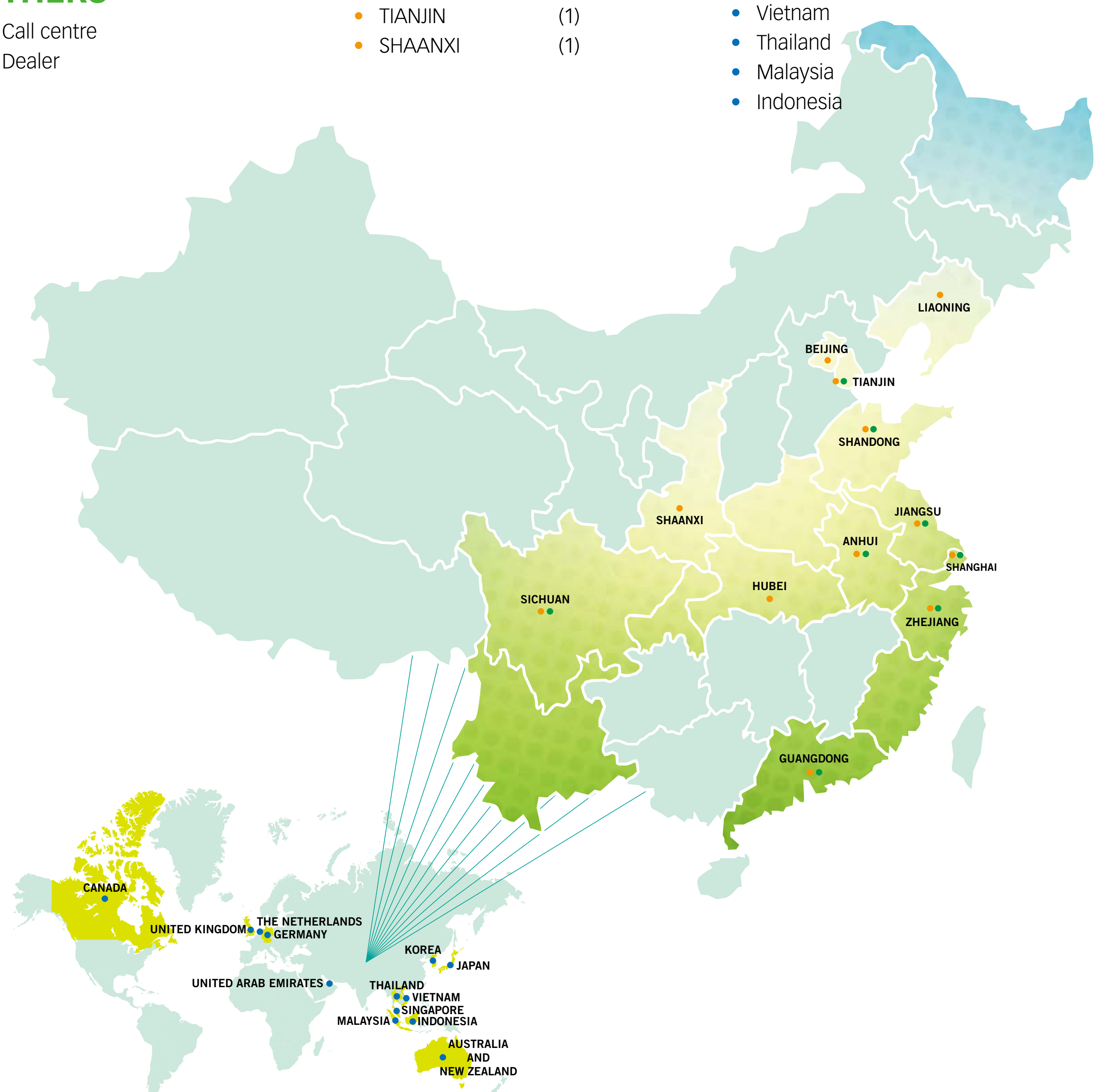
- Call centre
- Dealer

ZHONGSHENG

- BEIJING (1)
- JIANGSU (15)
- GUANGDONG (4)
- SHANDONG (2)
- ZHEJIANG (5)
- SICHUAN (1)
- HUBEI (1)
- LIAONING (1)
- ANHUI (1)
- SHANGHAI (3)
- TIANJIN (1)
- SHAANXI (1)

OVERSEAS

- Australia
- New Zealand
- United Kingdom
- Germany
- The Netherlands
- Canada
- Korea
- Japan
- Singapore
- United Arab Emirates
- Vietnam
- Thailand
- Malaysia
- Indonesia



ZHONGSHENG

Zhongsheng Branded Antler Ginseng Capsules

Kanghe Snow Lotus

Y-GABA

Coenzyme Q_{10} Tablet/Capsules

Linolenic Acid Soft Capsules

Gui Shi Wei Si Capsules

RETAIL NETWORK AND PRODUCT INFORMATION

HEJIAN

Hejian
Haematococcus Pressed Candy

Hejian
Propolis Softgel

Coenzyme Q_{10}
Softgel

Hejian
Moringa Oleifera Pressed Candy

San Zi Kang Softgel

Glucosamine Hydrochloride

RETAIL NETWORK AND PRODUCT INFORMATION

CONBAIR/COBAYER

Olive Leaf Extract

Milk Powder Products

Algae DHA Oil

Moringa

ACAI Capsules

Omega-3 Soft Capsules

RETAIL NETWORK AND PRODUCT INFORMATION

GOOD HEALTH

Propolis Capsules

Oyster Plus Capsules

Hi Cal™ Liquid Calcium & Vitamin D

Goats' Milk Powder

Grape Seed 55,000 Capsules

Turmeric 15,800 Capsules

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

With a view to the Group's future long-term development, during the Year, the Group has performed re-engineering on the new businesses it acquired in 2015 and 2016. This resulted in certain pressure on the Group's performance and profit. Although the Group's revenue increased from RMB397.1 million in 2015 to RMB466.2 million in 2016, representing an increase of 17.4%, the profit for the Year decreased from RMB139.0 million in 2015 to RMB90.6 million in 2016, representing a decrease of 34.8%.

During the Year, the Group has achieved brand building in the target markets through diversified product mix, multiple brands strategies and extensive distribution channels. The Group has achieved brand building and promotion both through the Group's retail stores under its Zhongsheng and Cobayer brands and Hejian's online selling centre in the PRC, as well as through the distributors and pharmacies for Good Health brand and Living Nature brand in overseas. As of 31 December 2016, the Group offered 703 products, which consists of 92 Zhongsheng series products, 56 Cobayer series products, 342 Good Health series products, 86 Hejian series products and 127 Living Nature series products.

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. In 2016, the Group's expenditure on research and development activities were mainly spent on cooperation with sizable research and development organisations and tertiary education institutions for new product developments. Furthermore, the Group has launched 56 new products, including 2 Zhongsheng series products, 12 Cobayers series products, 5 Hejian series products, 29 Good Health series products and 8 Living Nature series products during the Year. The Group's major products include Jianghongjian Pressed Candy, ACAI Capsules, Hejian Cirsium Setosum Glycyrrhiza & Corn Peptide Tablet, Hejian Moringa Oleifera Tablet, Good Health Synetrim®Slim and Good Health Joint Active UCII.

The Group has put more effort to brand promotion and undergone continuing brand promotion and publicity through various channels in the PRC and overseas during the Year. We promoted our brands in the PRC through (i) seasonal promotions and discounts on major holidays in the PRC; (ii) participation in trade fairs such as The China International Senior Services Expo and The Guangzhou International Senior Services Expo; (iii) cooperation with various domestic TV channels for TV shopping; and (iv) media advertising, print advertising in shopping malls and internet advertising. Meanwhile, we promoted our brands in overseas through (i) media and internet advertising in mainstream media in Australia and New Zealand; (ii) acting as sponsor for entertainment activities and competitions held in Australia such as concerts and Miss Chinese International Pageant; (iii) acting as sponsor for Auckland International Marathon; and (iv) media, magazine and internet advertising.

The Group's sustained-growth retail network and diversified sales platform enables the Group to serve a broader customer base. The Group has a diversified sales platform with a wide geographic coverage of 20 cities in 12 provinces and centrally administered municipalities in the PRC as of 31 December 2016. The Group's diversified sales network in the PRC primarily consists of 36 retail stores under the Zhongsheng brand in the form of 9 specialty stores and 27 regional sales offices; and 24 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. The Cobayer retail stores are mainly located in large and premium shopping malls. The Group's overseas diversified sales network mainly includes an international distribution network broadly distributed in the United Kingdom, Germany, the Netherlands, Canada, Korea, Japan, Singapore, South Africa, Vietnam, Thailand, Malaysia, Indonesia and the United Arab Emirates, and local large chain pharmacies, health goods supermarkets and tourist shops in New Zealand and Australia. In addition, the Group has continued to cooperate with Alibaba, Tmall International, JD.com, Suning, Health Post, Health Element and other e-commerce platforms during the Year.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Results

The revenue of the Group in 2016 was RMB466.2 million, representing an increase of approximately 17.4% from RMB397.1 million in 2015. Profit for the Year decreased by approximately 34.8% to RMB90.6 million in 2016 from RMB139.0 million in 2015. The Company's basic earnings per share was RMB10 cents (2015: RMB16 cents) based on the weighted average number of 875.7 million (2015: 838.2 million) ordinary shares in issue during the Year. The increase in revenue in 2016 was mainly attributable to the acquisition of online sales platform of dietary supplements company, namely Hejian and the increase in sales of Good Health series products in 2016. The decrease in profit for the Year was mainly due to the slow-down of sales for Zhongsheng series products.

Turnover

The turnover of the Group increased by approximately 17.4% from RMB397.1 million in 2015 to RMB466.2 million in 2016. Sales of Zhongsheng series products decreased by approximately 28.9% from RMB246.1 million in 2015 to RMB175.0 million in 2016; sales of Cobayer series products decreased by 45.6% from RMB72.5 million in 2015 to RMB39.4 million in 2016; and sales of Good Health series products increased by 109.6% from RMB77.7 million in 2015 to RMB162.8 million in 2016. The main reason of the aforesaid changes is that the Group has re-organised its business as follows: (i) the Group has optimised Zhongsheng series products, therefore, the sales of Zhongsheng series products to the Group's total sales decreased; and (ii) the Group's advertising and promotional activities were mainly focused on Good Health series products, so the sales of Cobayer series products decreased.

Gross profit

The Group's gross profit increased from RMB319.9 million in 2015 to RMB326.7 million in 2016. The Group's average gross profit margin decreased from 80.6% in 2015 to 70.1% in 2016. Such decrease in gross profit margin was mainly due to the increase in the proportion of sales income of Good Health series products during the Year and the Group has newly acquired the "Hejian" and "Living Nature" business. The above three businesses were conducted through distributors and online sales models, which dragged the Group's average gross profit margin down.

Other income and gain

The Group's other income and gain mainly included interest income from bank deposits and government grants. The amount slightly decreased from RMB15.0 million in 2015 to RMB13.4 million in 2016.

Selling and distribution expenses

The Group's selling and distribution expenses increased by approximately 46.4% from RMB90.1 million in 2015 to RMB131.9 million in 2016, representing approximately 22.7% and 28.3% of the Group's revenue in 2015 and 2016 respectively. Such increase was primarily due to the increase in staff costs of 34.5% from RMB50.1 million in 2015 to RMB67.4 million in 2016 as a result of increase in number of employees due to the acquisitions and the increase in advertising and promotional expenses of 142.1% from RMB13.3 million in 2015 to RMB32.2 million in 2016.

Administrative expenses

The Group's administrative expenses increased by approximately 43.5% from RMB59.5 million in 2015 to RMB85.4 million in 2016, representing approximately 15.0% and 18.3% of the Group's revenue in 2015 and 2016 respectively. Such increase was primarily due to the increase in staff costs from RMB25.3 million to RMB40.7 million and the increase in depreciation and amortisation from RMB3.1 million to RMB5.9 million.

Taxation

Income tax expense decreased by approximately 36.6% from RMB45.6 million in 2015 to RMB28.9 million in 2016 due to the decrease in profit before taxation. The Group's effective tax rates in 2015 and 2016 were approximately 24.7% and 24.2% respectively.

Profit for the Year

As a result of the foregoing, the Group's profit for the Year decreased from RMB139.0 million in 2015 to RMB90.6 million in 2016. The decrease was mainly due to the Group has re-organised its newly acquired business as follows: (i) product optimization of Zhongsheng series products and Hejian series products, therefore, sales of Zhongsheng series products decreased; and (ii) the Group's advertising and promotional activities were mainly focused on Good Health series products during the Year, so the sales of Cobayer series products decreased.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow

In 2016, cash and cash equivalents of the Group decreased by RMB14.4 million, which comprised the net cash flows generated from operating activities with the amount of RMB77.7 million, net cash flows used in investment activities with the amount of RMB25.6 million and net cash flows used in financing activities with the amount of RMB66.7 million, while RMB0.2 million was the net effect of foreign exchange rate changes.

Inventories

The Group's inventories amounted to RMB75.2 million (31 December 2015: RMB70.0 million) as at 31 December 2016. The Group's inventories comprise raw materials, work in progress, finished goods and goods merchandise. The inventories balances increased by 7.4%, which was mainly due to the acquisition of Hejian and Living Nature businesses. During the Year, inventory turnover was approximately 187 days (2015: 204 days). The shorter inventory turnover period during the Year was primarily due to the enhancement in inventory management and control in 2016.

Trade receivables

The Group's trade receivables amounted to RMB39.7 million (2015: RMB26.4 million) as at 31 December 2016 which represents an increase of 50.4%. It was mainly due to credit terms granted to the distributors of Good Health series products and Living Nature series products with 30 days to 60 days. Besides, sales of Hejian series products were first received on behalf of the Company by courier express companies. There was a time lag of around 8 days.

Trade payables

The Group's trade payables amounted to RMB15.5 million (2015: RMB12.6 million) as at 31 December 2016 which represents an increase of 23.0%. Turnover days for trade payables increased to 36 days (2015: 34 days), which has no significant fluctuation. The Group's major trade payables were trade payables to GHP and Hejian's suppliers.

Foreign exchange exposure

As the Group conducts business in-bound transactions principally in Renminbi and outbound transactions principally in New Zealand Dollar and Australian Dollar. In respect of the exchange rate risk that faced by the Group, the Group has adopted corresponding measures to adjust the structure of the Company's monetary capital. The Group had not used any financial instruments for hedging purposes as at 31 December 2016.

Borrowings and pledge of assets

The Group had no outstanding bank borrowings and pledge of assets as of 31 December 2015 and 2016. Accordingly, the gearing ratio for the Group during the year ended 31 December 2016 was 0% (2015: 0%).

Capital expenditure

The Group invested approximately RMB26.9 million in 2016 (2015: RMB17.9 million) for purchase of property, plant and equipment.

Capital commitments and contingent liabilities

As at 31 December 2016, the Group had commitments for acquisition of property, plant and equipment of approximately RMB26.0 million (2015: RMB44.9 million). The Group had no material contingent liabilities as at 31 December 2016 (2015: nil).

PRINCIPAL RISKS AND UNCERTAINTIES

The uncertainty of the PRC economic conditions could have an 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 adversely affect the Group's business, financial condition and results of operations.

Foreign exchange risk, and fluctuations in exchange rates could have an 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. 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 an 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 2016, the Group employed a work force of 909. The total salaries and related costs for the year ended 31 December 2016 amounted to approximately RMB107.4 million (2015: RMB76.7 million).

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)) (collectively, the "Vendors"), Hejian 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 Hejian. On 22 January 2016, the Company, Hejian and the Vendors entered into a supplemental acquisition agreement to the acquisition agreement dated 17 December 2015.

Hejian is a company established in the PRC and mainly engaged in the sale of dietary supplements through online platform and its products are sold through its online platform to the customers. The sales models of Hejian are in line with and complementary to the Group's business expansion strategy.

Details of the acquisition of Hejian 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 acquisition were completed by the following transactions: (i) Hejian would apply for delisting of its shares from the PRC New Third Board; (ii) Hejian would convert from a joint stock limited company to a limited liability company; (iii) the Company would acquire 100% equity interests in Hejian after it is converted into a limited liability company at a consideration of RMB180 million which would 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 of the Company in aggregate to Ms. Zhou Li, Shanghai Jiahanyin Investment Company Limited, Mr. Zhou Dong and Shanghai Zhongwei Chuangye Investment Centre Partnership; and (iv) Mr. Zhou Dong, one of the Vendors, would subscribe for 1,881,533 domestic shares at a total subscription price of RMB5.4 million. The issue price per domestic share under paragraph (iii)(b) and (iv) above was RMB2.87 per domestic share. Pursuant to the transactions completed under the acquisition, an aggregate of 62,717,770 Domestic Shares of the Company were allotted to four of the Vendors, including 44,084,321 domestic shares to Ms. Zhou Li, 3,355,400 Domestic Shares to Shanghai Jiahanyin Investment Company Limited, 3,518,467 Domestic Shares to Mr. Zhou Dong, and 11,759,582 domestic shares to Shanghai Zhongwei Chuangye Investment Centre Partnership. The acquisition was completed on 2 June 2016.

On 6 April 2016, the Company, Shanghai Fosun Weishi Phase I Equity Investment Fund Partnership (L.P.)* (上海復星惟實一期股權投資基金合夥企業(有限合夥)) ("Fosun Partnership") and Fosun Weishi (Hong Kong) Limited (復星惟實(香港)有限公司) ("Fosun HK") 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 40% of the equity interest in Shanghai Weiyi Investment & Management Limited Company* (上海惟翊投資管理有限公司) ("Target Company" or "Shanghai Weiyi") by the Company at a consideration of HK$133 million. Pursuant to the transactions contemplated under the acquisition, Fosun HK would apply the cash consideration of HK$133 million to subscribe for 38,000,000 H shares of the Company at a subscription price of HK$3.50 per subscription share ("Fosun HK Subscription"). The Target Company together with its subsidiaries are principally engaged in the manufacturing and sale of dietary and wellbeing supplements in New Zealand. Upon completion of the acquisition, the Target Company will become a wholly-owned subsidiary of the Company. The Directors considered that due to the increasing global awareness of health foods products and based on the good financial performance of the Target Company, it was expected that the Group would be benefited from an increase in profits from the Target Company after completion of the acquisition. As at 6 April 2016, Fosun Partnership held 40% of the equity interest in the Target Company thereby being a substantial shareholder of the Target Company and a connected person of the Company pursuant to Rule 14A.07(1) of the Listing Rules. The transactions contemplated under the acquisition agreement constituted connected transaction for the Company, and would be subject to the announcement, reporting and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Details of the acquisition of the Target Company were set out in the announcement of the Company dated 6 April 2016, 21 July 2016 and 28 October 2016, and the circular of the Company dated 3 May 2016. On 28 October 2016, the Company, Fosun Partnership and Fosun HK agreed in writing to extend the latest effective date of the acquisition agreement to 31 May 2017 since certain approval(s) under applicable laws and regulations were not yet obtained. Please refer to the announcement of the Company dated 28 October 2016 for further details. On 31 March 2017, the Company, Fosun Partnership and Fosun HK entered into a supplemental agreement to amend certain terms of the acquisition. Pursuant to such supplemental agreement, the Company agreed to acquire the Target Company at a consideration of not more than RMB70 million and the Fosun HK Subscription would be cancelled. Details of the amendments to the acquisition agreement are set out in the announcement of the Company dated 31 March 2017.

On 31 May 2016, the Company acquired a 100% equity interest in Living Nature, a company incorporated in New Zealand. Living Nature has been established in New Zealand for 29 years, and is principally engaged in the manufacturing of cosmetics and skincare products in New Zealand and its products are being distributed to countries around the world such as Japan, Canada and certain countries in Europe. The acquisition transaction allows the Group to broaden its product range and enable it to explore different market segments which will enhance the Group's overall competitiveness in the global health products industry. Details of the acquisition of Living Nature were set out in the voluntary announcement of the Company dated 14 June 2016. The acquisition was completed on 31 May 2016.

SUBSCRIPTION OF H SHARES UNDER GENERAL MANDATE

On 13 December 2016, the Company and Five Seasons XIV Limited (being an independent third party) entered into a subscription agreement pursuant to which Five Seasons XIV Limited has conditionally agreed to subscribe for 45,411,600 new H Shares of the Company at the subscription price of HK$1.61 per subscription share. The Directors considered that the subscription of new H Shares can broaden the shareholder base of the Company. The net proceeds from the subscription amounted to approximately HK$72.93 million is intended to be applied to the general working capital of the Group. The aggregate nominal value of the subscription shares is RMB4,541,160. The closing price per H Share quoted on the Stock Exchange on 13 December 2016 was HK$1.83. The net price per subscription share is approximately HK$1.606. Details of the subscription were set out in the announcement of the Company dated 13 December 2016. As at the date of this announcement, the Company has not utilised the proceeds from the subscription.

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)	57	24 May 1999	Chairman and Executive Director	24 May 1999	Chairman of the Strategy and Development Committee; being responsible for strategic development of the Company
Ms. Zhang Yuan (張源)	47	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)	42	1 January 2002	Executive Director	25 October 2012	Sales director; member of the Nomination Committee
Ms. Zhu Feifei (朱飛飛)	35	29 July 2003	Executive Director	25 October 2012	Chief production officer; member of the Remuneration Committee
Mr. Xu Chuntao (許春濤)	47	16 May 2013	Non-executive Director	16 May 2013	Representative of the pre-IPO investor of the Company
Mr. Jiang Fuxin (蔣伏心)	60	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)	48	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)	53	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 57, 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 and GHP, Shanghai Weiyi's wholly-owned subsidiary. He was appointed as the director of UK 1964 Ltd., and Living Nature Pty Limited in May 2016. 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 78.67% of the Domestic Shares of the Company.

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 47, 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), GHP, Nanjing Zhaiyigou Electronic Commerce Company Limited* (南京宅易購電子商務有限公司) and the chairman of Shanghai Weiyi. In May 2016, she was appointed as the chairman of Hejian and director of Living Nature, Living Nature Limited, Nature's Infinite Balance Limited and Living Nature Pty Limited. 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 0.98% 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 42, 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). She was appointed as the director of Living Nature Pty Limited in May 2016. 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 0.82% 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 35, was appointed as an executive Director on 25 October 2012. Ms. Zhu is primarily responsible for the production of the Group. As at the date of this annual report, Ms. Zhu was interested in approximately 0.10% 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 47, 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 GHP. 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 60, 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. On 21 October 2015, he was appointed as the provincial government counselor of Jiangsu Provincial People's Government. On 27 December 2016, he was also appointed as the Dean of Zhongshan Vocational College. He is also the director of Nanjing Normal University Innovation Economy Research Institute.

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 February 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 November 2014, 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 48, 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 53, 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)	38	16 September 2002	Chairman of the board of Supervisors	25 October 2012	Customer relations manager
Mr. Tao Xingrong (陶興榮)	41	16 May 2013	Supervisor	16 May 2013	Representative of the pre-IPO investor of the Company
Ms. Wu Xuemei (吳雪梅)	38	25 September 2005	Supervisor	25 October 2012	General manager of Cobayer Business Department
Ms. Lu Jiachun (陸佳純)	38	20 June 2001	Employee representative Supervisor	25 October 2012	Accounting clerk
Ms. Chen Xiu (陳秀)	32	30 August 2003	Employee representative Supervisor	16 May 2013	Supervision specialist

Ms. Yu Min (余敏), aged 38, 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-Tech Co. Limited* (成都中生華美生物科技有限公司), Hefei Aoka Biological Technology Company Limited* (合肥澳卡生物科技有限公司) and Xian Aoka Biological Technology Company Limited* (西安澳卡生物科技有限公司).

Ms. Yu graduated from Jinling Institute of Technology* (金陵科技學院) (formerly known as Nanjing Agricultural School* (南京市農業專科學校)) majoring in Accounting in June 1999. As at the date of this annual report, Ms Yu was interested in approximately 0.10% 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 41, 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 secretary of the board of directors and risk control manager 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 38, 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 0.08% 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 38, 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 32, 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)	36	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)	63	21 March 2005	Compliance officer	21 March 2005	Compliance assurance
Mr. Li Bin (李斌)	37	1 July 2013	Chief financial officer	1 July 2013	Finance management
Mr. Wu Jun (吳俊)	33	4 September 2006	Financial controller	1 September 2013	Finance management

Ms. Zhi Hui (支卉), aged 36, 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.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Song Jiming (宋繼明), aged 63, 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 37, 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 33, 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 49, was appointed as a joint company secretary of the Company on 7 November 2013. Ms. Kam is a director, Corporate Services of Tricor Services Limited ("Tricor"), a global professional services provider specializing in integrated business, corporate and investor services. Ms. Kam has over 20 years of extensive experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Kam is a Chartered Secretary and a Fellow of both The Hong Kong Institute of Chartered Secretaries ("HKICS") and The Institute of Chartered Secretaries and Administrators in the United Kingdom. Ms. Kam is a holder of the Practitioner's Endorsement from HKICS.

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 2016, 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 manages 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 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on page 81 of this annual report.

The final dividend for the year ended 31 December 2016 and special dividend as proposed by the Board, inclusive of tax, amounted to RMB6.00 cents (2015: RMB6.75 cents) per share and RMB4.57 cents (2015: RMB7.57 cents) per share 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, 31 July 2017 to the shareholders whose names appear on the register of members of the Company on Friday, 14 July 2017.

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 2016.

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 2016 are set out in note 12 to the consolidated financial statements of this annual report.

SHARE CAPITAL

Details of the movements in the issued share capital of the Company during 2016 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 2016 was RMB118.56 million. Details of the movements in the reserves of the Group during 2016 are set out in the consolidated statement of changes in equity on page 84 of this annual report.

BORROWINGS

The Group had no bank borrowings as at 31 December 2016 (2015: 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 the revenue 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 the purchases 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 2016 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 2016 and up to the date of this annual report, the Supervisors of the Company are as follows:

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

The board of Supervisors of the Company has held two meetings during 2016. Details of the meetings and events conducted by the board of Supervisors during 2016 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 18 to 25 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 employees are set out in note 7 and note 8 to the consolidated financial statements of this annual report respectively.

EMOLUMENT POLICY

The Group's emolument policies are formulated on the performance of individual employee and on the basis of the salary trends 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 2016 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 2016, 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 2016[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)	70.81%	50.42%
("Mr. Gui")[2]		Interest of spouse	Domestic Shares	52,965,000 (L)	7.86%	5.60%
Ms. Zhang Yuan	Director	Beneficial owner	Domestic Shares	6,599,550 (L)	0.98%	0.70%
Ms. Xu Li	Director	Beneficial owner	Domestic Shares	5,498,570 (L)	0.82%	0.58%
Ms. Zhu Feifei	Director	Beneficial owner	Domestic Shares	659,340 (L)	0.10%	0.07%
Ms. Yu Min	Supervisor	Beneficial owner	Domestic Shares	659,340 (L)	0.10%	0.07%
Ms. Wu Xuemei	Supervisor	Beneficial owner	Domestic Shares	551,480 (L)	0.08%	0.06%

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 946,298,370, being the total number of issued shares of the Company after the global offering and taking into account (i) 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; (ii) the new 62,717,770 Domestic Shares of the Company issued and allotted on 14 June 2016 pursuant to the acquisition agreement set out in the circular of the Company dated 29 February 2016; and (iii) the new 45,411,600 H Shares of the Company issued and allotted on 22 December 2016 pursuant to the subscription agreement set out in the announcement of the Company dated 13 December 2016.

(4) As at 31 December 2016, the number of issued Domestic Shares of the Company was 673,828,770.

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 2016 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 2016, 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 2016[1]	Approximate shareholding percentage in the relevant class of share capital[4] (%)	Approximate shareholding percentage in the total share capital[3] (%)
Ms. Wu Yanmei[2]	Beneficial owner	Domestic Shares	52,965,000 (L)	7.86%	5.60%
	Interest of spouse	Domestic Shares	477,126,590 (L)	70.81%	50.42%
Ms. Zhou Li	Beneficial owner	Domestic Shares	44,084,321 (L)[5]	6.54%	4.66%
Mr. Cheng Xiaowei[6]	Interest of spouse	Domestic Shares	44,084,321 (L)[5]	6.54%	4.66%
Mr. Ji Changqun	Interest of controlled corporation	H Shares	45,411,600 (L)[7]	16.67%	4.80%
Magnolia Wealth International Limited	Interest of controlled corporation	H Shares	45,411,600 (L)[7]	16.67%	4.80%
Fullshare Holdings Limited	Interest of controlled corporation	H Shares	45,411,600 (L)[7]	16.67%	4.80%
Five Seasons XIV Limited	Beneficial owner	H Shares	45,411,600 (L)[7]	16.67%	4.80%
Shanghai Fosun Chuangfu Shareholding Investment Fund Limited Partnership	Beneficial owner	Domestic Shares	61,111,000 (L)[8]	9.07%	6.46%
Shanghai Fosun Capital Investment Management Co., Ltd.	Interest of controlled corporation	Domestic Shares	61,111,000 (L)[8]	9.07%	6.46%
	Interest of controlled corporation	H Shares	38,000,000 (L)[9]	13.95%	4.02%

Shareholders	Nature of interest	Class of share of the Company	Number of shares held as at 31 December 2016[1]	Approximate shareholding percentage in the relevant class of share capital[4] (%)	Approximate shareholding percentage in the total share capital[3] (%)
Shanghai Fosun Industrial Investment Co., Ltd.	Interest of controlled corporation	Domestic Shares	61,111,000 (L)[8]	9.07%	6.46%
	Interest of controlled corporation	H Shares	38,000,000 (L)[9]	13.95%	4.02%
Shanghai Fosun High Technology (Group) Co., Ltd.	Interest of controlled corporation	Domestic Shares	61,111,000 (L)[8]	9.07%	6.46%
	Interest of controlled corporation	H Shares	38,000,000 (L)[9]	13.95%	4.02%
Fosun International Limited	Interest of controlled corporation	Domestic Shares	61,111,000 (L)[8]	9.07%	6.46%
	Interest of controlled corporation	H Shares	38,000,000 (L)[9]	13.95%	4.02%
Fosun Holdings Limited	Interest of controlled corporation	Domestic Shares	61,111,000 (L)[8]	9.07%	6.46%
	Interest of controlled corporation	H Shares	38,000,000 (L)[9]	13.95%	4.02%
Fosun International Holdings Ltd.	Interest of controlled corporation	Domestic Shares	61,111,000 (L)[8]	9.07%	6.46%
	Interest of controlled corporation	H Shares	38,000,000 (L)[9]	13.95%	4.02%
Fosun Weishi (Hong Kong) Limited	Beneficial owner	H Shares	38,000,000 (L)[9]	13.95%	4.02%
Shanghai Fosun Weishi Phase I Equity Investment Fund Partnership (L.P.)	Interest of controlled corporation	H Shares	38,000,000 (L)[9]	13.95%	4.02%
Shanghai Fosun Weishi Investment Management Company Limited	Interest of controlled corporation	H Shares	38,000,000 (L)[9]	13.95%	4.02%

Shareholders	Nature of interest	Class of share of the Company	Number of shares held as at 31 December 2016[1]	Approximate shareholding percentage in the relevant class of share capital[4] (%)	Approximate shareholding percentage in the total share capital[3] (%)
Mr. Guo Guangchang	Interest of controlled corporation	Domestic Shares	61,111,000 (L)[8]	9.07%	6.46%
	Interest of controlled corporation	H Shares	38,000,000 (L)[9]	13.95%	4.02%
Mr. Chen Xuelin	Beneficial owner	H Shares	27,576,000 (L)	10.12%	2.91%
First Beijing Investment (Cayman) Limited	Investment manager	H Shares	15,896,000 (L)[10]	5.83%	1.68%
First Manhattan Co.	Investment manager	H Shares	15,896,000 (L)[10]	5.83%	1.68%
First Manhattan LLC	Interest of controlled corporation	H Shares	15,896,000 (L)[10]	5.83%	1.68%

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 946,298,370, being the total number of issued shares of the Company after the global offering and taking into account (i) 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; (ii) the new 62,717,770 Domestic Shares of the Company issued and allotted on 14 June 2016 pursuant to the acquisition agreement set out in the circular of the Company dated 29 February 2016; and (iii) the new 45,411,600 H Shares of the Company issued and allotted on 22 December 2016 pursuant to the subscription agreement set out in the announcement of the Company dated 13 December 2016.

(4) As at 31 December 2016, the number of issued Domestic Shares and H Shares of the Company was 673,828,770 and 272,469,600 respectively.

(5) 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)), Hejian and the Company entered into an acquisition agreement (as supplemented by supplemental acquisition agreement dated 22 January 2016), pursuant to which the Company has conditionally agreed, amongst other things, to issue and allot 44,084,321 Domestic Shares of the Company to Ms. Zhou Li, as a part of the consideration of the acquisition of Hejian. The allotment was completed on 14 June 2016.

(6) Mr. Cheng Xiaowei is the spouse of Ms. Zhou Li. Under the SFO, Mr. Cheng Xiaowei was deemed to be interested in the same number of shares in which Ms. Zhou Li was interested.

(7) On 13 December 2016, the Company and Five Seasons XIV Limited entered into a subscription agreement, pursuant to which Five Seasons XIV Limited has conditionally agreed to subscribe for 45,411,600 new H Shares. The allotment was completed on 22 December 2016.

Five Seasons XIV Limited was wholly owned by Fullshare Holdings Limited, which was owned as to approximately 46.58% by Magnolia Wealth International Limited. Magnolia Wealth International Limited was wholly owned by Mr. Ji Changqun.

Accordingly, Fullshare Holdings Limited, Magnolia Wealth International Limited and Mr. Ji Changqun were deemed to hold interests in the 45,411,600 H Shares of the Company held by Five Seasons XIV Limited under the SFO.

(8) These 61,111,000 Domestic Shares of the Company 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 64.45% 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 of the Company held by Shanghai Fosun Chuangfu Shareholding Investment Fund Limited Partnership under the SFO.

(9) On 6 April 2016, the Company, Shanghai Fosun Weishi Phase I Equity Investment Fund Partnership (L.P.) and Fosun Weishi (Hong Kong) Limited entered into an equity transfer and subscription agreement, pursuant to which the Company has conditionally agreed to issue and allot 38,000,000 H Shares to Fosun Weishi (Hong Kong) Limited for acquisition of 40% equity interest in Shanghai Weiyi.

Fosun Weishi (Hong Kong) Limited was wholly owned by Shanghai Fosun Weishi Phase I Equity Investment Fund Partnership (L.P.), which was owned as to approximately 0.83% by Shanghai Fosun Weishi Investment Management Company Limited. Shanghai Fosun Weishi Investment Management Company Limited was held as to approximately 75% by Shanghai Fosun Capital Investment Management Co., Ltd.

Shanghai Fosun Capital Investment Management Co., Ltd. was held as to approximately 99.1% by Shanghai Fosun Industrial Investment Co., Ltd., which was wholly owned by Shanghai Fosun High Technology (Group) Co., Ltd., a company wholly owned by Fosun Holdings Limited. Fosun Holdings Limited also held 71.51% equity interest of Fosun International Limited.

Fosun Holdings Limited was wholly owned by Fosun International Holdings Ltd. which was held as to 64.45% by Mr. Guo Guangchang.

Accordingly, Shanghai Fosun Weishi Phase I Equity Investment Fund Partnership (L.P.), Shanghai Fosun Weishi Investment Management Company Limited, 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 38,000,000 H Shares of the Company to be held by Fosun Weishi (Hong Kong) Limited under the SFO.

On 31 March 2017, the Company, Shanghai Fosun Weishi Phase I Equity Investment Fund Partnership (L.P.) and Fosun Weishi (Hong Kong) Limited entered into a supplemental agreement to amend certain terms of the acquisition of Shanghai Weiyi. Pursuant to the supplemental agreement, it is agreed that the Company will acquire 40% equity interest in Shanghai Weiyi at a consideration of not more than RMB70 million to be satisfied in cash while the subscription of the 38,000,000 H Shares of the Company by Fosun Weishi (Hong Kong) Limited will be cancelled.

(10) First Beijing Investment (Cayman) Limited, through its subsidiaries, held these 15,896,000 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 15,896,000 H Shares 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 2016, save as the acquisition of Shanghai Weiyi as disclosed in the paragraph headed "Material acquisition of subsidiaries" in the section headed "Management Discussion and Analysis" in this annual report, there was no connected transaction of the Group that is required for the reporting, annual reviews, announcement and independent shareholders' approval under Chapter 14A of the Listing Rules. Details of the related party transactions of the Company for the year ended 31 December 2016 and undertaken in the usual course of business are set out in note 34 to the consolidated financial statements of this annual report. None of these related party transactions constitutes a discloseable connected transaction as defined under the Listing Rules. The Company confirms that it has complied with the disclosure requirements in accordance with 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 2016.

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 2016.

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 2016.

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 2016, (i) the Net Proceeds of approximately RMB72.0 million and RMB0.8 million has been used on the acquisition of GHP, and for Living Nature's product function enhancement; (ii) the Net Proceeds of approximately RMB20.2 million has been used to build a research and development and testing center; (iii) the Net Proceeds of approximately RMB11.2 million has been used to build information technology and logistics center; (iv) the Net Proceeds of approximately RMB11.4 million has been used on the marketing and promotional activities; (v) the Net Proceeds of approximately RMB7.3 million has been used to expand the sales network and expand into new regions; (vi) the Net Proceeds of approximately RMB33.2 million has been used for working capital and the remaining of the Net Proceeds of approximately RMB180.3 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

Following the retirement of BDO Limited as auditor of the Company on conclusion of the annual general meeting of the Company held on 19 May 2015, Ernst & Young and Ernst & Young Hua Ming LLP were appointed as the international auditors and the domestic auditor of the Company respectively. The Board confirmed that there was no disagreement between BDO and the Company.

Saved as disclosed above, there was no other change in auditor of the Company during the past three years.

The consolidated financial statements of the Company for the year ended 31 December 2016 were audited by Ernst & Young, who hold office until the conclusion of the forthcoming annual general meeting of the Company. 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.

FUTURE OUTLOOK

In 2016, the Company reorganised its resources in diversified dimension and ready to take on future challenges. We believe 2017 would be a prosperous year for us.

The construction of information technology research and development centres is a brand new start for the Company. After completion of construction, the Company will have a sound information technology equipment, high-end research and development technology and staff. The Company will put more resources into research and development of products to provide customers with higher-quality products.

2017 will be a critical year for the Group's brands development. In 2017, it will be the Company's 18th anniversary, GHP's 30th anniversary, Living Nature's 30th anniversary and Hejian's 16th anniversary. The Company will make use of this opportunity to increase marketing inputs, and by enhancing each brand's influencing power, the Group's strategic goal is to establish a globalized brand, using brand culture, brand history and brand building to enhance the development of each brand.

In 2017, we will continue to promote the call center system and vigorously develop the call center system business through branding, marketing, information technology and team building.

Our mission is to serve life. Our responsibility is to improve the quality of life. This is a supreme goal which is full of mercy and care. As long as there is human, there will be health needs. We will adhere to our beginning of thought, continue to dedicate our effort to serve the community, in order to make life become healthier, more long-lasting and nicer.

On behalf of the Board

Mr. Gui Pinghu
Chairman

Nanjing, the PRC, 28 March 2017

* *For identification purpose only*

2016 WORK REPORT OF THE BOARD OF SUPERVISORS

During the reporting period of 2016, 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 of the PRC, the Company's 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 2016, the board of Supervisors convened two meetings.

On 29 March 2016, it considered the *2015 Work Report of the Board of Supervisors of the Company, the Resolution on the 2015 Audited Consolidated Financial Statements, the 2015 Financial Settlement and the Resolution regarding the 2016 Financial Budget, the Resolution on 2015 Profit Distribution Plan, the Resolution regarding the Appointment of the Financial Auditor for 2015 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 2015 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 of the Company 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 allotment or issue of additional Shares under the relevant mandate.*

On 29 August 2016, it considered the *Resolution on Interim Results for 2016 and Interim Dividend Distributions, the Resolution on Internal Audit Findings for the Period Ended 30 June 2016 and the Resolution on Proposed Measures regarding Employees in respect of Financial Reporting, Internal Auditing and other Mis-behaviour.*

II. LAWFUL OPERATION OF THE COMPANY

The board of Supervisors of the Company attended the meetings of the Board of Directors during the reporting period, 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 2016.

In the opinion of the board of Supervisors, the Board of the Company persisted in standardised operations with due diligence by practising its decision-making procedures in strict compliance with the provisions under the Company Law of the PRC and the Company's Articles, as well as conscientiously carrying out all resolutions at the general meetings of shareholders; the internal control system of the Company was well established; disclosure of all information was made on a timely and accurate basis; no violation against the laws, regulations, or the Company's Articles, or prejudice against the interests of the Company was committed by the Directors or senior management of the Company in the line of duty.

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 2016 and the proposal on business plan of the Company for the financial year ending 2017.

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. The audit report is factual, fair and objective.

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

The board of Supervisors is of the view that save as the acquisition of Shanghai Weiyi as disclosed in the paragraph headed "Material acquisition of subsidiaries" in the section headed "Management Discussion and Analysis" in this annual report, the Group had no connected transaction in 2016 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 business operations.

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 of the Company will carefully follow through the 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

28 March 2017

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board of the Company is committed to maintaining good corporate governance standards.

The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

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

In the opinion of the Directors, throughout the year ended 31 December 2016, the Company has complied with all the code provisions as set out in the CG Code.

Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules (with certain modifications). Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2016.

BOARD OF DIRECTORS

The Board oversees the Group's businesses, strategic decisions and performance and should take decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time performing them.

Board composition

The Board of the Company currently 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 18 to 21 of this annual report.

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

Board meetings and Directors' attendance records

Regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors.

Apart from regular Board meetings, the Chairman also held meeting with the non-executive Directors (including independent non-executive Directors) without the presence of executive Directors during the year ended 31 December 2016.

During the year ended 31 December 2016, the Board held nine meetings. The attendance record of each of the current Directors at the Board meetings of the Company held during the year ended 31 December 2016 is set out in the section headed "Attendance Record of Directors and Committee Members" on page 48 of this annual report.

Chairman and Chief Executive Officer

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

Independent non-executive Directors

During the year ended 31 December 2016, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board 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.

Appointment and re-election of Directors

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. Subject to the relevant laws, regulations and regulatory rules of the place where the Company is listed, if the Board appoints a new director to fill up any interim vacancy or increase the members of the Board, the term of office of such newly added director shall expire at the next shareholders' general meeting and he/she is eligible for re-election.

Responsibilities of the Directors

The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

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

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

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.

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 shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

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

Continuous professional development of Directors

During the year ended 31 December 2016, the Directors have attended trainings/seminars on topics such as (i) updates on regulations of merger and acquisitions of listed companies; (ii) environmental, social and governance reporting; and (iii) legal risks and measures in non-resident enterprise acquisitions. The following Directors have attended the trainings during the year ended 31 December 2016:

Name of Directors	Participation
Executive Directors	
Gui Pinghu	Attended
Zhang Yuan	Attended
Xu Li	Attended
Zhu Feifei	Attended
Non-executive Director	
Xu Chuntao	Attended
Independent non-executive Directors	
Jiang Fuxin	Attended
Feng Qing	Attended
Vincent Cheng	Attended

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 specific written terms of reference which specify clearly their authority and duties. 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 list of the chairman and members of each Board committee is set out under "Corporate Information" on page 02.

Audit Committee

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

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors, and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Audit Committee held two meetings to review, amongst other things, the annual financial results and reports of the Company in respect of the year ended 31 December 2015 and the interim results of the Company for the six months ended 30 June 2016. The Audit Committee also considered significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, connected transactions and arrangements for employees to raise concerns about possible improprieties.

The Audit Committee also met the external auditors twice during the year ended 31 December 2016 without the presence of the executive Directors.

The attendance of each of the current members of the Audit Committee at the Audit Committee meetings held during the year ended 31 December 2016 is set out in the table under section headed "Attendance Record of Directors and Committee Members".

Remuneration Committee

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. Ms. Feng Qing is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. 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 met once during the year ended 31 December 2016 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 the senior management by band for the year ended 31 December 2016 are set out in note 7 to the financial statements of the Company.

The attendance of each of the current members of the Remuneration Committee at the Remuneration Committee meeting during the year ended 31 December 2016 is set out in the section headed "Attendance Record of Directors and Committee Members".

Nomination Committee

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 terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. 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.

Nomination Committee

The Nomination Committee met once during the year ended 31 December 2016 to review the structure, size and composition of the Board and the independence of the independent non-executive Directors. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

The attendance of each of the current members of the Nomination Committee at the Nomination Committee meeting during the year ended 31 December 2016 is set out in the section headed "Attendance Record of Directors and Committee Members".

Strategy and Development Committee

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. Mr. Gui Pinghu is the chairman of the 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 met once during the year ended 31 December 2016 to review the development strategies for the year 2016 and the material investment decisions of the Company.

The attendance of each of the current members of the Strategy and Development Committee at the Strategy and Development Committee meeting during the year ended 31 December 2016 is set out in the section headed "Attendance Record of Directors and Committee Members".

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 and the Company's compliance with the CG Code and disclosure in this corporate governance report.

ATTENDANCE RECORDS OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each of the Directors at the Board meetings, Board committee meetings and the general meetings of the Company held during the year ended 31 December 2016 is set out in the table below:

	Attendance/Number of Meetings						
Name of Directors	Board	Nomination Committee	Remuneration Committee	Audit Committee	Strategy and Development Committee	Annual General Meeting	Other General Meetings (if any)
Gui Pinghu	9/9	N/A	N/A	N/A	1/1	1/1	6/6
Zhang Yuan	9/9	N/A	N/A	N/A	N/A	1/1	6/6
Xu Li	9/9	1/1	N/A	N/A	N/A	1/1	6/6
Zhu Feifei	9/9	N/A	1/1	N/A	N/A	1/1	6/6
Xu Chuntao	9/9	N/A	N/A	N/A	N/A	1/1	6/6
Jiang Fuxin	9/9	1/1	N/A	2/2	1/1	1/1	6/6
Feng Qing	9/9	1/1	1/1	2/2	N/A	1/1	6/6
Vincent Cheng	9/9	N/A	1/1	2/2	1/1	1/1	6/6

Apart from regular Board meetings, the Chairman also held a meeting with the non-executive Directors (including independent non-executive Directors) without the presence of executive Directors during the year ended 31 December 2016.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems of the Company and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the responsibility for establishing, maintaining and evaluating effective risk management and internal control systems. The board of Supervisors is responsible for supervising the Board on the establishment and implementation of risk management and internal control systems. The management is responsible for coordinating and monitoring the risk management and internal control progress. The Audit Committee assists the Board in leading and coordinating matters regarding internal control, overseeing the design, implementation and monitoring of the risk management and internal control systems.

The Audit Department of the Company is responsible for performing independent review of the adequacy and effectiveness of the risk management and internal control systems. The Audit Department examines key issues in relation to accounting practices and all material controls and provides its findings to the Audit Committee.

The objectives of risk management and internal control systems of the Company are to ensure compliance with relevant laws and regulations, safeguard the Company's assets, maintain proper accounting records and improve operational efficiency, so as to achieve strategic development.

The Company's risk management and internal control systems include different functions and areas, namely organizational structure, strategic development, human resources, asset management, sales and purchase, finance and accounting, information technology, internal audit, contract management and administration.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes. The control activities are mainly carried out through the following:

1. Implement segregation of duties when establishing defined business processes and work responsibilities;

2. Based on the actual needs of business processes of each business unit, define approval and authorisation limits, approval process and responsibilities;

3. Establish accounting procedures by strictly following accounting standards and framework, enhance the quality and level of accounting work and improve accounting work procedures; and

4. Set up and evaluate regularly on the procedures regarding the use and management of assets, and safeguard the Company's assets by defining clear business processes and work responsibilities.

The Company's self-evaluation on internal control systems has the following features and processes:

1. Communicate with middle and senior management to collect risk information, conduct analysis and identify high-risk areas that the Company may face for establishing and implementing internal control systems and defining the scope and key areas;

2. Identify key risk information, define clear risk management responsibilities and adopt the requirements of risk management and internal control, based on the conditions of internal control systems of all business processes of the Company;

RISK MANAGEMENT AND INTERNAL CONTROLS (CONTINUED)

3. Identify design defects by verifying and evaluating the implementation and efficiency of internal control systems through walk-through testing;

4. Discover defects during the implementation of internal control systems by evaluating key control activities samples which are extracted based on the frequency of occurrence; and

5. Identify material weakness of internal control systems from business process perspectives and improve according to the findings and report of the Audit Department. Implement and test on the improved internal control systems and verify its effectiveness.

During the self-evaluation process, the Company has adopted methods such as interviews, walk-through testing and sampling to broadly collect evidence in relation to the effectiveness of internal control design and implementation, accurately analysing and identifying the defects of the internal control systems. Self-evaluation has been conducted annually to confirm that the control policies are properly complied with.

The management has confirmed to the Board on the effectiveness of the risk management and internal control systems for the year ended 31 December 2016.

The Board, as supported by the Audit Committee as well as the internal audit findings, reviewed the risk management and internal control systems, including the financial and non-financial controls for the year ended 31 December 2016, and considered that such systems are effective and no material defects were found.

Arrangements are in place to facilitate employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Company has developed disclosure policies, such as Procedures for Information Disclosure Management, Procedures for Internal Reporting of Material Information and Procedures on Registration of Insiders, which provide a general guide to the Directors, officers, senior management and relevant employees of the Company in handling confidential information, monitoring information disclosure and responding to enquiries.

Control procedures have been implemented to ensure that unauthorised access and use of inside information are strictly prohibited.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2016.

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

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 76 to 80.

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	1,750
Audit services for A-share IPO, Ernst & Young Hua Ming LLP	300
Assurance services on acquisition of a subsidiary, another member firm of the Ernst & Young global network	71
Statutory audit services, Ernst & Young, another member firm of the Ernst & Young global network	195
Other advisory services, Ernst & Young (China) Advisory Limited	200

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. Its primary contact person at the Company is Ms. Zhi Hui, another joint company secretary of the Company.

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

NON-COMPETITION UNDERTAKING

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

Each of the controlling shareholders has confirmed compliance with the terms of the Non-Competition Undertaking and that during the year ended 31 December 2016, 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 shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Directors.

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

Convening extraordinary general meeting

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

Putting forward proposals at general meetings

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

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

Putting forward enquiries to the Board

For putting forward any enquiries to the Board, 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: zhihui@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 its 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

During the year ended 31 December 2016 and up to the date of this annual report, the Company has amended its Articles. Details of the amendments are set out in the circular dated 29 February 2016 and announcement dated 5 January 2017. An up-to-date version of the Articles is also available on the Company's website and the Stock Exchange's website.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CONTENTS

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

The Reporting Period

The report covers from 1 January 2016 to 31 December 2016, partial content of which may excess the above range.

Release Cycle

This environmental, social and governance report (the "ESG Report") of Nanjing Sinolife United Company Limited (the "Company") is the first annual ESG Report of the Company, which will be released on a regular basis.

Basis of Preparation

This report is prepared mainly with reference to the Environmental, Social and Governance Reporting ("ESG") Guide issued by the Hong Kong Stock Exchange and other relevant documents, as well as a set of systemic procedures. Such procedures include identifying and listing important stakeholders and ESG-related issues, determining the content and range of the ESG reports, collecting relevant materials and evidence, compiling data based on information and verifying data in the report.

Reference Description

For presentation purpose, "Sinolife United", the "Group" and "We" will be adopted instead for the expression of Nanjing Sinolife United Company Limited in the report.

Data Description

Historical data cited in this report is final statistical data, but the data contained in the annual report shall prevail in case of any discrepancy. The financial data in the report are denominated in Renminbi (hereinafter referred to as "RMB"), unless otherwise stated.

Confirmation and Approval

The report was approved by the Board on 28 March 2017 after confirmation with the management.

Contacts

30/F, Deji Building, 188 Chang Jiang Road, Xuanwu District, Nanjing
Tel: 86-25-86819188
Fax: 86-25-86819167
Website: http://www.zs-united.com
E-mail: sinolife@zs-united.com

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group has been persisting in the goal of becoming a "Global Nutrition and Health Management Specialist", while actively investing in and developing green health business. To drive the sustainability of the industry and further improve the living standard of the public, we optimise our management level and improve product quality, which is also an important manifestation of the Group's corporate social responsibility.

1 RESPONSIBILITY GOVERNANCE

In line with our ongoing expansion amid our steady materialisation of the international strategy, the Group incorporates the social responsibility into our overall strategic system with the management and improvement of our internal control constantly optimised, while actively engaging in communications with our stakeholders. In addition, the Group will incessantly pursue sustainable development and continue to integrate the social responsibility into every aspect of our corporate management.

1.1 ESG management structure

To better tackle our ESG-related challenges, the Group has established the ESG Management Committee led by the Chief Executive Officer, which will thoroughly plan and consider the management of economic, environmental and social impacts to ensure that the relevant tasks are delivered by the ESG Working Group comprising head of each functional department from the highest regulatory authorities to employees at all levels.

The ESG Management Committee reports to the Board of the Company on a regular basis so that the latter will be able to assess and determine the appropriation and effectiveness of the Group's risk management and internal control systems with respect to the environment, society and governance.

1.2 Identification of and communications with stakeholders

The Group attaches great importance to communications with stakeholders by disseminating our social responsibility values and practices through various channels, understanding the requirements of our stakeholders, and taking steps to meet the reasonable expectations and propositions of the stakeholders.

Stakeholders	Expectations and propositions	Means of communications and responses
Governments and regulators	To fully implement national policies, laws and regulations To promote local economic development To drive local employment To push forward industry development	To file reports To provide advice and recommendations To submit special reports To engage in discussions and cooperation
Shareholders and investors	To provide return To ensure operating compliance To ensure safety production	To issue company announcements To release special reports To invite for site visits
Suppliers	To fulfill contractual obligations according to law To ensure honest operations To manage supply chains	To engage in business negotiations To engage in on-site studies To engage in exchanges and discussions
Media	To ensure operating compliance To ensure product responsibility To participate in public activities	To publish news release/announcements To hold meetings To invite for site visits
Employees	To protect employee rights To ensure occupational health To provide remuneration and fringe benefits To provide vocational development	To hold worker representative meetings To ensure collective negotiation To provide democratic communication platforms
Consumers and the public	To provide premier products and services To improve community environment To involve in public welfare To ensure open and transparent information To ensure green raw materials and productions	To provide a company website To release company announcements To engage in interviews and communications To address customer feedback

1.3 Determination of material issues

To understand the expectations and propositions of stakeholders and enhance the relevance and responsiveness of the report, the Group determines the environmental, social and governance issues and makes materiality judgments in accordance with the requirements under the Environmental, Social and Governance Report Guide. By so doing, the Group will ensure the information disclosed in the report covers the Company's development and major topics concerning our stakeholders.

Screening process of environmental, social and governance issues

Determining the sources of issues

- Recommendations from the management of the Company
- Anaysis and recommendations from internal and external experts
- Multimedia information analysis
- Domestic and overseas counterparts benchmrks
- Guidelines related to social responsibility

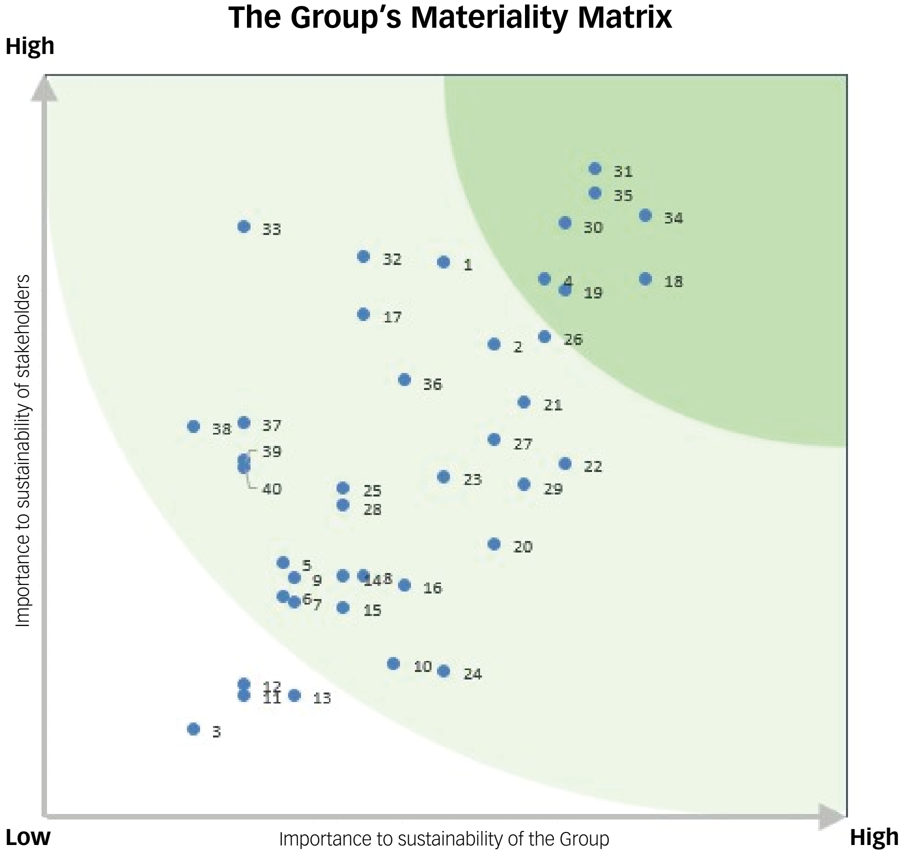
Defining screening standards

- Contribution to sustainability
- General concerns of stakeholders
- Highlights on guidelines related to social responsibility
- Corporate strategic and development neds

Reaching judgmental results

- Importance to sustainability of the Company
- Importance to sustainability of the stakeholders

The Group's Materiality Matrix



Economic issues	Environmental issues		Social issues		
1. Business performance	5. Water conservation	13. Noise management	17. Employee remuneration and benefit	25. Community environment protection	33. Customer complaint management
2. Industry trends	6. Waste water treatment	14. Environment management system	18. Occupational safety and health	26. Compliance with social regulations	34. Compliance with product and service laws and regulations
3. Impact of climate change on operating income	7. Waste gas treatment	15. Emission reduction	19. Employee development and training	27. Public charity	35. Compliance with marketing laws and regulations
4. Culture and business value	8. Solid waste disposal	16. Protection of biological diversity	20. Diversity of employee background	28. Impact of daily business on community	36. Supplier environmental performance assessment
	9. Construction management		21. Protection of human rights	29. Anti-corruption	37. Supplier safety training and promotion
	10. Land use		22. Community contribution	30. Service quality assurance	38. Supplier social performance assessment
	11. Soil remediation		23. Relationship between community and government	31. Compliance with contractual obligations	39. Supplier labor standards assessment
	12. Underground water		24. Immigrant resettlement and employment	32. Protection of customer privacy	40. Supplier human rights assessment

1.4 Optimised Management

- **Annual theme**

  In 2016, the Group focused on "optimising" its management. During the Year, we acquired Hejian and Living Nature, in addition to our holdings in GHP in 2015. Upon completion of our holdings and acquisitions, the Group has become a rising multinational corporation. Zhongsheng, Hejian and GHP have their own professional talent pool on their research and development teams, which achieved good results in the past in their respective regions and fields. In 2016, by optimising the management and sharing information resources, these teams join forces to play an active role in enhancing the overall research and development capability of the Group, tapping into leading-edge research and development information in the global market, and pushing forward the development and advancement of domestic and overseas new products. Following optimisation and integration, the IT departments at Zhongsheng and Hejian have achieved positive results in demonstrating their respective advantages and effective control over overall cost reduction.

- **Corporate governance**
  According to the requirements of the modern enterprise system, the Group has established a "3+1" governance structure, which comprises the shareholders' general meeting, the board of directors, the board of supervisors, and the management. Under the corporate governance structure, each department with clearly defined terms of reference performs its duties and responsibilities, and coordinates with each other to maintain checks and balances, thus achieving a governance structure with scientific decision-making and standardised operations.

  For further information about corporate governance, please refer to the section under "Corporate Governance Report" of this annual report.

- **Integrity and anti-corruption**
  In strict compliance with the Criminal Law, the Anti-Unfair Competition Law, and other national laws and regulations, the Group resolutely opposes any form of corruption, bribery, malpractice or fraud and handles them in accordance with the applicable laws and regulations. The Group and its subsidiaries have formulated the Employee Code of Conduct or Business Code as its highest standards of openness, integrity and accountability in all their affairs and are committed to creating an honest corporate culture without malpractice and fraud. We have set up a Market Monitoring Department competent in formulating the principles of preventing, reporting and managing corporate fraud and fraud during the selling process. By promoting the Company's core values, this department will guide employees and the public through the means of communications with respect to alleged fraud or corruption, thus regulating the Company's business activities.

  Senior management and internal regulatory authorities of the Company take primary responsibility for preventing, supervising and correcting corrupt practices and potential fraud.

  There was no litigation arising from fraud or malpractices in the Company in 2016.

2 GREEN BRAND

2.1 Brand Statement

The Group has been committed to developing the comprehensive health industry since its inception. The governmental support, along with more than 17 years of learning, improvement and expansion, has transformed us into a multinational corporation operating a portfolio of multiple brands with the ability to produce, supply, and distribute products in the global market.

As a rising multinational corporation, we persist in the strategy of creating global brands. Our sustained strategic objectives involve the utilisation of advantages of multiple brands and globalisation. At present, the Group owns the following brands, including Zhongsheng, Hejian, Cobayer, Good Health and Living Nature.

The Group hereby undertakes to maintain our strategy of creating global brands. With our foothold in China, we will persist in our initial mission to expand our business presence from China, Australia, and New Zealand to the rest of the world.

2.2 Green Product

- **Natural quality**

The Group is committed to producing and providing organic and high-quality nutritional supplements for consumers, and upholds the tenet of offering healthy and safe products.

The Group has been persisting in the green concept for each and every procedure within product development, production, testing and packaging. During procurement of raw materials, selection of domestic first-class production bases and special high-quality raw materials, and production activities, chemical synthesis is reduced and harmful additives are avoided. Additionally, high-quality and safe packaging materials are selected. Thus, the Group has established a comprehensive, scientific, natural and safe production system of nutritional supplements, which has become a long-term and loyal choice of customers.

In recent years, the Group has been active in overseas acquisitions, and striving to deliver to Chinese consumers the most natural and nutritional products and premier health concepts at home and abroad.

Acquisition of Good Health

Good Health has the leading capabilities of technological application, research and development, and is well positioned to access natural raw materials in New Zealand. Due to the unique biodiversity and excellent weather conditions in New Zealand, its products naturally benefit from higher bioactivity and useful ingredients. It ranks first in the field of product traceability by taking use of the research and development technology to conduct effective analysis on the products. Its bioactive raw materials are natural, pure, and pollutant-free. In consideration of all these facts, the Group has completed the acquisition of Good Health in May 2015.

Acquisition of Living Nature

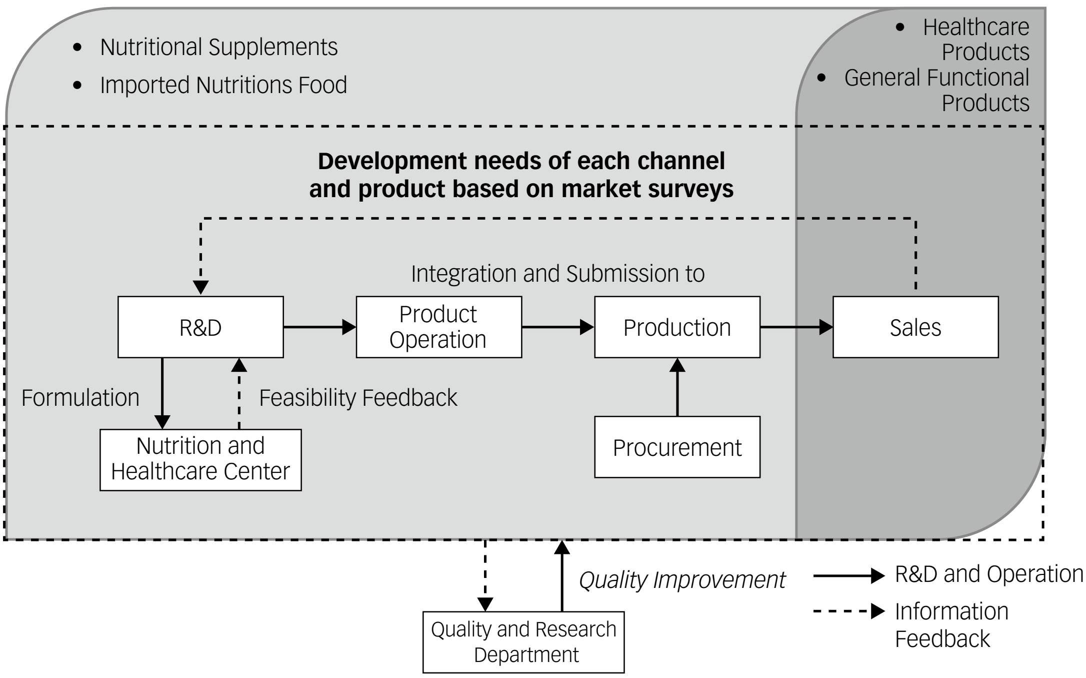
Living Nature is principally engaged in the manufacturing of cosmetics and skincare products in New Zealand for 29 years. Its products, free from heavy metals, ethanol, flavor, and pollutants, are mainly manufactured with natural botanical raw materials in a non-chemosynthesis method. They are safe and 100% pure natural and packaged with renewable materials, dyes and chlorine-free paper. No animal experiments are conducted for the products. It is a brand of natural products, which is certified by BDIH (Bundesverband Deutscher Industrie-und Handelsunternehmen (Federal Association of German Industry and Trade)) and the Australia COSMOS as natural cosmetics. In consideration of all these facts, the Group completed the acquisition of Living Nature in May 2016.

- **Innovative R&D**

  The Group has been pursuing the goal of "improving the physical status of people under sub-health conditions and making healthy people healthier" since its foundation. In addition, the Group is committed to its research and development to improve the industry status, as well as driving the evolution and growth of the healthcare industry.

  To break through the industry bottleneck, the Group is gradually building up a new system integrated with research, production and distribution. In 2014, the Group established the "Zhongsheng COFCO Research and Development Centre" with COFCO Nutritional Health Research Institute (中糧營養研究院) under a strategic cooperation agreement, thus becoming a pioneer of the PRC healthcare industry. In 2016, the Group continued further investments in research and development by establishing another multi-functional scientific research and development centre.

  Scientific and technological innovation pivots on the support of the downstream market. As a result, by adopting a market-oriented research and product development process, the Group organically combines research and development, production, marketing with sales to create a close-loop system.



Product R&D Report

Taking unremitting efforts, the Group has built broad brand recognition and reputation in the target market with a diversified product portfolio. As of 31 December 2016, the Group sold an aggregate of 703 existing products and new products, amongst which 56 new products were launched in 2016. To protect the health of consumers and offer wider product selection in the future, the Group will continue to cooperate with large research institutions, focus on the development and introduction of new products, and introduce new components and efficacy.

- **Brand and honors**

  In strict compliance with national laws, including the Patent Law and the Trademark Law, the Group respects intellectual property rights and trademark protection and ensures the compliance by our overseas operating businesses with the local relevant requirements. Meanwhile, we exercise stringent control over the attainment of the relevant documents issued by the national food and drug administration authorities with respect to our products based on the industrial specialties of healthcare products. The Group has a total of 29 approvals relating to healthcare products issued by China Food and Drug Administration, representing the highest product and regulatory standards set for nutritional supplements in Chinese.

Zhongsheng	Good Health	Living Nature	Australia CONBAIR	Hejian
10 patents applications & 6 patents granted	19 trademarks	79 trademarks	4 trademarks	2 patents
2 copyrights				2 copyrights
98 trademarks				68 trademarks

  We consider intellectual property protection as the cornerstone of brand development. By the end of 2016, the Group had a total of 268 trademarks.

  "Zhongsheng Coenzyme Q10 Capsules" and "Zhongsheng Branded Linolenic Acid Soft Capsules" were awarded the High-tech Product Certificate issued by Jiangsu Department of Science and Technology

  The Group received 2015 Forbes China Potential Enterprise

  The Group was rated as a "Reassurance Consumption Model Enterprise" by Health Care Industry Association of Jiangsu Province

The Group's production base obtained various certificates and honors, including such certificates as the HACCP certification, ISO9001 certification and ISO22000 certification, as well as such honors as the "Trustworthy Enterprise with Contractual Spirit" granted by Nanjing Government. a "Safety Enterprise" by the guiding panel of safety enterprise development, a "Credit Entity" by Nanjing Municipal Human Resources and Social Security Bureau, and a "Credit Report" issued by an institution authorised by the industry and commerce administration authorities.

At the "China Nanjing Health Service Industry Development Summit", Sinolife United was awarded "2013 Health Industry Demonstration Base Prize", and its "Zhongsheng Branded Coenzyme Q10 Product Series" was awarded the prize of the most influential brand in the healthcare industry in 2013.

2.3 Lean Production

- **Quality management system**

  Under the Group's pursuit of "quality improvement, health and fitness, excellence, and customer satisfaction", all employees bear the customer-centric awareness to meet customer requirements and exceed customer expectations. With the spirit of seeking excellence, we maintain our product quality and continuously improve our quality management system, enabling the Group's products to lead domestically and internationally.

  As the organ in managing product quality, the Quality Control Department of the Company is responsible for supervising and reviewing all production activities to determine whether they align with the requirements under the safety management system for food production and healthcare food production. Product quality is subject to step-by-step management process to achieve the goals of "the ex-factory pass rate of 100%, the customer satisfaction of 90% or above, the effective complaint rate of 1% or below, and the contractual performance rate of 99% and above".

- **Strict control over quality inspection**

  A key part of our quality management system is to exercise strict control over quality inspection. The Group has established well-developed systems and procedures for quality control to standardise the specific implementation of quality management in the production process.

  The Group has established a series of procedural documents, including inspection and management of raw materials, processing procedures, batch production records, cleaning management, testing and inspection of packaging materials. To assure each customer of guaranteed product quality and safety, the Group also conducts strict quality control over each stage of production in accordance with the prescribed procedures and standards, including the inspection of all raw materials, accessories, packaging materials, intermediates and finished products.

- **Standardised supply chain management**

  As a leading nutritional supplements supplier in the industry, the Group has formulated a comprehensive supply chain management system, including "Supplier Access Management Process", "Supplier Qualification Management System", "Supplier Audit Management System" and "Supplier Assessment Procedures", which standardised the development and access procedures of suppliers to manage, audit and assess suppliers. The Group treats and respects all suppliers fairly, while ethically communicating with suppliers or potential suppliers. During the procurement and sales, we support and practice the principle of good faith and denounce any form of commercial bribery.

- **Compliance with contract obligations**

  The Group recognises that integrity and commitment are the key to improve our operation quality, meet customer needs, and maintain corporate reputation and sustainability. The Group always persists in adhering to the principle of "contractual performance rate of 99% and above", endeavors to collaborate with business partners, and answers our consumer with integrity on a best-effort basis.

  In order to strengthen the management of defective products, protect the consumer interests, and facilitate the brand promotion, the Company has established a well-developed defective product management and recall system. The Company standardises non-performing product identification, statistics, processing, scrapping and other management processes to ensure that all non-performing products can be identified before entering the distribution market, and non-performing products are properly disposed. These procedures will help supervise product protection for each circulation process, reduce unexpected production of non-performing products and minimise the loss of the Company.

2.4 Service Commitment

- **Improving client experience**

  The Group firmly believes that a successful enterprise earns not only considerable profits but also the trust and satisfaction of customers. Therefore, we unswervingly pursue customer satisfaction by putting efforts into marketing, sales, after-sales and health consulting and other aspects, while constantly devising survey programs to track customer satisfaction.

  To provide premier and comfortable customer experience where consumers may access more comprehensive, professional, authoritative and reliable services and recommendations, the Group has established a sound store and staff management system to standardise the code of conduct for our employees competent in customer services, and emphasises cultivating the professionalism of our employees.

  In the ever-changing internet era, the rise of e-commerce and mobile internet gradually changes the consumption patterns. The Group has taken the initiative to make changes by integrating the internet, call center, wireless terminal and customer relationship platform to strengthen the cross-border sales on the e-commerce platform. As a result, this eliminates dealers, supermarkets, pharmacies, salesmen, and all intermediate links, so that consumers may purchase high-quality and affordable healthcare products by telephone and on websites along with professional health consultation, convenient logistics distribution services and hassle-free aftersales service.

  The Group's fast-growing retail network and diversified distribution platform enable the Group to serve a broader customer base. As of 31 December 2016, the Group has a diversified sales platform with a wide geographic coverage of 20 cities in 12 provinces and municipalities in the PRC. The Group's diversified distribution platform in the PRC mainly includes retail stores under the Zhongsheng brand in the form of 9 specialty stores and 27 district selling centres, 24 retail stores under the Cobayer brand as well as the online call center via 400 outbound call under the Hejian brand. Our Zhongsheng retail stores are mainly located in central business districts, well-established residential areas or local transportation centres. Our Cobayer retail stores are mainly located in large premier shopping malls. The Group's overseas diversified distribution platform mainly includes international distribution networks around the world (including UK, Germany, the Netherlands, Canada, Korea, Japan, Singapore, South Africa, Vietnam, Thailand, Malaysia, Indonesia, and UAE), and local large chain pharmacies, health goods supermarkets and tourist shops at New Zealand and Australia. In 2016, the Group continued to cooperate with e-commerce platforms such as Alibaba, Tmall International, JD.com, Suning, Health Post, and Health Element.

- **Safeguarding consumer rights**

  The Group attaches importance to each consumer's feedback on our products. By persistently applying the tenet of "integrity and efficiency, quality service, continuous improvement" to our customer services, we provide consumers with all-round premier services with respect to products, services and health advices, feedback, complaints, and recommendations.

  The headquarters of the Company operates a customer complaint hotline to provide customers with more comprehensive services and create a more smooth communication channel, thus striving to "resolve customer issues at earliest hour". Under normal circumstances, some customer issues will be resolved by local customer service executives. If these issues are not resolved satisfactorily, the customer may call the customer service department of our headquarters (i.e. our large customer service group), and our headquarters will establish immediate contact with such customer to investigate the cause, and provide viable and satisfying solutions.

3 PROTECTING THE EARTH

3.1 Conserving Resources

- **Policy on use of resources**

  The Group is committed to improving the utilisation rate of resources, energy conservation and emission reduction, by formulating and implementing the "Energy Conservation Management System", "Energy Conservation Control Management System", and other systems to effectively control the use of the Company's resources.

Table 5.2-1 Type and data of resources consumed

Type	Name	Unit	Consumption
Gasoline		Litres	54657
Natural gas		Litres	5
Diesel		Litres	10528
Electric energy	Total power consumption	Kilowatts	2014323.12
Water resources	Total water consumption	Tonnes	43991.54
Use of packaging materials		Tonnes	354.97

Note: data as of 31 December 2016

- **Energy conservation measures and effects**

  In order to strengthen energy management and reduce consumption, the Group has put forward a series of emission reduction requirements and specific measures for office area, production workshops and warehouses.

Our overall emission reduction measures

- The Engineering Department will conduct daily inspections to identify non-compliances, including gas and water leakage, dripping, fluid leakage, and illegal connection to power supply, and timely rectify such issues as identified
- The Company will arrange patrol and inspection
- We encourage the use of energy saving equipment and products

Office area	Warehouse	Workshop	Power distribution room
Our employees shall turn off all lights, air-conditioners and electrical equipment when leaving the office	When satisfying storage conditions, the air-conditioning temperature should not be too low.	When satisfying production conditions, the parameters of production environment control equipment should not be too high	We will control effective wattage, and timely inspect and record the management of the power distribution room by our Engineering Department. In addition, we will timely record power usage, and analyse abnormity

3.2 Protecting the environment

- **Emissions Management**

  Emissions management policy

  In strict compliance with various national and local laws and regulations, including the Environmental Protection Law, the Law on the Prevention and Control of Water Pollution, the Law on the Prevention and Control of Air Pollution, and the Law on the Prevention and Control of Solid Waste Pollution to the Environment, the Group attaches great importance to the impact of our production on environment and has adopted relevant countermeasures based on the environmental impact assessments. For the management of the emissions, the Company has formulated the "Corporate Drainage System Management", "Corporate Solid Waste Management System" and other systems to reduce the pollution to the surrounding ecosystem. In addition, the Group will constantly improve the relevant systems to minimise the impact of our production and business activities on the environment.

Emissions Data of Zhongsheng Science and Technology in 2016

Category	Name	Unit	Emission
Total emissions in production processes	Total sewage emissions	Tonnes	16250
	COD emissions	Tonnes	0.03
	Ammonia nitrogen emissions	Tonnes	0.026
Greenhouse gas emissions due to use of primary and secondary energy	Carbon dioxide	Tonnes	392
Hazardous waste	Obsolete PPE supplies	Tonnes	5
	Other hazardous waste	Tonnes	2.45
Non-hazardous waste	Packaging wastes	Tonnes	2.64
	Waste from pharmaceutical production	Tonnes	0.62
	Electronic waste	Tonnes	0.05
	Kitchen waste	Tonnes	1.5
	Office waste	Tonnes	1.2

Note: data as of 31 December 2016

Disposal measures and results

To meet the national requirements of sewage and stormwater discharge, the Group issues sewage inspection reports on a regularly basis and formulates the "Corporate Drainage System Management". The specific measures are as follows:

- try to separate stormwater from sewage according to the EIA requirements on new-built and alteration and expansion projects;
- inspect sewage on a regular basis per year to ensure the indicators of sewage discharge satisfies the EIA requirements;
- renew and review the sewage discharge permit on a regular basis;
- conduct daily inspections on sewage equipment at the plant premises and repair damaged inspection pits, inspection cover, ratproof nets and pipelines in a timely manner;
- clean up the mud on inspection covers regularly at least once a year;
- check if the rainwater and sewage and drainage system are smooth and dredge and tide up accordingly if necessary;
- check if there are any mixed flows among rainwater and sewage and take measures timely to ensure separation of rainwater from sewage.

Meanwhile, the Company has developed and implemented the "Corporate Solid Waste Management System" to strictly control the discharge of solid waste and ensure the solid waste are classified, collected, stored and processed in a scientific manner, thus achieving rational use of waste and reducing the impact of emissions on the environment. For disposal of hazardous waste, the Company proposes the following measures:

> hazardous waste generated from the Quality Assurance Department shall be collected in special containers for recycling purposes;

> the Quality Assurance Department should set up outlets and containers for hazardous waste, and label these hazardous waste based on types for the purposes of classification and collection;

> the equipment of containers for hazardous waste should take into consideration of the features of hazardous waste and chemical compatibility of the container;

> waste chemical reagents generated from the Quality Assurance Department should be collected for disposal in accordance with relevant requirements and casual discharge is strictly prohibited;

> waste oil from daily production of the Engineering Department should be collected and delivered to solid waste companies for disposal. No casual discard is permitted;

> refrigerants for air-conditioners and refrigerating cabinets should be delivered to maintenance companies for collection and disposal and should not be discharged into the air;

> solid wastes recycling agreements will be entered into with professional solid waste companies for disposal of solid wastes.

Green Operation

As a corporate with a strong sense of social responsibility, the Group is committed to green and environmental-friendly businesses. The Group promotes the sustainability of enterprises and the community by launching of a number of green public welfare activities. In order to promote the green travel and other environmental concepts, obsolete vehicles with high mileage will be scrapped and sold in the second-hand car market by the Company. To date, 3 vehicles have been scrapped; Vehicles upon scrap will not be equipped with new parts and remaining vehicles will be strictly monitored for disposal in time.

Each business segment of the Group has no material impact on the environment and natural resources in 2016.

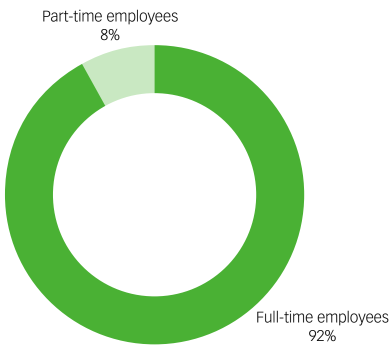
4 CARING CORPORATE FAMILY

4.1 Care for employees

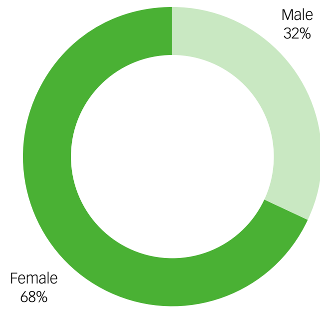
- **Employee overview**

  As of 31 December 2016, the Group had a total of 909 employees.

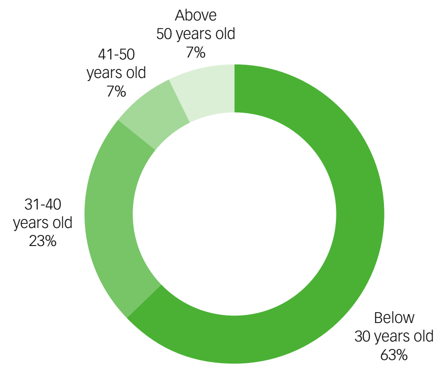
Percentage by types of employees



Percentage by gender



Percentage by age



- **Protecting employee rights**

  The Group is committed to safeguarding the legitimate interests and rights of its employees, and prepares the relevant policies pertaining to recruitment, employee insurance, remuneration and fringe benefits, etc. in accordance with national laws and regulations, including the Labor Law, the Labor Contract Law, and the regulations with respect to their implementations, the Social Insurance Law, and the Administrative Rules on the Employment of Foreigners. The Group attaches importance to the insurance, remuneration and benefits of our employees, and develops a "Salary Management System" to promote fairness, impartiality and reasonableness in compensation of our employees, which stipulates the standards, calculations and requirements of remuneration based on the fairness, competition, incentive, Pareto Principle and privacy. Meanwhile, the "Insurance Management System" provides the operating procedures for social insurance, which is not only a welfare of our employees but also a strong guarantee provided by the Company for the future of our staff.

  The Group prohibits child labor and forced labor strictly in accordance with the State Council's regulation on "Provisions on the Prohibition of Child Labor".

  The Group offers its employees equal opportunities in recruitment, training, development and benefits. Employees would not be discriminated against or deprived of equal opportunities on the ground of sex, racial background, religion, colour, sexuality, age, marital status, family background, retirement, disability, pregnancy or any other discriminatory factors prohibited by law.

  The Group's staff handbook sets out the Group's working hours, rest breaks, holidays, leave entitlements as well as termination of employment and compensation matters.

- **Care for safety and health of employees**
  An important prerequisite for the Group to develop its business is to ensure the safety and health of employees , therefore we will strictly manage the safety production and occupational health issues in accordance with national and local laws and regulations, including the Workplace Safety Law, the Law on the Prevention and Control of Occupational Diseases, and the Safety Training Management Rules. As stipulated under the "Safety Training Management System", the Company and its department are required to carry out safety production promotion and experience, while our employees are required to visit relevant work safety exhibitions and watch safety education films and TV to analyse and discuss the causes of accidents or potential accidents. To strengthen the safety management of the Company, the Company will organise demonstrations of safety operation and competition activities regarding safety production, and instill safety thinking, safety technology, processing discipline, labor discipline and legal education awareness into our employees. Living Nature, a subsidiary of the Group is committed to providing a safe and healthy working environment for its employees. Timely reports on all incidents are required for the purposes of investigating the causes of the accidents, and safety hazards should be reported in a timely manner. Our employees are encouraged to consult issues regarding health and safety and participate into relevant activities.

4.2 Talent development

- **Help our employees grow**
  The headquarters of the Group has developed a "Staff Training Management System" to improve the quality of personnel, training efficiency and integrity management. The system determines the training rights and responsibilities of each department of the Company, and designs different training contents and requirements for new employees, elite talents, store managers, managers and future successors. Zhongsheng Science and Technology, a subsidiary of the Group has developed different expertise training contents for its employees at the workshops, the Quality Assurance Department, and the Engineering Department. Assessments will be made after the training and the relevant training results will be included into the training archive. The above measures are intended to standardise the specific work of the staff training management to ensure that the training responsibilities are clearly and reasonably defined. In 2016, the total training hours of our employees was 1,361 hours.

- **Pave way for the development of employees**
  Sound employee promotion and development opportunities can stimulate the enthusiasm of our employees. The Group is committed to building a fair, just and open competition mechanism, and has developed the "Employee Promotion Management System" to measure our employees in terms quality, ability, attitude, and performance and provide a promotion path of sales sequence, management sequence and cross development. This system will build a healthy circle of talent echelon, thereby enhancing the individual quality and ability of our employees, and fully mobilising their initiative and enthusiasm.

5 CONTRIBUTE TO THE SOCIETY

The Group remembers to contribute to the society during its healthy corporate development, as well as sharing prosperity with the community. We are committed to public welfare and charitable activities. In addition to actively driving the development of community health through our investments, we help vulnerable groups based on social needs by offering financial and resource support to create the social value of sustainability.

5.1 Community Health

GHP, a subsidiary of the Group, sponsored the Auckland Marathon and the Australian Badminton Open, which has promoted health concepts and the development of the community health.

5.2 Community Engagement

Since 2016, the Group has made contribution to the community by participating in charitable activities such as donation and has been committed to the harmony and development of the Company and the society. As the Group's subsidiary Living Nature prepares charitable activities such as donations to the Breast Cancer Fund, the Group also sets up the Zhongsheng Charity Award to encourage good deeds. According to statistics, by the end of 2016, the Group and its subsidiaries made donations of RMB54,106 to the society and the investment in community charity events in the neighborhood amounted to RMB927,580.

APPENDIX CONTENT INDEX FOR ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT GUIDE OF THE HONG KONG STOCK EXCHANGE

Indicator	Description	Section
A.Environment Emissions		
General disclosure	Information on the policies and compliance with relevant laws and regulations on air and greenhouse gas emissions, sewage discharges into water and land, generation of hazardous and non-hazardous waste, etc., all of which may have material impact on the issuer	3.2 Protect the Environment
A1.1	The types of emissions and relevant emissions data	
A1.2	Greenhouse gas emissions in total (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	
A1.3	Total hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	
A1.4	Total non-hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	
A1.5	Description of measures to mitigate emissions and results achieved	
A1.6	Description of how hazardous and non-hazardous waste are handled, reduction initiatives and results achieved	
Use of resources		
General disclosure	Policies on efficient use of resources including energy, water and other raw materials	3.1 Conserving Resources
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kwh) and intensity (e.g. per unit of production volume, per facility)	
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	
A2.3	Description of energy use efficiency initiatives and results achieved	
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	
A2.5	Total packaging material used for finished products (in tonnes), and if applicable, with reference to per unit produced	
The environment and natural resources		
General disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	3.2 Protect the Environment

Indicator	Description	Section
B.Society		
Employment		
General disclosure	Information on the policies and compliance with relevant laws and regulations on compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity and other benefits and welfare that have material impact on issuers	
B1.1	Total workforce by gender, employment type, age group and geographical region	4.1 Care for Employees
B1.2	Employee turnover rate by gender, age group and geographical region	
Health and safety		
General disclosure	Information on the policies and compliance with relevant laws and regulations on providing a safe working environment and protecting employees from occupational hazards that have material impact on issuers	
B2.1	Number and rate of work-related fatalities	
B2.2	Lost days due to work injury	4.1 Care for Employees
B2.3	Description of occupational health and safety measures adopted and their implementation and oversight	
Development and training		
General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management, etc.)	4.2 Develop Talents
B3.2	The average training hours completed per employee by gender and employee category	
Labour standards		
General disclosure	Information on the policies and compliance with relevant laws and regulations on preventing child or forced labour that have material impact on issuers	
B4.1	Description of measures to review employment practices to avoid child and forced labour	4.1 Care for Employees
B4.2	Description of steps taken to eliminate such practices when discovered	
Supply chain management		
General disclosure	Policies on managing environmental and social risks of supply chain	
B5.1	Number of suppliers by geographical region	
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	2.3 Lean Production

Indicator	Description	Section
Product responsibility		
General disclosure	Information on the policies and compliance with relevant laws and regulations on health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress that have material impact on issuers	
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	
B6.2	Number of products and service related complaints received and how they are dealt with	2.4 Untiring Service
B6.3	Description of practices relating to observing and protecting intellectual property rights	2.2 Green Product
B6.4	Description of quality assurance process and recall procedures	2.3 Lean Production
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	2.4 Untiring Service
Anti-corruption		
General disclosure	Information on the policies and compliance with relevant laws and regulations on bribery, extortion, fraud and money laundering that have material impact on issuers	
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	1.4 Optimal Management
B7.2	Description of preventive measures and whistle-blowing procedures and their implementation and oversight	
Community		
General disclosure	Policies on community engagement to understand the community's needs where it operates and to ensure its activities take into consideration communities' interests	
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	5.1 Community Health
B8.2	Resources contributed (e.g. money or time) to the focused area	5.2 Community Engagement

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)

OPINION

We have audited the consolidated financial statements of Nanjing Sinolife United Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 81 to 153, which comprise the consolidated statement of financial position as at 31 December 2016, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Business combination related to Living Nature Products Limited ("LN") and Hejian Nutritional Food Products Company Limited ("Hejian")	
The Group acquired 100% interest in LN, a limited liability company incorporated in New Zealand, on 31 May 2016 in cash and 100% interest in Hejian, a limited liability company established in China, on 2 June 2016 through the issue of new shares, respectively. The Group was required to perform a purchase price allocation, and the process involved the determination of the fair values of the identifiable assets and liabilities including intangible assets and goodwill. Such process was complex and it involved significant judgement. Assisted by external valuation specialists, the Group adopted different approaches for the determination of the fair values of different types of identifiable assets and liabilities of the two acquirees. The process involved a number of assumptions such as discount rate and weighted average cost of capital. The intangible assets identified in the two acquisitions amounted to approximately RMB7 million and RMB52 million, respectively, and the purchase price allocation resulted in goodwill of approximately RMB11 million and RMB87 million, respectively. Please refer to "Business Combination" as set out in note 28 to the annual financial statements in respect of the related disclosure for business combination.	We examined assumptions adopted in the appraisal reports, which underpin the fair value of identifiable assets and liabilities of LN and Hejian at the respective acquisition dates. We involved our internal valuation specialist to assist us in reviewing the methodology and certain assumptions (such as discount rate) adopted on evaluation of the fair values of the identifiable assets/ liabilities of LN and Hejian, and the fair value of the domestic shares issued to purchase the equity of Hejian.
Goodwill impairment	
Under Hong Kong Accounting Standard 36 Impairment of Assets, the Group is required to perform goodwill impairment test both annually and whether there is an indication that a cash-generating unit may be impaired. The assessment process of goodwill impairment was complex and it involved significant judgments and assumptions such as long term growth rate and discount rate. Please refer to "Note 14 Goodwill" to the annual financial statements in respect of the related disclosure for goodwill.	We reviewed the basis of preparation of the forecasts used for goodwill impairment. We also involved our internal valuation specialist to assist us in reviewing the methodology and certain assumptions adopted on the assessment of goodwill impairment.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lawrence K.W. Lau.

Ernst & Young
Certified Public Accountants
Hong Kong

28 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2016

	Notes	**2016 RMB'000**	2015 RMB'000
Revenue	5	**466,241**	397,064
Cost of sales		**(139,549)**	(77,138)
Gross profit		**326,692**	319,926
Other income and gain	5	**13,407**	15,008
Selling and distribution expenses		**(131,905)**	(90,054)
Administrative expenses		**(85,385)**	(59,488)
Other expenses		**(3,719)**	(1,212)
Share of profit of a joint venture		**426**	327
Profit before tax		**119,516**	184,507
Income tax expense	9	**(28,870)**	(45,557)
Profit for the year		**90,646**	138,950
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods, after tax			
Exchange differences on translation of foreign operations		**8,496**	804
Total comprehensive income for the year		**99,142**	139,754
Profit attributable to:			
Owners of the parent		**87,232**	136,233
Non-controlling interests		**3,414**	2,717
Profit for the year		**90,646**	138,950
Total comprehensive income attributable to:			
Owners of the parent		**92,750**	136,558
Non-controlling interests		**6,392**	3,196
		99,142	139,754
		RMB	RMB
Earnings per share attributable to ordinary equity holders of the parent:			
— Basic and diluted	11	**10 cents**	16 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Non-current assets			
Property, plant and equipment	12	**70,695**	37,149
Prepaid land lease payments	13	**10,710**	10,957
Goodwill	14	**153,387**	54,096
Other intangible assets	15	**77,575**	19,350
Investment in a joint venture	16	**6,304**	8,069
Deferred tax assets	24	**13,085**	5,839
Pledged deposit	30	**1,216**	1,146
Other non-current assets	31	**7,297**	2,671
		340,269	139,277
Current assets			
Inventories	17	**75,177**	69,990
Trade receivables	18	**39,674**	26,430
Prepaid land lease payments	13	**247**	247
Prepayments, deposits and other receivables	19	**9,996**	11,413
Other current assets		**–**	76
Pledged deposits		**367**	–
Cash and cash equivalents	20	**517,934**	532,326
		643,395	640,482
Total assets		**983,664**	779,759
Current liabilities			
Trade payables	21	**15,538**	12,574
Other payables and accruals	22	**51,346**	25,874
Tax payables		**18,020**	20,908
		84,904	59,356
Net current assets		**558,491**	581,126
Total assets less current liabilities		**898,760**	720,403

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Non-current liabilities			
Deferred tax liabilities	24	**17,244**	4,059
Provision	23	**707**	631
		17,951	4,690
Net assets		**880,809**	715,713
Equity			
Equity attributable to owners of the parent			
Share capital	25	**94,630**	83,817
Reserves	26	**728,594**	580,703
Non-controlling interests		**57,585**	51,193
Total equity		**880,809**	715,713

Gui Pinghu
Chairman and Executive Director

Zhang Yuan
Chief Executive Officer and Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

	Attributable to owners of the parent								
	Share capital RMB'000 (note 25)	Capital reserve RMB'000	Exchange fluctuation 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 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 relate to foreign operations	–	–	325	–	–	–	325	479	804
Total comprehensive income for the year	–	–	325	–	–	136,233	136,558	3,196	139,754
Disposal of a subsidiary									
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
At 1 January 2016	**83,817**	**360,075**	**(345)**	**36,352**	**(3,871)**	**188,492**	**664,520**	**51,193**	**715,713**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**87,232**	**87,232**	**3,414**	**90,646**
Other comprehensive income for the year:									
Exchange difference relate to foreign operations	**–**	**–**	**5,518**	**–**	**–**	**–**	**5,518**	**2,978**	**8,496**
Total comprehensive income for the year	**–**	**–**	**5,518**	**–**	**–**	**87,232**	**92,750**	**6,392**	**99,142**
Issue of shares for the acquisition of a subsidiary	**6,272**	**123,430**	**–**	**–**	**–**	**–**	**129,702**	**–**	**129,702**
Issue of shares	**4,541**	**60,718**	**–**	**–**	**–**	**–**	**65,259**	**–**	**65,259**
Final 2015 dividend declared and paid	**–**	**–**	**–**	**–**	**–**	**(129,007)**	**(129,007)**	**–**	**(129,007)**
Transfer from retained profits	**–**	**–**	**–**	**13,425**	**–**	**(13,425)**	**–**	**–**	**–**
At 31 December 2016	**94,630**	**544,223***	**5,173***	**49,777***	**(3,871)***	**133,292***	**823,224**	**57,585**	**880,809**

* These reserve accounts comprise the consolidated other reserves of RMB728,594,000 (2015: RMB580,703,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**119,516**	184,507
Adjustments for:			
Share of profits of a joint venture		**(426)**	(327)
Interest income	5	**(8,266)**	(10,304)
Short term investment income	5	**(79)**	(2,649)
Gain on disposal of a subsidiary	29	**–**	(9)
Depreciation	12	**8,444**	5,474
Amortisation of other intangible assets	15	**2,962**	1,129
Amortisation of prepaid land lease payments	13	**247**	247
Loss on disposal of property, plant and equipment		**598**	427
Write-down of inventories to net realisable value	6	**297**	182
Impairment of trade and other receivables	18	**297**	284
Impairment of an investment in a joint venture		**2,143**	–
		125,733	178,961
Decrease/(increase) in inventories		**14,977**	(28,038)
Increase in pledged deposits		**(367)**	(1,146)
Decrease in prepayments		**6,231**	–
Increase in trade and other receivables		**(9,117)**	(5,396)
Decrease in deferred income		**(666)**	–
(Decrease)/increase in trade and other payables		**(15,349)**	3,996
Cash generated from operations		**121,442**	148,377
Income tax paid		**(43,730)**	(43,719)
Net cash flows from operating activities		**77,712**	104,658
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments to acquire property, plant and equipment		**(26,857)**	(17,855)
Deposits for other intangible assets		**(1,619)**	–
Deposits for construction in progress		**–**	(1,487)
Acquisition of a subsidiary	28	**(9,476)**	(91,117)
Proceeds from disposal of property, plant and equipment		**5**	28
Redemption of a short-term investment		**3,000**	35,000
Short term investment income received	5	**79**	2,649
Dividends received from a joint venture		**845**	213
Disposal of a subsidiary	29	**–**	150
Interest received		**8,424**	13,217
Net cash flows used in investing activities		**(25,599)**	(59,202)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**65,414**	–
Share issue expenses		**(454)**	–
Capital injection from non-controlling interests		**–**	43,000
Repayment of loans of the newly acquired subsidiary		**(2,629)**	(6,116)
Dividend paid to owners of the Company	10	**(129,007)**	(99,994)
Net cash flows used in financing activities		**(66,676)**	(63,110)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(14,563)**	(17,654)
Cash and cash equivalents at beginning of year		**532,326**	550,044
Effect of foreign exchange rate changes, net		**171**	(64)
CASH AND CASH EQUIVALENTS AT END OF YEAR	20	**517,934**	532,326

1. CORPORATE INFORMATION

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

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

Information about subsidiaries

Particulars of the Company's 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 Company Direct	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 2008 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 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 Company 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	RMB500,000	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

1. CORPORATE 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 Company Direct	Indirect	Principal activities
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
上海惟翊投資管理有限公司	The PRC 21 October 2014 Limited liability company	RMB120,000,000	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
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
中生聯合（香港）有限公司	Hong Kong 23 March 2015 Limited liability company	HKD1	100%	–	Trading of food products
上海禾健營養食品有限公司***	The PRC 30 May 2007 Limited liability company	RMB20,000,000	100%	–	Retailing of health food products
上海集騰信息科技有限公司	The PRC 30 September 2011 Limited liability company	RMB1,000,000	100%	–	Information technology maintenance services

1. CORPORATE 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 Company Direct	Indirect	Principal activities
Living Nature Natural Products Limited****	New Zealand 1987 Limited liability company	NZD14,784,444	100%	–	Manufacture, and sale of cosmetics and skin care products

* 上海惟翊投資管理有限公司 ("Shanghai Weiyi") 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 in which the entire equity interest was owned by Shanghai Weiyi.

*** During the year ended 31 December 2016, the Group acquired Shanghai Hejian Nutritional Foods Products Limited ("Hejian"), which owns a 100% interest in Shanghai Jiteng Information ("Jiteng"). Further details of this acquisition are included in note 28 to the financial statements.

**** During the year ended 31 December 2016, the Group acquired Living Nature Natural Products Limited ("LN"). Further details of this acquisition are included in note 28 to the financial statements.

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 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 Group for the year ended 31 December 2016. 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;

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

(d) 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 in the accounting policy for subsidiaries. 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 new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012–2014 Cycle	*Amendments to a number of HKFRSs*

Except for the amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011), amendments to HKFRS 11, HKFRS 14, amendments to HKAS 27 (2011), and certain amendments included in the *Annual Improvements 2012–2014 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the amendments are described below:

(a) 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 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. The amendments have had no significant impact on the Group's financial statements.

(b) 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 applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(c) *Annual Improvements to HKFRSs 2012–2014 Cycle* issued in October 2014 sets out amendments to a number of HKFRSs. Details of the amendments are as follows:

- HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*: Clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in HKFRS 5. The amendments also clarify that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendments are applied prospectively. The amendments have had no impact on the Group as the Group did not have any disposal group held for sale during the year.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[2]
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]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[3]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 No mandatory effective date yet determined but available for adoption

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

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

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The Group expects to adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

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.

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 previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for application now.

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

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 June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt HKFRS 16 on 1 January 2019 and is currently assessing the impact of HKFRS 16 upon adoption.

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 January 2017.

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

Amendments to HKAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1 January 2017.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment in joint venture

A joint venture is a type of a 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 investment in a joint venture is 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 a joint venture 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 venture is eliminated to the extent of the Group's investment in the joint venture, 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, financial assets, and non-current assets), 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 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)

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Licence and health food certificates

Licence acquired as part of a business combination was valued at fair value based on the relief from royalty method. Licence with indefinite useful life was tested for impairment annually. The Health food certificates acquired as part of a business combination were valued at fair value based on the replacement cost method and are amortised on the straight-line basis over their estimated useful lives of 5 years. Health food certificates acquired separately are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 5 years.

Customer relationships

Customer relationships acquired as part of a business combination are valued at fair value based on the multi-period excess earnings method. Customer relationships are assessed as having finite useful lives and are amortised on the straight-line basis over their estimated useful lives of 10 to 14 years.

Trademarks

Trademarks acquired as part of a business combination are valued at fair value based on the relief from royalty method. Trademarks with finite useful lives are amortised on the straight-line basis over their estimated useful lives of 10 years. Trademarks with indefinite useful lives are tested for impairment annually.

Distribution network

Distribution networks acquired as part of business combination was valued at fair value and is amortised on the straight-line basis over its useful life of 10 years.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Available-for-sale financial investments (continued)

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 consolidated statement of profit or loss and other comprehensive income.

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 consolidated statement of profit or loss and other comprehensive income 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 consolidated statement of profit or loss and other comprehensive income.

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 consolidated statement of profit or loss and other comprehensive income.

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 by 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 and the joint venture, 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 and the joint venture, 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.

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 2016 was RMB153,387,000 (2015: RMB54,096,000). 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. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An 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. Further details, including assumptions, are given in note 15 to the financial statements.

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 value of deferred tax assets relating to recognised deductible temporary differences at 31 December 2016 was RMB13,085,000 (2015: RMB5,839,000). Further details are contained in note 24 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. The Group principally operates in one business segment, which is the manufacturing 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, New Zealand and Australia. The Group's revenue from external customers is primarily derived in the PRC, New Zealand and Australia.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

(b) Geographical information (continued)

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

	2016 **RMB'000**	2015 RMB'000
Mainland China	**322,656**	319,957
New Zealand	**127,330**	68,384
Australia	**3,405**	1,465
Vietnam	**2,974**	1,863
Others	**9,876**	5,395
	466,241	397,064

(c) Non-current assets

	2016 **RMB'000**	2015 RMB'000
Mainland China	**128,431**	39,629
New Zealand	**29,191**	26,992
Australia	**1,358**	835
	158,980	67,456

The non-current assets information above is based on the locations of the assets and excludes goodwill, an investment in a joint venture, deferred tax assets, pledged deposits 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 GAIN

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 gain is as follows:

	Note	**2016** **RMB'000**	2015 RMB'000
Revenue			
Sale of goods		**464,085**	396,274
Rendering of services		**2,156**	790
		466,241	397,064
Other income			
Bank interest income		**8,266**	10,304
Government grants*		**4,820**	2,046
Short term investment income		**79**	2,649
Net exchange gain		**98**	–
Others		**144**	–
		13,407	14,999
Gain			
Gain on disposal of a subsidiary	29	**–**	9
		13,407	15,008

* Various government grants have been received for the Group's contribution to the development of local economy. There are no unfulfilled conditions or contingencies relating to these grants.

6. PROFIT BEFORE TAX

Profit before tax is arrived at after charging:

	Notes	**2016** **RMB'000**	2015 RMB'000
Cost of inventories sold		**134,613**	71,694
Amortisation of prepaid land lease payments	13	**247**	247
Amortisation of intangible assets*	15	**2,962**	1,129
Auditor's remuneration		**2,174**	2,441
Depreciation of property, plant and equipment	12	**8,444**	5,474
Operating lease payments on properties and retail shops		**19,211**	16,879
Research and development expenses		**2,232**	2,520
Employment benefits expense (excluding Directors', supervisors' and chief executive's remuneration):			
Wages and salaries		**90,249**	59,129
Pension scheme contributions		**6,578**	11,551
Other benefits		**7,683**	2,775
Foreign exchange differences, net		**(98)**	308
Impairment of an investment in a joint venture**		**2,143**	–
Impairment of trade receivables		**297**	284
Write-down of inventories to net realisable value**		**297**	182
Bank interest income		**(8,266)**	(10,304)
Government grants***		**(4,820)**	(2,046)

* The amortisation of intangible assets for the year is included in "Selling and distribution expenses" in the consolidated statement of profit or loss.

** The impairment of an investment in a joint venture and the write-down of inventories to net realisable value are included in "Other expenses" in the consolidated statement of profit or loss.

*** Various government grants have been received for the Group's contribution to the development of local economy. There are no unfulfilled conditions or contingencies relating to these grants.

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:

	2016 **RMB'000**	2015 RMB'000
Fees	**249**	242
Other emoluments:		
Salaries, allowances and benefits in kind	**1,365**	1,848
Performance related bonuses	**1,060**	963
Pension scheme contributions	**207**	203
	2,632	3,014
	2,881	3,256

(a) Independent non-executive directors

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

	2016 **RMB'000**	2015 RMB'000
Mr. Jiang Fuxin (note i)	**60**	60
Ms. Feng Qing (note i)	**60**	60
Mr. Vincent Cheng (note i)	**129**	122
	249	242

There were no other emoluments payable to the independent non-executive directors during the year (2015: Nil).

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

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

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2016					
Executive directors					
Mr. Gui Pinghu	–	702	–	64	766
Ms. Zhang Yuan (note ii)	–	117	211	27	355
Ms. Xu Li	–	104	206	23	333
Ms. Zhu Feifei	–	89	153	19	261
	–	1,012	570	133	1,715
Non-executive director					
Mr. Xu Chuntao	–	–	–	–	–
Supervisors					
Ms. Yu Min	–	97	156	20	273
Ms. Wu Xuemei	–	90	177	19	286
Ms. Lu Jiachun	–	82	54	17	153
Mr. Tao Xingrong	–	–	–	–	–
Ms. Chen Xiu	–	84	103	18	205
	–	353	490	74	917

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

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

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2015					
Executive directors					
Mr. Gui Pinghu	–	931	–	84	1,015
Ms. Zhang Yuan (note ii)	–	109	246	20	375
Ms. Xu Li	–	100	256	19	375
Ms. Zhu Feifei	–	85	126	16	227
	–	1,225	628	139	1,992
Non-executive director					
Mr. Xu Chuntao	–	–	–	–	–
Supervisors					
Ms. Yu Min	–	249	119	17	385
Ms. Wu Xuemei	–	217	122	16	355
Ms. Lu Jiachun	–	78	54	14	146
Mr. Tao Xingrong	–	–	–	–	–
Ms. Chen Xiu	–	80	41	15	136
	–	624	336	62	1,022

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 (2015: two directors and the chief executive), details of whose remuneration are set out in note 7 above. Details of the remuneration for the year of the remaining two (2015: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2016 **RMB'000**	2015 RMB'000
Salaries, allowances and benefits in kind	**215**	192
Performance related bonuses	**436**	303
Pension scheme contributions	**61**	35
	712	530

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 **2016**	2015
Nil to HK$1,000,000	**2**	2

9. INCOME TAX

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

	2016 **RMB'000**	2015 RMB'000
Current tax		
— PRC	**27,150**	45,600
— New Zealand	**6,520**	3,925
	33,670	49,525
Deferred tax (note 24)	**(4,800)**	(3,968)
Income tax expense	**28,870**	45,557

9. INCOME TAX (CONTINUED)

(a) (continued)

One of the Group's subsidiaries obtained the Certificate of High and New Technology Enterprise in 2015 and was approved by tax authorities to enjoy the preferential tax rate of 15%, and another subsidiary of the Group was deemed as small and micro business and was entitled to enjoy the reduced tax rate of 4%. The other subsidiary of the Group is in the software technology business with tax exemption for the profit for the first two years and a 50% preferential tax rate for the profit for the subsequent three years, so the tax rate for the year ended 31 December 2016 was 12.5%. Except for the aforementioned subsidiaries, the income tax of the Company and its subsidiaries established 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 jurisdictions 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:

2016

	Mainland China		New Zealand		Australia		Total	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Profit/(loss) before tax	113,630		11,982		(6,096)		119,516	
Tax at the statutory tax rate	28,408	25.0	3,355	28.0	(1,829)	30.0	29,934	25.0
Lower tax rates enacted by local authority	(2,088)	(1.8)	–	–	–	–	(2,088)	(1.8)
Additional deductible allowance for research and development expenses	(117)	(0.1)	–	–	–	–	(117)	(0.1)
Expenses not deductible for tax	997	0.9	–	–	–	–	997	0.9
Tax losses not recognised	688	0.6	–	–	–	–	688	0.6
Tax losses utilised from previous period	(283)	(0.3)	–	–	–	–	(283)	(0.3)
Others	(201)	(0.2)	(51)	(0.4)	(9)	–	(261)	(0.2)
Tax charge/(credit) at the Group's effective rate	27,404	24.1	3,304	27.6	(1,838)	30.0	28,870	24.2

9. INCOME TAX (CONTINUED)

(b) (continued)

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	28.0	(160)	30.0	46,378	25.1
Lower tax rates enacted by local authority	(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)	30.0	45,557	24.7

10. DIVIDENDS

	2016	2015
	RMB'000	RMB'000
Dividend approved and paid	**129,007**	99,994

Pursuant to the annual general meeting on 6 June 2016, the Company declared a dividend of RMB6.75 cents (2015: RMB6.05 cents) per share, totalling RMB60,809,857 (2015: RMB50,722,200) and a special dividend of RMB7.57 cents (2015: RMB5.88 cents) per share, totalling RMB68,197,128 (2015: RMB49,271,800), which was paid in July 2016.

The Directors proposed a final dividend of RMB6.00 cents (2015: RMB6.75 cents) per share, totalling RMB56,777,902 (2015: RMB56,547,600) for the year ended 31 December 2016 and a special dividend of RMB4.57 cents (2015: RMB7.57 cents) per share, totalling RMB43,222,098 (2015: RMB63,452,400) 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 875,738,080 (2015: 838,169,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2016 and 2015.

The calculations of basic earnings per share are based on:

	2016 **RMB'000**	2015 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**87,232**	136,233

	2016	2015
Shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share calculation	**875,738,080**	838,169,000

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 2016							
At 1 January 2016:							
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
At 1 January 2016, Net of accumulated depreciation	15,130	1,767	4,200	3,257	2,338	10,457	37,149
Additions	–	1,264	2,034	2,901	3,567	23,328	33,094
Acquisition of subsidiaries (note 28)	–	506	1,320	5,697	1,141	–	8,664
Depreciation provided during the year	(1,212)	(1,718)	(2,273)	(2,028)	(1,213)	–	(8,444)
Transfers	–	–	1,842	–	–	(1,842)	–
Disposals	(279)	–	–	(306)	(18)	–	(603)
Exchange realignment	–	94	530	136	75	–	835
At 31 December 2016, Net of accumulated depreciation	13,639	1,913	7,653	9,657	5,890	31,943	70,695
At 31 December 2016							
Cost	24,564	3,918	14,737	15,080	10,182	31,943	100,424
Accumulated depreciation	(10,925)	(2,005)	(7,084)	(5,423)	(4,292)	–	(29,729)
Net carrying amount	13,639	1,913	7,653	9,657	5,890	31,943	70,695

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	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

13. PREPAID LAND LEASE PAYMENTS

	2016 RMB'000	2015 RMB'000
Carrying amount at 1 January 2016	**11,204**	11,451
Amortisation recognised during the year	**(247)**	(247)
Carrying amount at 31 December 2016	**10,957**	11,204
Current portion included in prepayments, deposits, and other receivables	**(247)**	(247)
Non-current portion	**10,710**	10,957

14. GOODWILL

	2016 RMB'000	2015 RMB'000
Cost at 1 January	**54,096**	–
Acquisition of subsidiaries	**97,980**	53,889
Exchange realignment	**1,311**	207
Cost and net carrying amount at 31 December	**153,387**	54,096

On 2 June 2016, the Group acquired 100% equity interest in Hejian. Hejian is a limited liability company incorporated in China that is principally engaged in the retailing of nutritional supplements. The purchase consideration for the acquisition was in the form of shares valued at RMB130,000,000. This business combination gave rise to goodwill of RMB87,222,541.

On 31 May 2016, the Group acquired 100% interest in LN. LN is a limited liability company incorporated in New Zealand that specialises in the manufacture of cosmetics and skincare products. The purchase consideration for the acquisition was in the form of cash of RMB19,550,462. This business combination gave rise to goodwill of RMB10,756,797.

Further details of the acquisitions are included in note 28 to the financial statements.

14. GOODWILL (CONTINUED)

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash generating units (the "CGUs") for impairment testing:

- GHP products CGU;
- Hejian products CGU; and
- Living Nature products CGU.

The carrying amounts of goodwill allocated to each of the CGUs are as follows:

	2016	2015
	RMB'000	RMB'000
GHP products	**55,272**	54,096
Hejian products	**87,223**	–
Living Nature products	**10,892**	–
	153,387	54,096

The recoverable amount of each CGU 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. Cash flows beyond the forecast period are extrapolated using the estimated growth rates stated below.

For each of the CGUs with a significant amount of goodwill, the key assumptions, long term growth rates and discount rates used in the value-in-use calculation for 31 December 2016 and 31 December 2015 are as follows:

	GHP products		**Hejian products**		**Living Nature products**	
	2016	2015	**2016**	2015	**2016**	2015
Sales annual growth rate (%)	**2.4%–3.4%**	2.4%–3.4%	**5%–12%**	–	**5%–20%**	–
Gross margin (% of revenue)	**48%**	46%	**67.7%**	–	**67%**	–
Long term growth rate	**2%**	2%	**3%**	–	**2%**	–
Pre-tax discount rate	**19.9%**	20.2%	**22.5%**	–	**21.2%**	–

14. GOODWILL (CONTINUED)

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.

The values assigned to the key assumptions on market development of the CGUs and discount rates are consistent with external information sources.

15. OTHER INTANGIBLE ASSETS

	Trademarks RMB'000 (a)	Distribution network RMB'000	License and health food certificates RMB'000 (b)	Customer relationships RMB'000	Total RMB'000
31 December 2016					
Cost at 1 January 2016					
net of accumulated amortisation	16,167	3,183	–	–	19,350
Addition	–	–	380	–	380
Acquisition of subsidiaries (note 28)	43,813	–	1,241	13,496	58,550
Amortisation provided during the year	(1,792)	(353)	(49)	(768)	(2,962)
Exchange realignment	1,755	264	101	137	2,257
At 31 December 2016	59,943	3,094	1,673	12,865	77,575
At 31 December 2016:					
Cost	62,899	3,676	1,722	13,634	81,931
Accumulated amortisation	(2,956)	(582)	(49)	(769)	(4,356)
Net carrying amount	59,943	3,094	1,673	12,865	77,575

15. OTHER INTANGIBLE ASSETS (CONTINUED)

	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 (note 28)	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

(a) Trademarks acquired as part of business combinations in 2016 are regarded as having indefinite useful lives because the products with the trademarks are expected to generate net cash flows indefinitely.

(b) The licence acquired as part of the business combination in 2016 is regarded as having indefinite useful life because the licence term can be renewed annually and is expected to generate net cash flows indefinitely.

15. OTHER INTANGIBLE ASSETS (CONTINUED)

Impairment testing of other intangible assets with indefinite useful lives

Trademarks and licence acquired through business combinations are allocated to the following CGUs for impairment testing:

- Hejian products CGU; and
- LN products CGU.

The carrying amounts of other intangible assets with indefinite useful lives allocated to each of the cash-generating units are as follows:

	Hejian products 2016 RMB'000	LN products 2016 RMB'000	Total 2016 RMB'000
Trademarks	**39,400**	4,831	44,231
Licence	**–**	1,159	1,159
	39,400	5,990	45,390

The values of trademarks and licence with indefinite useful lives are assessed annually by using the relief-from royalty method calculated based on a five-year cash flow projection approved by senior management. The fair values of the trademarks and the licence were equal to the future royalty savings resulting from ownership of the assets.

The key assumptions, royalty saving rates, long term growth rates and discount rates used in the annual impairment testing of trademarks and licence with indefinite useful lives in 2016 are as follows:

	Hejian products	LN products	
	Trademarks	Trademarks	Licence
Sales annual growth rate (%)	5%–12%	5%–20%	5%–20%
Royalty saving rates (%)	4%	4%	1%
Long term growth rate	3%	2%	2%
Pre-tax discount rate	23.3%	22.0%	22.8%

Sales annual growth rate is the average annual growth rate over the forecast period. It is based on past performance and management's expectations of market development.

The royalty saving rates used are with reference to comparable intangible assets and the related royalty rates that the buyers typically pay for the use of such assets.

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

The values assigned to key assumptions are consistent with external information sources.

16. INVESTMENT IN A JOINT VENTURE

	2016 RMB'000	2015 RMB'000
Share of net assets	317	509
Goodwill on acquisition	8,220	7,560
Impairment	(2,233)	–
	6,304	8,069

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

Name	Registered capital	Place of registration and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activity
Brandfolio Limited ("Brandfolio")	NZD100	New Zealand	36	36	36	Distribution service

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

17. INVENTORIES

	2016 RMB'000	2015 RMB'000
Raw materials	14,173	19,613
Work-in-progress	2,441	877
Finished goods	45,692	32,158
Goods merchandise	12,871	17,342
	75,177	69,990

18. TRADE RECEIVABLES

	2016 RMB'000	2015 RMB'000
Trade receivables	**40,255**	26,714
Impairment	**(581)**	(284)
	39,674	26,430

In general, the entities of the Group has no credit period granted to the retail customers and invoices would be due once they have been issued. The credit period offered by the Group to its distributors is generally 30 to 90 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 provision, is as follows:

	2016 RMB'000	2015 RMB'000
Within 1 month	**26,840**	24,500
Over 1 month but within 3 months	**11,154**	1,547
Over 3 months but within 1 year	**1,376**	380
Over 1 year	**304**	3
	39,674	26,430

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

	2016 RMB'000	2015 RMB'000
At beginning of the year	**284**	–
Impairment losses recognised (note 6)	**297**	284
	581	284

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB581,000 (2015: RMB284,000) with a carrying amount before provision of RMB581,000 (2015: RMB284,000).

18. TRADE RECEIVABLES (CONTINUED)

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

	2016 RMB'000	2015 RMB'000
Neither past due nor impaired	**32,836**	17,679
Less than 1 month past due	**3,657**	6,821
1–3 months past due	**2,352**	1,547
Over 3 months past due	**829**	383
	39,674	26,430

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 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

	2016 RMB'000	2015 RMB'000
Prepayments	**3,992**	5,902
Deposits and other receivables	**5,868**	5,217
Interest receivable	**136**	294
	9,996	11,413

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	2016 RMB'000	2015 RMB'000
Cash and bank balances		**243,275**	312,217
Time deposits		**276,242**	221,255
		519,517	533,472
Less: Pledged time deposit		**(367)**	–
Pledged fixed term deposit	30	**(1,216)**	(1,146)
Cash and cash equivalents		**517,934**	532,326
Denominated in RMB		**180,150**	525,748
Denominated in HKD		**105,523**	919
Denominated in AUD		**2,500**	1,713
Denominated in NZD		**40,464**	3,734
Denominated in USD		**189,291**	206
Denominated in EUR		**6**	6
Total		**517,934**	532,326

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

The ageing analysis of trade payables as of the end of each reporting period, based on the invoice date is as follows:

	2016 **RMB'000**	2015 RMB'000
Within 1 month	**11,645**	9,726
Over 1 month but within 3 months	**2,577**	1,158
Over 3 months but within 1 year	**1,078**	1,596
Over 1 year	**238**	94
	15,538	12,574

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

22. OTHER PAYABLES AND ACCRUALS

	2016 **RMB'000**	2015 RMB'000
Deferred income	**293**	–
Other payables	**14,495**	8,926
Accrued payroll	**19,266**	4,161
Other tax payables	**9,222**	12,563
Advance from customers	**8,070**	224
	51,346	25,874

Other payables are non-interest-bearing.

23. PROVISION

	2016 **RMB'000**	2015 RMB'000
At 1 January	**631**	–
Acquisition of a subsidiary	**–**	606
Increase in discounted amounts arising from the passage of time	**20**	17
Exchange realignment	**56**	8
At 31 December	**707**	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	Impairment of an available-for-sale investment RMB'000	Total RMB'000
31 December 2016							
At 1 January 2016	**631**	**4,204**	**470**	**191**	**343**	**–**	**5,839**
Acquisition of a subsidiary	–	–	–	**4**	**4,871**	**500**	**5,375**
Deferred tax credited/(charged) to profit or loss during the year	**2,926**	**(965)**	**83**	**(46)**	**(295)**	**–**	**1,703**
Exchange realignment	**37**	**–**	**45**	**15**	**71**	**–**	**168**
Gross deferred tax at 31 December 2016	**3,594**	**3,239**	**598**	**164**	**4,990**	**500**	**13,085**

	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
31 December 2015						
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

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 2016	**4,059**
Acquisition of a subsidiary	**15,810**
Deferred tax credited to profit or loss during the year	**(3,097)**
Exchange realignment	**472**
Gross deferred tax liabilities at 31 December 2016	**17,244**

	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 RMB11,610,000 (2015: RMB6,021,000) 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 RMB5,385,000 (2015: RMB4,148,000) 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

	2016 RMB'000	2015 RMB'000
Issued and fully paid:		
946,298,370 (2015: 838,169,000) ordinary shares	**94,630**	83,817

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 2015	838,169,000	83,817
At 31 December 2015 and 1 January 2016	838,169,000	83,817
Issue of shares for the acquisition of a subsidiary (note(a))	62,717,770	6,272
Issue of H shares (note(b))	45,411,600	4,541
At 31 December 2016	946,298,370	94,630

Notes:

(a) In June 2016, the Group issued 62,717,770 domestic shares. The total amount of RMB130,000,000 was the consideration to acquire 100% shares of Hejian. The share issue expenses were RMB298,467. Please refer to Note 28 for details.

(b) On 22 December 2016, the Group completed the issuance of 45,411,600 H shares with a total cash proceeds, before expenses, of RMB65,413,911. The share issue expenses were RMB155,082.

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 pages 83 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, (ii) the share issue in 2014 under the initial public offering, (iii) the share issue in 2016 for the acquisition of a subsidiary and (iv) the H share issue in 2016.

26. RESERVES (CONTINUED)

(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 Gui Pinghu (桂平湖) ("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) Exchange fluctuation 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:

	2016 RMB'000	2015 RMB'000
Revenue	**154,270**	90,237
Cost	**(89,797)**	(56,290)
Total expenses	**(53,222)**	(24,693)
Profit for the year	**8,535**	6,793
Total comprehensive income for the year	**15,979**	7,990

	2016 RMB'000	2015 RMB'000
Current assets	**102,777**	67,135
Non-current assets	**90,692**	85,736
Current liabilities	**(46,461)**	(24,624)
Non-current liabilities	**(3,046)**	4,690

	2016 RMB'000	2015 RMB'000
Net cash flows generated from operating activities	**34,974**	7,791
Net cash flows used in investing activities	**(1,148)**	(100,684)
Net cash flows generated from financing activities	**–**	101,384
Net increase in cash and cash equivalents	**33,826**	8,491

28. BUSINESS COMBINATIONS

(a) Acquisition of Hejian

On 2 June 2016, the Group completed the acquisition of a 100% interest in Hejian. Hejian is a limited liability company established in China that is principally engaged in the retailing of nutritional supplements. The acquisition has been accounted for using the acquisition method. The purchase consideration for the acquisition was in the form of shares. 62,717,770 domestic shares of the Company were issued at a fair value of RMB130,000,000, as disclosed in note 25 to the financial statements. The consolidated financial statements include the financial results of Hejian for the seven-month period from the acquisition date.

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

	Fair value recognised on acquisition RMB'000
Assets	
Property, plant and equipment	6,278
Cash and bank balances	10,030
Trade receivables	322
Inventories	13,061
Prepayments and other receivables	4,464
Deferred tax assets	5,375
Intangible assets — trademark	39,400
Intangible assets — customer relationship	12,040
Intangible assets — health food certificate	182
Other current assets	3,000
Other non-current assets	4,608
	98,760
Liabilities	
Trade payables	(8,964)
Accruals and other payables	(24,786)
Deferred tax liabilities	(13,665)
Income tax payable	(6,930)
Other non-current liabilities	(680)
Deferred income	(958)
	(55,983)
Total identifiable net assets at fair value	42,777
Goodwill arising from acquisition	87,223
Satisfied by shares at fair value	130,000

28. BUSINESS COMBINATIONS (CONTINUED)

(a) Acquisition of Hejian (continued)

	RMB'000
Analysis of cash flows on acquisition:	
Total purchase consideration of the acquisition	–
Cash and bank balances acquired	10,030
Net cash inflow on acquisition (included in cash flows from investing activities)	10,030

The Group incurred transaction costs of RMB1,555,532 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

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

Since the acquisition, Hejian contributed RMB67,167,011.83 to the Group's revenue and RMB10,520,312 to the consolidated profit before tax for the year ended 31 December 2016.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit before tax of the Group for the year would have been RMB517,590,600 and RMB127,468,658 respectively.

(b) Acquisition of LN

On 31 May 2016, the Group acquired a 100% interest in LN. LN is a limited liability company incorporated in New Zealand that specialises in the manufacture of cosmetics and skincare products. The acquisition has been accounted for using the acquisition method. The consolidated financial statements include the financial results of LN for the seven-month period from the acquisition date.

28. BUSINESS COMBINATIONS (CONTINUED)

(b) Acquisition of LN (continued)

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

	Fair value recognised on acquisition RMB'000
Assets	
Property, plant and equipment	2,386
Cash	44
Trade receivables	2,059
Inventories	4,176
Prepayments and other receivables	105
Intangible assets — trademark	4,413
Intangible assets — licence	1,059
Intangible assets — customer relationship	1,456
	15,698
Liabilities	
Trade payables	(577)
Accruals and other payables	(4,183)
Deferred tax liabilities	(2,145)
	(6,905)
Total identifiable net assets at fair value	8,793
Goodwill arising from acquisition	10,757
Satisfied by cash	19,550

	RMB'000
Analysis of cash flows on acquisition:	
Net cash acquired with the subsidiary	44
Cash paid in the current year	(19,550)
Net cash outflow on acquisition (included in cash flows from investing activities)	(19,506)

28. BUSINESS COMBINATIONS (CONTINUED)

(b) Acquisition of LN (continued)

The Group incurred transaction costs of RMB537,100 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in profit or loss in the consolidated statement of profit or loss.

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

Since the acquisition, LN contributed RMB10,695,633.89 to the Group's revenue and caused net losses of RMB14,467 to the consolidated profit before tax for the year ended 31 December 2016.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit before tax of the Group for the year would have been RMB471,522,753 and RMB118,878,670, respectively.

(c) Acquisition of GHP

On 29 May 2015, Shanghai Weiyi, a 60% owned subsidiary of the Group, acquired a 100% interest 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 month period from the acquisition date.

28. BUSINESS COMBINATIONS (CONTINUED)

(c) Acquisition of 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 and bank balances	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 from acquisition	53,889
Purchase consideration transferred	107,686

	RMB'000
Analysis of cash flows on acquisition:	
Total purchase consideration of the acquisition	107,686
Cash and bank balances 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

28. BUSINESS COMBINATIONS (CONTINUED)

(c) Acquisition of GHP (continued)

From the date of acquisition, GHP has contributed RMB77,149,233 to the Group's revenue and RMB9,207,659 to the consolidated profit 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 the consolidated statement of profit or loss.

29. DISPOSAL OF A SUBSIDIARY

	2016	2015
	RMB'000	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

	2016	2015
	RMB'000	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 RMB1,216,000 (AUD242,000) (2015: RMB1,146,000 (AUD242,000)) was pledged for three years.

31. OTHER NON-CURRENT ASSETS

	2016	2015
	RMB'000	RMB'000
Long-term deposits for construction in progress*	**1,487**	1,487
Long-term deposits for leased properties	**798**	–
Prepayment for acquisition of health food certificates	**4,818**	–
Prepayment for acquisition of a software system	**194**	1,184
	7,297	2,671

* The long-term deposits were related to the construction of a 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:

	2016	2015
	RMB'000	RMB'000
Within one year	**15,747**	9,664
In the second to fifth years, inclusive	**25,907**	5,093
After five years	**7,691**	–
	49,345	14,757

33. COMMITMENTS

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

	2016 **RMB'000**	2015 RMB'000
Contracted, but not provided for:		
Land and buildings	**25,962**	44,602
Plant and machinery	**–**	274
Authorised, but not contracted:		
Capital contributions payable to non-controlling interests	**70,000**	–
	95,962	44,876

34. RELATED PARTY DISCLOSURES

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

Name	**Relationship**
Mr. Gui	Controlling shareholder and director of the Company ("Controlling Shareholder")
Brandfolio	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:

	2016 **RMB'000**	2015 RMB'000
Commission paid to Brandfolio	**5,208**	3,065
Management fee income from Brandfolio	**211**	790
Transactions with the Controlling Shareholder:		
— Rental expenses paid to Mr. Gui	**–**	95

34. RELATED PARTY DISCLOSURES (CONTINUED)

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

	2016 RMB'000	2015 RMB'000
Basic salaries and bonus	**1,828**	1,560
Social insurance and housing fund	**364**	249
	2,192	1,809

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:

2016

Financial assets

	Loans and receivables RMB'000	Total RMB'000
Trade receivables	**39,674**	**39,674**
Financial assets included in prepayments, deposits and other receivables	**6,004**	**6,004**
Cash and cash equivalents	**517,934**	**517,934**
Pledged deposits	**1,583**	**1,583**
Long term deposits	**2,285**	**2,285**
	567,480	**567,480**

Financial liabilities

	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade payables	**15,538**	**15,538**
Financial liabilities included in other payables and accruals	**14,495**	**14,495**
	30,033	**30,033**

35. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2015

Financial assets

	Loans and receivables 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

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

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 2016			
Trade payables	**15,538**	**15,538**	**15,538**
Other payables	**14,495**	**14,495**	**14,495**
	30,033	**30,033**	**30,033**
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

(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	
	2016 RMB'000	2015 RMB'000	**2016 RMB'000**	2015 RMB'000
Financial assets				
Pledged deposits	**1,583**	1,146	**1,583**	1,146
Long term deposits	**2,285**	1,487	**2,285**	1,487
	3,868	2,633	**3,868**	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 differences are immaterial.

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 5% (2015: 0.4%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sale, whilst approximately 31% (2015: 59%) of costs were denominated in the units' functional currencies. The Group also has certain bank balances denominated in NZD, USD and HKD.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rates against NZD, USD and HKD, with all other variables held constant, of the Group's profit before tax and equity (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
2016			
If NZD weakens against RMB	**(1%)**	**(405)**	**(1,390)**
If NZD strengthens against RMB	**1%**	**405**	**1,390**
If USD weakens against RMB	**(1%)**	**(1,893)**	**–**
If USD strengthens against RMB	**1%**	**1,893**	**–**
If HKD weakens against RMB	**(1%)**	**(1,055)**	**–**
If HKD strengthens against RMB	**1%**	**1,055**	**–**
2015			
If NZD weakens against RMB	(1%)	(37)	(609)
If NZD strengthens against RMB	1%	37	609

* Excluding retained profits

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

(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

	2016		2015	
	Effective interest rate %	**One year or less RMB'000**	Effective interest rate %	One year or less RMB'000
Cash and bank balances	**1.61**	**517,934**	1.94	532,326

(ii) Sensitivity analysis

At 31 December 2016, 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 before tax and retained profits by approximately RMB1,554,000 (2015: RMB1,597,000). Other components of consolidated equity would not be affected (2015: not affected) 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 was performed on the same basis for 2015.

(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 2016 and 31 December 2015.

37. EVENTS AFTER THE REPORTING PERIOD

Other than the transaction detailed elsewhere in the financial statements, there has been no material subsequent event undertaken by the Company or the Group after the reporting period.

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:

	2016 **RMB'000**	2015 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**13,212**	10,581
Investment properties	**3,050**	3,233
Investments in subsidiaries	**266,810**	103,270
Other non-current assets	**–**	1,184
Total non-current assets	**283,072**	118,268
CURRENT ASSETS		
Inventories	**21,159**	35,220
Trade receivables	**6,113**	811
Due from subsidiaries	**134,208**	42,783
Prepayments, deposits and other receivables	**3,279**	3,427
Short term investments	**–**	–
Cash and cash equivalents	**391,144**	453,077
Total current assets	**556,903**	535,318
CURRENT LIABILITIES		
Trade payables	**9**	105
Due to subsidiaries	**25,191**	9,421
Other payables and accruals	**5,901**	10,730
Tax payables	**5,921**	8,198
Total current liabilities	**37,022**	28,454
NET CURRENT ASSETS	**518,881**	506,864
TOTAL ASSETS LESS CURRENT LIABILITIES	**801,953**	625,132
NET ASSETS	**801,953**	625,132
EQUITY		
Share capital	**94,630**	83,817
Other reserves (note)	**707,323**	541,315
Total equity	**801,953**	625,132

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

Note:

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

	Capital reserve RMB'000	**Statutory surplus reserve** RMB'000	**Retained profits** RMB'000	**Total** RMB'000
At 1 January 2015	360,075	17,900	109,367	487,342
Total comprehensive income for the year	–	–	153,967	153,967
Final 2014 dividend declared and paid	–	–	(99,994)	(99,994)
Transfer from retained profits	–	15,618	(15,618)	–
At 31 December 2015	360,075	33,518	147,722	541,315
At 1 January 2016	**360,075**	**33,518**	**147,722**	**541,315**
Total comprehensive income for the year	**–**	**–**	**110,867**	**110,867**
Issue of shares for the acquisition of a subsidiary	**123,430**	**–**	**–**	**123,430**
Issue of shares	**60,718**	**–**	**–**	**60,718**
Final 2015 dividend declared and paid	**–**	**–**	**(129,007)**	**(129,007)**
Transfer from retained profits	**–**	**11,026**	**(11,026)**	**–**
At 31 December 2016	**544,223**	**44,544**	**118,556**	**707,323**

40. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 28 March 2017.

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				
	2012 RMB'000	2013 RMB'000	2014 RMB'000	2015 RMB'000	**2016** **RMB'000**
RESULTS					
REVENUE	150,372	194,736	252,449	397,064	**466,241**
Cost of sales	(20,276)	(20,909)	(23,099)	(77,138)	**(139,549)**
Gross profit	130,096	173,827	229,350	319,926	**326,692**
Other income and gains	1,484	2,385	15,785	15,008	**13,407**
Selling and distribution expenses	(34,047)	(39,807)	(62,911)	(90,054)	**(131,905)**
Administrative expenses	(20,621)	(41,332)	(38,743)	(59,488)	**(85,385)**
Other expenses	–	(76)	(3,923)	(1,212)	**(3,719)**
Share of profits of a joint venture	–	–	–	327	**426**
PROFIT BEFORE TAX	76,912	94,997	139,558	184,507	**119,516**
Income tax	(19,675)	(24,211)	(31,688)	(45,557)	**(28,870)**
PROFIT FOR THE YEAR	57,237	70,786	107,870	138,950	**90,646**
Attributable to:					
Owners of the parent	57,237	70,786	107,873	136,233	**87,232**
Non-controlling interests	–	–	(3)	2,717	**3,414**
	57,237	70,786	107,870	138,950	**94,096**

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2012 RMB'000	2013 RMB'000	2014 RMB'000	2015 RMB'000	**2016** **RMB'000**
TOTAL ASSETS	139,631	211,745	664,903	779,759	**983,664**
TOTAL LIABILITIES	(20,118)	(27,863)	(31,950)	(64,046)	**(102,855)**
NON-CONTROLLING INTERESTS	–	–	(4,997)	(51,193)	**(57,585)**
TOTAL	119,513	183,882	627,956	664,520	**823,224**