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

2017 Annual Report

* For identification purposes only

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CORPORATE INFORMATION

DIRECTORS

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

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

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

STRATEGY AND DEVELOPMENT COMMITTEE

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

JOINT COMPANY SECRETARIES

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

REGISTERED OFFICE AND HEADQUARTERS

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Jardine House
1 Connaught Place
Hong Kong

AUTHORISED REPRESENTATIVES

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

LEGAL ADVISERS

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

As to PRC law
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Nanjing, Jiangsu Province
PRC

H SHARE REGISTRAR

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

PRINCIPAL BANKERS

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

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

AUDITOR

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

STOCK CODE

3332

COMPANY'S WEBSITE

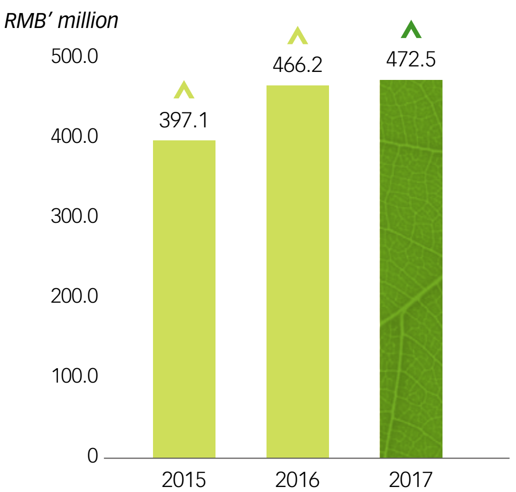
www.zs-united.com

FINANCIAL HIGHLIGHTS

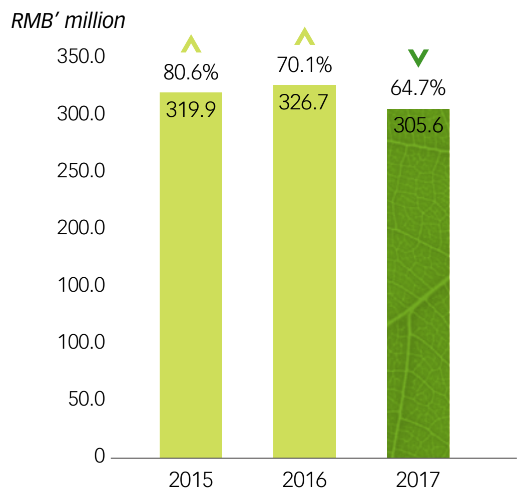
FINANCIAL HIGHLIGHTS

- Revenue increased by approximately 1.4% to RMB472.5 million (2016: RMB466.2 million)
- Gross profit decreased by approximately 6.5% to RMB305.6 million (2016: RMB326.7 million)
- Profit for the year decreased by approximately 88.1% to RMB10.8 million (2016: RMB90.6 million)
- Basic earnings per share decreased by approximately 95.6% to RMB0.44 cent (2016: RMB10 cents)
- The Board does not recommend the payment of any final dividend (2016: RMB6.00 cents per share, totalling RMB56,777,902) for the year ended 31 December 2017 or any special dividend (2016: RMB4.57 cents per share, totalling RMB43,222,098).

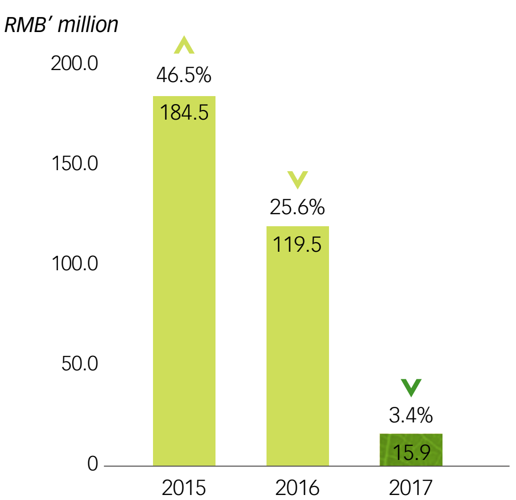
Revenue



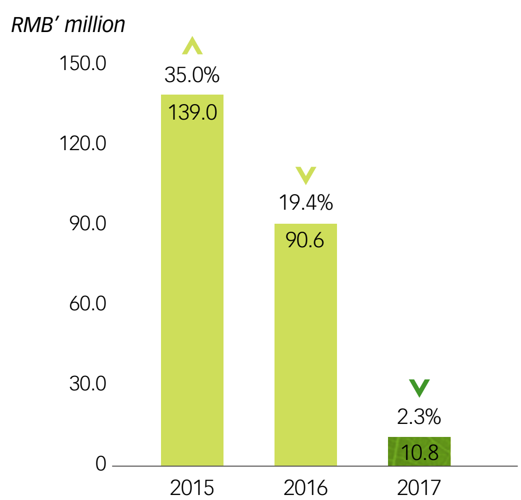
Gross Profit And Gross Profit Margin



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 the Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Nanjing Sinolife United Company Limited (the "Company", together with its subsidiaries, the "Group"), I am pleased to present the audited annual results of the Group for the year ended 31 December 2017 (the "Year").

In 2017, the Group implemented its critical strategic adjustments by vigorously exploring sales channels such as TV shopping platforms, call centres, and distributors to further boost the sales of Good Health and Hejian series products, as well as increasing the marketing expenses for Good Health to further enhance its brand awareness.

In 2018, the Group will continue to focus on technology research and development as well as brand building.

The Sinolife United Research and Development Centre has completed its Phase I project and will be in service. This centre will operate as one of the largest science and technology research facilities specialised in health food products across the globe. Its comprehensive range of research equipment, which is operated by the developed research team to apply the cutting-edge research technologies, will enable the Group to speed up the progress in its research projects with respect to health food products within the nation and abroad. With science and technology as the leading force, the Group is well prepared to undertake business ventures.

As a result of its extensive efforts to promote the brand awareness of Good Health in 2017, Good Health has fully transformed into a core brand of the Group with sound business channels, laying a solid foundation for our business success in 2018.

CHAIRMAN'S STATEMENT

To promote health practices, the Group has been pursuing its corporate mission of "improving the physical status of people under sub-health conditions and making healthy people healthier" since it was founded. Thus, the Group has been incessantly and actively committed to explore the frontiers of both the healthcare industry and the science of human health.

In 2017, the People's Republic of China (the "PRC") government successively introduced various favourable policies to promote national health, thus fully heralding the era of "a healthy China". The core values of the health industry are reflected by visions in leading a quality lifestyle, fulfilling wonderful wishes, as well as ensuring a secure, tranquil and comfortable life. These values are also the early visions in which the Group has always persisted. To deliver health benefits, the Group will take practical actions to pursue and support the development of "a healthy China".

APPRECIATION

On behalf of the Board, I would like to express that the Group would grip the opportunity to develop the Australian market and to promote Good Health as well as expand its health food business in the PRC market in order to improve the health conditions of people.

Mr. Gui Pinghu
Chairman of the Board

29 March 2018

* *For identification purposes only*

RETAIL NETWORK AND PRODUCT INFORMATION

CONBAIR/COBAYER

- SHANGHAI (1)
- JIANGSU (10)
- TIANJIN (1)

OTHERS

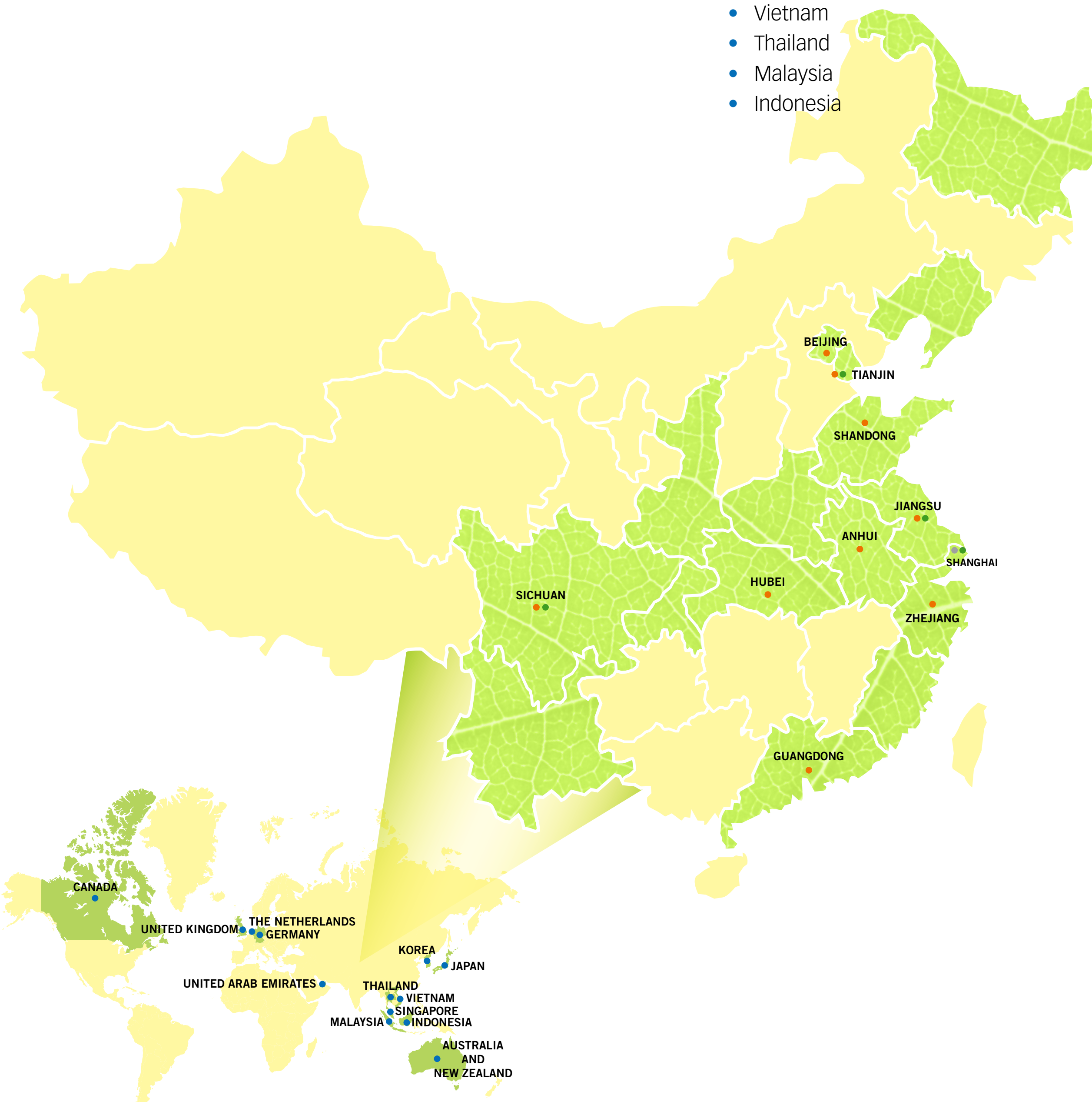
- Call centre
- Dealer

ZHONGSHENG

- BEIJING (1)
- JIANGSU (10)
- GUANGDONG (3)
- SHANDONG (2)
- ZHEJIANG (2)
- SICHUAN (1)
- HUBEI (1)
- ANHUI (1)
- TIANJIN (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

Algae DHA Oil

Milk Powder Products

ACAI Capsules

Moringa

Manuka Honey

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 promote the Group's future long-term development and expand its business scale, during the Year, the Group further diversified its various sales channels including TV shopping platforms, and at the same time strengthened the marketing of the Good Health brand. Due to the relatively low profit margin of new sales channels in the initial stage and the increase of marketing expenses, there was certain pressure on the Group's profit. Although the Group's revenue increased from RMB466.2 million in 2016 to RMB472.5 million in 2017, representing an increase of approximately 1.4%, the profit for the Year decreased from RMB90.6 million in 2016 to RMB10.8 million in 2017, representing a decrease of approximately 88.1%.

During the Year, the Group has achieved increasing brand recognition in the target markets through adopting the strategies of focusing on the Good Health brand, multiple channels marketing and diversified products. We carried out continuous brand building and promotion mainly through combination of retail shops under the Zhongsheng and the Good Health brands, TV shopping platforms and the online call centres of Hejian brand in the PRC, the mutual penetration of distributors under the Good Health and the Living Nature brands, chain pharmacies and travel channels in overseas, and at the same time by opening flagship stores on domestic and foreign major e-commerce platforms. As at 31 December 2017, the Group offered a total of 757 existing and new products, which consists of 96 Zhongsheng series products, 70 Cobayer series products, 350 Good Health series products, 113 Hejian series products and 128 Living Nature series products.

During the Year, in order to enhance the market competitiveness of its products and meet evolving consumer demands, the Group has adopted a market-oriented research and product development strategy to further strengthen the development of new products. During the Year, the Group has launched a total of 29 new products, including (among others) 9 Zhongsheng series products, 3 Hejian series products, 10 Good Health series products and 7 Living Nature series products. New products mainly comprise Zhongsheng Acer Truncatum Seed Oil Tablets (Pressed Candy), Zhongsheng Chitosan Oligosaccharide (Pressed Candy), Hejian L-Arabinose (Pressed Candy), Hejian Maitake D Fraction (Pressed Candy), Good Health Viralex Kids Chews, Good Health Pregnancy DHA and so on.

During the Year, the Group has put more effort in brand promotion and undergone continuous brand marketing and publicity through various channels in PRC and overseas. We continued to carry out the following marketing activities in the PRC: (i) seasonal promotions and discounts on major Chinese holidays; (ii) participation in trade fairs such as China International Nutritional Health Services Expo (中國國際營養健康產業博覽會), Imported Food Conference (進口食品展覽會) and China Health Industry Expo (中國大健康產業博覽會); (iii) cooperation with various domestic TV channels for TV shopping; and (iv) media advertising, print advertising in shopping malls and internet advertising.

In overseas markets, the Group promoted its brands through the following methods:

(i) advertising on mainstream media and TV channels of New Zealand for Turmeric series products and Weileshi (維樂士) series products;

(ii) acting as sponsor for the sports events of New Zealand Women's Basketball Team and Auckland Marathon;

(iii) online and offline promotions conducted jointly with distributors;

(iv) donation to the Heart Foundation of New Zealand; and

(v) celebrity endorsements such as Vanness Wu (吳建豪), Han Geng (韓庚) and New Zealand skiers.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's fast growing retail network and diversified sales platform enable the Group to serve a broader customer base. The Group has a diversified sales platform with a wide geographic coverage of 17 cities in 10 provinces and centrally administered municipalities in the PRC as at 31 December 2017. The Group's diversified sales platform in the PRC primarily consists of 22 retail stores under the Zhongsheng brand in the form of 4 specialty stores and 18 regional sales offices, 7 retail stores under the Good Health brand and 5 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 Good Health and Cobayer retail stores are mainly located in large and premium shopping malls. The Group has taken great effort to develop its TV shopping platforms during the Year and has currently built cooperation with 15 platforms including ocj.com.cn, Global Home Shopping, FS Shopping and CCTV Home Shopping to sell general trade and cross-border products.

The Group's overseas diversified sales platform mainly includes international distribution network broadly distributed in countries, including 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 souvenir shops in New Zealand and Australia. In addition, the Group has continued to cooperate with Alibaba, Tmall International, JD.com, vip.com, Health Post, Health Element and other e-commerce platforms in 2017.

FINANCIAL REVIEW

Results

The revenue of the Group in 2017 was RMB472.5 million, representing an increase of approximately 1.4% from RMB466.2 million in 2016. Profit for the year decreased by approximately 88.1% to RMB10.8 million in 2017 from RMB90.6 million in 2016. The Company's basic earnings per share was RMB0.44 cent (2016: RMB10 cents) based on the weighted average number of 946.3 million (2016: 875.7 million) ordinary shares in issue for the Year. The increase in revenue of sales in 2017 was mainly attributable to the growth in sales of Good Health series products.

The decrease in profit for the Year was mainly due to (1) the slow-down of sales for Zhongsheng series products, (2) significant increase in the marketing expenses of the Good Health brand and (3) exchange loss of converting the United States Dollars ("USD") and Hong Kong Dollars ("HKD" or "HK$") to Renminbi ("RMB").

Revenue

The revenue of the Group increased by approximately 1.4% from RMB466.2 million in 2016 to RMB472.5 million in 2017. Sales of Zhongsheng series products decreased by approximately 26.9% from RMB175.0 million in 2016 to RMB128.0 million in 2017; sales of Hejian series products decreased by approximately 22.6% from RMB76.7 million in 2016 to RMB59.4 million in 2017; sales of Cobayer series products decreased by approximately 22.8% from RMB39.4 million in 2016 to RMB30.4 million in 2017; and sales of Good Health series products increased by approximately 40.8% from RMB162.8 million in 2016 to RMB229.3 million in 2017. The main reason for the above was that the Group has strengthened the marketing and promotion of the Good Health brand, and at the same time expanded sales channels of Good Health series products through cooperating with about 15 domestic TV shopping platforms to sell Good Health series products during the Year.

Gross profit

The Group's gross profit decreased from RMB326.7 million in 2016 to RMB305.6 million in 2017. The Group's average gross profit margin decreased from approximately 70.1% in 2016 to approximately 64.7% in 2017. 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. Good Health series products were sold mainly through TV shopping platforms, distributors and online sales channels, which dragged down the average gross profit margin of the Group.

Other income and gains

The Group's other income and gains mainly comprised bank interest income and government grants, which decreased from RMB13.4 million in 2016 to RMB7.3 million in 2017.

Selling and distribution expenses

The Group's selling and distribution expenses increased by approximately 44.7% from RMB131.9 million in 2016 to RMB190.8 million in 2017, representing approximately 28.3% and 40.4% of the Group's revenue in 2016 and 2017 respectively. Such increase was primarily due to the increase in advertising and promotional expenses of approximately 161.2% from RMB32.2 million in 2016 to RMB84.1 million in 2017 for the purpose of enhancing the brand awareness of Good Health.

Administrative expenses

The Group's administrative expenses decreased by approximately 2.7% from RMB85.4 million in 2016 to RMB83.1 million in 2017, representing approximately 18.3% and 17.6% of the Group's revenue in 2016 and 2017 respectively. Such decrease was primarily due to the decrease in staff costs from RMB40.7 million in 2016 to RMB40.1 million in 2017 and the decrease in office expense from RMB34.8 million in 2016 to RMB32.5 million in 2017.

Taxation

Income tax expense decreased by approximately 88.9% from RMB28.9 million in 2016 to RMB3.2 million in 2017 due to the decrease in profit before tax during the Year.

The Group's effective tax rates in 2016 and 2017 were approximately 24.2% and 23.0% respectively.

Profit for the year

As a result of the foregoing, the Group's profit for the year decreased from RMB90.6 million in 2016 to RMB10.8 million in 2017. The decrease was mainly due to (1) the slow-down of sales of Zhongsheng series products which has a higher profit margin than other series products; (2) significant increase in the marketing and promotional expenses of the Good Heath brand; and (3) exchange loss of converting USD and HKD to RMB.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow

In 2017, the Group's cash and cash equivalents decreased by RMB248.3 million, which mainly comprised the net cash flows used in operating activities with the amount of RMB108.7 million, net cash flows used in investing activities with the amount of RMB113.8 million and net cash flows used in financing activities with the amount of RMB24.7 million, while RMB1.1 million was the net effect of foreign exchange rate changes.

Inventories

The Group's inventories amounted to RMB163.3 million (31 December 2016: RMB75.2 million) as at 31 December 2017. The Group's inventories comprise raw materials, work in progress, finished goods and goods merchandise. The inventories balances increased by approximately 117.2% compared with that of the previous year, which was mainly because the Group increased the procurement and production of Good Health and Cobayer products to cope with the demand from TV shopping platforms. With the subsequent growth in the sales of TV shopping platforms and the enhancement in supply chain management, the inventory balances are expected to decrease.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Year, inventory turnover was approximately 257 days (2016: 187 days). The longer inventory turnover period during the Year was primarily due to the Group's increased procurement and production of Good Health and Cobayer products to cope with the demand from TV shopping platforms.

Trade receivables

The Group's trade receivables amounted to RMB49.3 million (2016: RMB39.7 million) as at 31 December 2017 which represents an increase of 24.2%. It was mainly due to (1) the credit terms of 60 days granted to TV shopping platforms, and (2) expansion of local travel channels resources of Good Health in New Zealand. Sales from tourist souvenir shops and pharmacies continued to grow. The credit terms granted to distributors was usually 60 days.

Trade payables

The Group's trade payables amounted to RMB14.2 million (2016: RMB15.5 million) as at 31 December 2017 which represents a decrease of 8.4%. Turnover days for trade payables decreased to 33 days (2016: 36 days), which has no significant fluctuation.

Foreign exchange exposure

The Group conducts in-bound transactions principally in RMB and outbound transactions principally in New Zealand Dollar and Australian Dollar. In respect of the Group's risk exposure to exchange rate, the Group has adopted corresponding measures to adjust the structure of the Company's monetary capital. The Group had not utilised any financial instruments for hedging purposes as at 31 December 2017.

Borrowings and pledge of assets

The Group had loan balances of RMB77.0 million and pledge of assets (being the shareholding in Shanghai Weiyi Investment & Management Limited Company* (上海惟翊投資管理有限公司) ("Shanghai Weiyi") as at 31 December 2017.

Capital expenditure

The Group invested approximately RMB35 million in 2017 (2016: RMB26.9 million) for building research & development ("**R&D**") centre, plant and equipment.

Capital commitments and contingent liabilities

As at 31 December 2017, the Group had commitments for building R&D centre, plant and equipment of approximately RMB48.7 million (2016: RMB26.0 million).

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 operation.

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 RMB against Australian dollars and New Zealand dollars may have a significant impact on the Group's profitability. For example, a depreciation of RMB could increase costs of purchasing products from Australia and New Zealand, as such depreciation would require the Group to convert more RMB 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 RMB against foreign currencies, including Australian dollars and New Zealand dollars, fluctuates and is affected by, among other things, changes in the 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 RMB will fluctuate in the future. As a result, the fluctuation in the exchange rate between RMB and other currencies could have an adverse effect on the Group's business, financial condition and results of operation.

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

Currently, RMB 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 the 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 RMB into any foreign exchange for foreign exchange transactions, capital expenditure plans, and even the Group's business, financial condition and results of operation, 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 2017, the Group employed a work force of 959. The total salaries and related costs for the year ended 31 December 2017 amounted to approximately RMB114.2 million (2016: RMB107.4 million).

MATERIAL ACQUISITION OF SUBSIDIARIES

Pursuant to the acquisition agreement dated 6 April 2016 and entered into by 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"), as supplemented by the supplemental agreement dated 31 March 2017 and entered into by the Company, Fosun Partnership and Fosun HK, the Company conditionally agreed to acquire 40% of the equity interest in Shanghai Weiyi, a non-wholly owned subsidiary of the Company, from Fosun Partnership, a substantial shareholder of Shanghai Weiyi who held 40% of the equity interest in Shanghai Weiyi prior to the acquisition at a consideration of RMB65.7 million. The acquisition was completed on 2 August 2017. The Company acquired the remaining 40% of equity interest in Shanghai Weiyi in order to gain access for better control and allocation of resources in Shanghai Weiyi and its subsidiaries. The Directors believe that the acquisition were in the interest of the Group and the Shareholders as a whole. After the completion of the acquisition, Shanghai Weiyi became a wholly-owned subsidiary of the Company. Please refer to the circulars of the Company dated 3 May 2016 and 27 April 2017 in relation to the acquisition for further details.

Good Health Products Limited ("GHP"), a subsidiary of the Company incorporated in New Zealand which previously owned 36% of the equity interest in Brandfolio, entered into an agreement with other shareholders of Brandfolio (being Martin & Pleasance Pty Ltd, Andrew Mark Smith and Mark Joseph Mathews) on 1 August 2017, pursuant to which, Good Health agreed to purchase the remaining 64% of the equity interest in Brandfolio at the consideration of 200,340 New Zealand Dollars. The Company acquired the 64% equity interests in Brandfolio in order to better manage its resources. The Directors believe that the acquisition were in the interest of the Group and the Shareholders as a whole. The consideration has been fully settled on 1 August 2017 and the completion took place on the same day. Therefore, Brandfolio has turned from a joint venture into a wholly-owned subsidiary of the Group.

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)	58	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)	48	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)	43	1 January 2002	Executive Director	25 October 2012	Sales director; vice general manager; member of the Nomination Committee
Ms. Zhu Feifei (朱飛飛)	36	29 July 2003	Executive Director	25 October 2012	Chief production officer; member of the Remuneration Committee
Mr. Xu Chuntao (許春濤)	48	16 May 2013	Non-executive Director	16 May 2013	Representative of the pre-IPO investor of the Company
Mr. Jiang Fuxin (蔣伏心)	61	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)	49	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)	54	10 August 2013	Independent non-executive Director	10 August 2013	Chairman of the Audit Committee; member of each of the Remuneration Committee and Strategy and Development Committee

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Executive Directors

Mr. Gui Pinghu (桂平湖), aged 58, 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. and GHP, Shanghai Weiyi's wholly-owned subsidiary. He is primarily responsible for the strategic development of the Company. He graduated from a college in Nanjing, majoring in Chinese in July 1989 and was awarded a degree of Executive Master of Business Administration, which was a part-time programme from Fudan University in June 2010. As at the date of this annual report, Mr. Gui and his spouse were interested in approximately 78.71% of the domestic shares of the Company (the "Domestic Shares").

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

Ms. Zhang Yuan (張源), aged 48, 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), GHP, Nanjing Zhaiyigou Electronic Commerce Company Limited* (南京宅易購電子商務有限公司), Nanjing Kanghe Biological Technology Company Limited* (南京康赫生物科技有限公司) and the chairman of Shanghai Weiyi. She is also the chairman of Shanghai Hejian Nutritional Food Products Company Limited* (上海禾健營養食品有限公司) ("Hejian") and director of Living Nature Natural Products Limited and Living Nature 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 and approximately 0.08% of the H shares of the Company ("H 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 43, 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) and Qingdao Zhongsheng Biological Products Co. Limited* (青島中生康健生物製品有限公司). Ms. Xu is primarily responsible for the marketing of the Group. As at the date of this annual report, Ms. Xu was interested in approximately 0.82% 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 36, 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.

Ms. Zhu joined the Company as a sales clerk of the sales department in July 2003. 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 48, 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 shareholder partner of Shanghai Fuye Capital Investment Management Center* (上海復業投資管理中心) and a director of Baixiang Food Co., Ltd.* (白象食品股份有限公司). 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 61, 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 Group 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 49, 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 54, 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 ("GEM") of The Stock Exchange of Hong Kong Limited ("Stock Exchange").

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 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)	39	16 September 2002	Chairman of the board of Supervisors	25 October 2012	Customer relations manager
Mr. Tao Xingrong (陶興榮)	42	16 May 2013	Supervisor	16 May 2013	Representative of the pre-IPO investor of the Company
Ms. Wu Xuemei (吳雪梅)	39	25 September 2005	Supervisor	25 October 2012	General manager of Cobayer Business Department
Ms. Lu Jiachun (陸佳純)	39	20 June 2001	Employee representative Supervisor	25 October 2012	Accounting clerk
Ms. Chen Xiu (陳秀)	33	30 August 2003	Employee representative Supervisor	16 May 2013	Supervision specialist

Ms. Yu Min (余敏), aged 39, 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) and Hefei Aoka Biological Technology Company Limited* (合肥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 42, 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). He is also a joint general manager of Legal Affairs Department of Shanghai Fosun High Technology (Group) Company Limited* (上海復星高科技(集團)有限公司).

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Ms. Wu Xuemei (吳雪梅), aged 39, 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 39, 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 33, 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)	37	4 June 2002	Human resources manager, joint company secretary	25 October 2012	Human resources management and company secretarial matters
Mr. Li Bin (李斌)	38	1 July 2013	Chief financial officer	1 July 2013	Finance management
Mr. Wu Jun (吳俊)	34	4 September 2006	Financial controller	1 September 2013	Finance management

Ms. Zhi Hui (支卉), aged 37, has more than 10 years of experience in the nutritional supplements industry. She joined the Group in June 2002 as an office clerk. She was promoted as the human resources manager in January 2008. In October 2012, she became the secretary to the Board and served as the human resources manager and a joint company secretary concurrently. As at the date of this annual report, Ms. Zhi was interested in approximately 0.07% of the Domestic Shares.

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

Mr. Li Bin (李斌), aged 38, 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 34, 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 50, 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 (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, risk management and internal control systems, effectiveness of internal audit function, scope of audit and appointment of 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 is engaged 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 2017, 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 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on page 84 of this annual report.

The Board does not recommend the payment of any final dividend (2016: RMB6.00 cents per share, totalling RMB56,777,902) for the year ended 31 December 2017 or any special dividend (2016: RMB4.57 cents per share, totalling RMB43,222,098).

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 2017.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the Group's property, plant and equipment during 2017 are set out in note 13 to the consolidated financial statements of this annual report.

SHARE CAPITAL

Details of the movements in the issued share capital of the Company during 2017 are set out in note 27 to the consolidated financial statements of this annual report.

RESERVES

The amount of the Company's reserves available for distribution as at 31 December 2017 was RMB46.24 million. Details of the movements in the reserves of the Group during 2017 are set out in the consolidated statement of changes in equity on page 159 of this annual report.

BORROWINGS

The Group has total borrowings of RMB77,000,000 as at 31 December 2017 (2016: nil). Please refer to note 38 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 2017 and up to the date of this annual report are as follows:

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

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

SUPERVISORS

During 2017 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 2017. Details of the meetings and events conducted by the board of Supervisors during 2017 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 17 to 24 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 8 and note 9 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 2017 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 2017, 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 2017[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	477,401,310 (L)	70.85%	50.45%
("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%
		Beneficial owner	H Shares	218,000 (L)	0.08%	0.02%
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 2017, the number of issued Domestic Shares and H Shares of the Company was 673,828,770 and 272,469,600 respectively.

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 2017 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 2017, 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 2017[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	477,401,310 (L)	70.85%	50.45%
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%
Shanghai Fosun Chuangfu Shareholding Investment Fund Limited Partnership	Beneficial owner	Domestic Shares	61,111,000 (L)[7]	9.07%	6.46%
Shanghai Fosun Capital Investment Management Co., Ltd.	Interest of controlled corporation	Domestic Shares	61,111,000 (L)[7]	9.07%	6.46%

Shareholders	Nature of interest	Class of share of the Company	Number of shares held as at 31 December 2017[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)[7]	9.07%	6.46%
Shanghai Fosun High Technology (Group) Co., Ltd.	Interest of controlled corporation	Domestic Shares	61,111,000 (L)[7]	9.07%	6.46%
Fosun International Limited	Interest of controlled corporation	Domestic Shares	61,111,000 (L)[7]	9.07%	6.46%
Fosun Holdings Limited	Interest of controlled corporation	Domestic Shares	61,111,000 (L)[7]	9.07%	6.46%
Fosun International Holdings Ltd.	Interest of controlled corporation	Domestic Shares	61,111,000 (L)[7]	9.07%	6.46%
Mr. Guo Guangchang	Interest of controlled corporation	Domestic Shares	61,111,000 (L)[7]	9.07%	6.46%
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)[8]	5.83%	1.68%
First Manhattan Co.	Investment manager	H Shares	15,896,000 (L)[8]	5.83%	1.68%
First Manhattan LLC	Interest of controlled corporation	H Shares	15,896,000 (L)[8]	5.83%	1.68%
Hin Sang Group (International) Holding Co., Ltd.	Beneficial owner	H Shares	47,981,600 (L)[9]	17.61%	5.07%
Genwealth Group Holding Company Limited	Interest of controlled corporation	H Shares	47,981,600 (L)[9]	17.61%	5.07%
Ms. Kwan Lai Man	Interest of controlled corporation	H Shares	47,981,600 (L)[9]	17.61%	5.07%
Mr. Pang Siu Hin	Interest of controlled corporation	H Shares	47,981,600 (L)[9]	17.61%	5.07%

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 2017, 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) 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.

(8) 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.

(9) These 47,981,600 H Shares of the Company were held by Hin Sang Group (International) Holding Co., Ltd., an exempted company incorporated with limited liability in the Cayman Islands whose issued shares are listed on the Stock Exchange (stock code: 6893). Hin Sang Group (International) Co., Ltd. was held as to 50.68% by Genwealth Group Holding Company Limited, which is beneficially owned as to 90% by Mr. Pang Siu Hin and 10% by Ms. Kwan Lai Man. Ms. Kwan Lai Man is the spouse of Mr. Pang Siu Hin. Accordingly, Genwealth Group Holding Company Limited, Mr. Pang Siu Hin and Ms. Kwan Lai Man were deemed to hold interests in these 47,981,600 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 2017, save as the acquisitions of Shanghai Weiyi and Brandfolio 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 2017 and undertaken in the usual course of business are set out in note 36 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 risk management 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.

DONATIONS

During the year, the Group has made charitable donations. Please refer to section "6.2 Public welfare and charity" in the Environmental, Social and Governance Report in this annual report for details of the donations made by the Group.

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 code provisions of the CG Code during 2017.

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 during 2017.

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

The H Shares of the Company were listed on the Stock Exchange. Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during 2017.

USE OF NET PROCEEDS FROM LISTING

The total net proceeds (the "Net Proceeds") from the listing of shares of the Company on the Main Board of the Stock Exchange and the issue of the over-allotment shares amounted to approximately HK$428.7 million (equivalent to RMB336.4 million).

On 7 November 2017, the following change in use in Net Proceeds was approved by at a shareholders' meeting:

(i) to reallocate (1) HK$38 million of 31% of the Net Proceeds (which was originally intended to (a) finance the acquisition of Good Health Products Limited by the Group, which was completed in 2015; and (b) be used for future expansion in the production capacity of the Group); and (2) HK$60 million of 18% of the Net Proceeds (which was originally intended to used for strengthening and expanding the existing sales network and expand into new regions) to build a research and development and testing centre; and

(ii) in addition to utilising 29% of Net Proceeds for financing the marketing and promotional activities so as to enhance the nationwide brand awareness of the Zhongsheng and Cobayer brands, the 29% of the Net Proceeds would also be used for enhancing the international brand awareness of the Zhongsheng, Cobayer and Good Health brands.

Please refer to the circular of the Company dated 22 September 2017 for further details in relation to the change in use of Net Proceeds.

As at 31 December 2017,

(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 RMB46.70 million has been used to build a R&D testing centre;

(iii) the Net Proceeds of approximately RMB19.25 million has been used to build information technology and logistics centre;

(iv) the Net Proceeds of approximately RMB19.88 million has been used on the marketing and promotion activities;

(v) the Net Proceeds of approximately RMB8.34 million has been used to expand the sales network and explore new markets; and

(vi) the Net Proceeds of approximately RMB33.63 million has been used for working capital and the remaining of the Net Proceeds of approximately RMB135.80 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 annual 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.

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

The consolidated financial statements of the Company for the year ended 31 December 2017 were audited by Ernst & Young, who holds 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.

OUTLOOK

In 2017, the Group implemented its critical strategic adjustments by vigorously exploring sales channels such as TV shopping platforms, call centres, and distributors to further boost the sales of Good Health and Hejian, as well as increasing the marketing expenses for Good Health to further enhance its brand awareness.

In 2018, the Group will continue to focus on technology research and development as well as brand building.

The Sinolife United Research and Development Centre has completed its Phase I project and will be in service. This centre will operate as one of the largest science and technology research facilities specialised in health food products across the globe. Its most comprehensive range of research equipment, which is operated by the developed research team to apply the most cutting-edge research technologies, will enable the Group to speed up the progress in its research projects with respect to health food products at home and abroad. With science and technology as the leading force, the Group is well prepared to undertake business ventures.

As a result of its extensive efforts to promote the brand awareness of Good Health in 2017, Good Health has fully transformed as a core brand of the Group with sound business channels, laying a solid foundation for our business success in 2018.

To promote health practices, the Group has been pursuing its corporate mission of "improving the physical status of people under sub-health conditions and making healthy people healthier" since its foundation. Thus, the Group has been incessantly and actively committed to explore the frontiers of both the healthcare industry and the science of human health.

In 2017, the PRC government successively introduced various favorable policies to promote national health, thus fully heralding the era of "a healthy China". The core values of the health industry are reflected by visions in leading a quality lifestyle, fulfilling wonderful wishes, as well as ensuring a secure, tranquil and comfortable life. These values are also the early visions in which the Group has always persisted. To deliver human health benefits, the Group will take practical actions to pursue and support the development of "a healthy China".

On behalf of the Board

Mr. Gui Pinghu
Chairman

Nanjing, the PRC, 29 March 2018

* *For identification purpose only*

2017 WORK REPORT OF THE BOARD OF SUPERVISORS

During the reporting period of 2017, the board of Supervisors carefully and thoroughly performed its supervisory functions in favor of the Company and the shareholders in a responsible manner according to the Company Law of the PRC, the Articles and the Rules of Procedures for the board of Supervisors, and the requirements under the relevant law and regulations, while duly monitoring and examining the operations, financial conditions and investment conditions of the Company according to the laws. In addition, the members of the Board, the managers, and other senior management members performed their duties under the supervision of the Supervisors.

I. DAILY WORK OF THE BOARD OF SUPERVISORS

In 2017, the board of Supervisors convened two meetings.

On 28 March 2017, it considered the 2016 Work Report of the Board of Supervisors of the Company, the Resolution on the 2016 Audited Consolidated Financial Statements, the 2016 Financial Settlement and the Resolution regarding the 2017 Financial Budget, the Resolution on 2016 Profit Distribution Plan, the Resolution regarding the Appointment of the Financial Auditor for 2016 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 2016 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 22 August 2017, it considered the Resolution on Interim Results for 2017 and Interim Dividend Distributions, the Resolution on Internal Audit Findings for the Period Ended 30 June 2017 and the Resolution on Proposed Measures regarding Employees in respect of Financial Reporting, Internal Auditing and other Misbehaviours.

II. LAWFUL OPERATION OF THE COMPANY

The board of Supervisors attended the meetings of the Board during the reporting period, and duly performed its supervisory duties throughout production and operation activities 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 2017.

In the opinion of the board of Supervisors, the Board 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 *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 *Articles*, or prejudice against the interests of the Company was committed by the Directors and 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 2017 and the proposal on business plan of the Company for the financial year ending 2018.

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 Hua Ming LLP 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", the Group had no connected transaction in 2017 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 Nanjing Sinolife United Company Limited
The board of Supervisors

Ms. Yu Min
Chairman

29 March 2018

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board 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 the CG Code contained in Appendix 14 to the Listing Rules.

In the opinion of the Directors, throughout the year ended 31 December 2017, 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) regarding the dealings in securities. Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2017.

The Model Code also applies to all employees to whom the Model Code is given and who are informed that they are subject to the provisions therein. No incident of non-compliance of the Model Code by the employees was noted by the Company.

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

As at the date of this report, the Board currently comprises 4 executive Directors, 1 non-executive Director and 3 independent non-executive Directors.

During the year ended 31 December 2017 and up to the date of this report, the members of the Board are set out below:

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, Supervisors, Senior Management and Employees" on pages 17 to 20 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 2017.

During the year ended 31 December 2017, the Board held eight meetings. The attendance record of each of the current Directors at the Board meetings of the Company held during the year ended 31 December 2017 is set out in the section headed "Attendance Records of Directors and Committee Members" on page 44 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 2017, 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 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.

During the year ended 31 December 2017, the Directors have attended trainings/seminars on topics such as (i) disclosure of inside information and insider dealing; (ii) group risk management and responsibilities of directors and supervisors; (iii) corporate governance responsibilities and practices of directors and supervisors; and (iv) environmental, social and governance reporting. The following Directors have attended the trainings during the year ended 31 December 2017:

Name of Directors	Participation
Executive Directors	
Mr. Gui Pinghu	Attended
Ms. Zhang Yuan	Attended
Ms. Xu Li	Attended
Ms. Zhu Feifei	Attended
Non-executive Director	
Mr. Xu Chuntao	Attended
Independent non-executive Directors	
Mr. Jiang Fuxin	Attended
Ms. Feng Qing	Attended
Mr. 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 with 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 2 of this annual report.

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.

During the year ended 31 December 2017, the Audit Committee held three meetings to review, amongst other things, the annual financial results and reports in respect of the year ended 31 December 2016 and the interim results for the six months ended 30 June 2017. The Audit Committee also considered significant issues on 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 three times during the year ended 31 December 2017, 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 2017 is set out in the table under section headed "Attendance Records 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.

During the year ended 31 December 2017, the Remuneration Committee met once to review and make recommendation to the Board on the remuneration policy and structure of the Company and the remuneration packages of the Directors and senior management and other related matters.

Details of the remuneration of the senior management by band for the year ended 31 December 2017 are set out in note 8 to the financial statements of the Company for the year ended 31 December 2017.

The attendance of each of the current members of the Remuneration Committee at the Remuneration Committee meeting during the year ended 31 December 2017 is set out in the section headed "Attendance Records 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 in, including but not limited to skills, regional and industry experience, background, race, 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 while taking into account diversity (including gender diversity). 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.

During the year ended 31 December 2017, the Nomination Committee met once to review the structure, size and composition of the Board and the independence of the independent non-executive Directors. The Nomination Committee 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 2017 is set out in the section headed "Attendance Records 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.

During the year ended 31 December 2017, the Strategy and Development Committee met once to review the development strategies for the year 2017 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 2017 is set out in the section headed "Attendance Records of Directors and Committee Members".

CORPORATE GOVERNANCE REPORT

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

ATTENDANCE 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 2017 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
Mr. Gui Pinghu	8/8	–	–	–	1/1	1/1	2/2
Ms. Zhang Yuan	8/8	–	–	–	–	1/1	2/2
Ms. Xu Li	8/8	1/1	–	–	–	1/1	2/2
Ms. Zhu Feifei	8/8	–	1/1	–	–	1/1	2/2
Mr. Xu Chuntao	8/8	–	–	–	–	1/1	2/2
Mr. Jiang Fuxin	8/8	1/1	–	3/3	1/1	1/1	2/2
Ms. Feng Qing	8/8	1/1	1/1	3/3	–	1/1	2/2
Mr. Vincent Cheng	8/8	–	1/1	3/3	1/1	1/1	2/2

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 2017.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems of the Company and its subsidiaries and reviewing their effectiveness annually. 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 highrisk 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 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 2017.

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 2017, and considered that such systems are effective and adequate 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 2017.

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 80 to 83 of this annual report.

AUDITORS' REMUNERATION

During the year, the remuneration paid/payable to the Company's external auditors in respect of audit services and non-audit services for the year ended 31 December 2017 is set out below:

Service Category	**Fees paid/ payable** RMB'000
Annual audit services, Ernst & Young	1,900
Statutory audit services, Ernst & Young, another member firm of the Ernst & Young global network	419
Non-audit Services — Environmental, Social and Governance reporting advisory	200
	2,519

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 persons at the Company are Ms. Zhi Hui, another joint company secretary of the Company and Mr. Li Bin, the chief financial officer 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.

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

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

Putting Forward Enquiries to the Board

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

Contact Details

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

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

Fax: 86-25-86819167
Email: 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 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 2017 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 22 September 2017 and announcement dated 8 September 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

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ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

Overview

This report is the second environmental, social and governance (hereinafter referred to as the "ESG") report of Nanjing Sinolife United Company Limited (referred to as the "Company" hereto, collectively with its subsidiaries referred to as the "Group" or "We"), which focuses on disclosing the ESG performance of the Group during the financial period from 1 January 2017 to 31 December 2017 (the "Reporting Period").

Basis of Preparation

This report is prepared mainly with reference to the Environmental, Social and Governance Reporting Guide as set forth in the Appendix 27 to the Listing Rules issued and amended by The Stock Exchange in December 2015.

The contents of this report are determined in accordance with a set of systemic procedures. Such procedures include identifying and listing important stakeholders and ESG-related issues, determining the scope of the ESG reports, collecting relevant materials and data, compiling reports based on information and verifying data in this report.

Scope of the Report

The reporting scope is consistent with that of this annual report, which comprises the Group.

Data Description

Information and cases adopted in this report are mainly sourced from the statistics report and related documents of the Group. The Group undertakes that this report does not contain any false record or misleading statements, and is responsible for the truthfulness, accuracy and completeness of its contents.

Confirmation and Approval

The report was approved by the board ("Board") of directors ("Directors") of the Company on 29 March 2018 after confirmation with the management.

Contacts

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

1. GOVERNANCE — ENHANCED RESPONSIBILITY

The Group has been actively performing its environmental and social responsibility by incorporating environmental and social management into its daily business management system, as well as continuing to enhance its management. Such active engagement has effectively encouraged all employees at every level of the Group to assume the environmental and social responsibility.

1.1 Corporate governance

In compliance with the laws, regulations and provisions of the place of listing, the Group has established a "3+1" governance structure, which comprises the shareholders' General Meeting, the Board, 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 Corporate Governance Report of this annual report.

1.2 ESG Management

To address growing challenges from environmental and social risks, we have established our top-down ESG management structure, whereby incorporating the ESG management into our daily operation management, while continuing to increase our ESG management capacity. The Board represents the top body at the ESG management hierarchy, while the ESG Committee will be responsible for coordinating and directing seven major aspects, namely, corporate governance, operating compliance, products and services, resources and environment, public health and safety, employee interests, and social welfare. The ESG taskforce will be the execution unit that implements the ESG management work throughout the frontline employees.

Board	• **Responsible for assessing and determining the ESG risks of the Group** • **Ensuring the establishment of a proper and effective ESG risk management and internal control system of the Group** • **Reviewing and approving the ESG related policies** • **Reviewing and approving the ESG report**
ESG Management Committee	• **Implementing the ESG risk management and internal control** • **Directing the work of the ESG Taskforce** • **Reviewing and approving the ESG related policies** • **Reviewing and approving the ESG report, and verifying the accuracy of the performance indicators**
ESG Taskforce	• **Appointing personnel to collate the ESG related data and prepare reports and other work** • **Assisting the management of the Group in assessing and determining whether the Group's ESG risk management internal control system is proper and effective by submitting regular reports**

1.3 Identification of and communications with stakeholders

The Group stresses 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 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 to site visits
Suppliers	To fulfill contractual obligations according to law To ensure honest operations To manage suppliers	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 to site visits
Employees	To protect employee rights 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 products and services To be involved in public welfare and charity 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

We conduct regular review over our current stakeholders' communication channels to identify any weakness, which enabling us to effectively collate and respond to the opinions of various stakeholders. To better understand expectations and recommend external stakeholders on the environmental and social performance of the Group, we invited more external stakeholders to participate in our ESG questionnaire during the year.

1.4 Determination of material issues

To understand the expectations and propositions of stakeholders and enhance the relevance of the report, the Group determines the ESG issues and makes materiality judgments in various forms, including counterpart benchmarking, media analysis, stakeholder interviews, and questionnaire, 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 Group's development and major topics concerning our stakeholders.

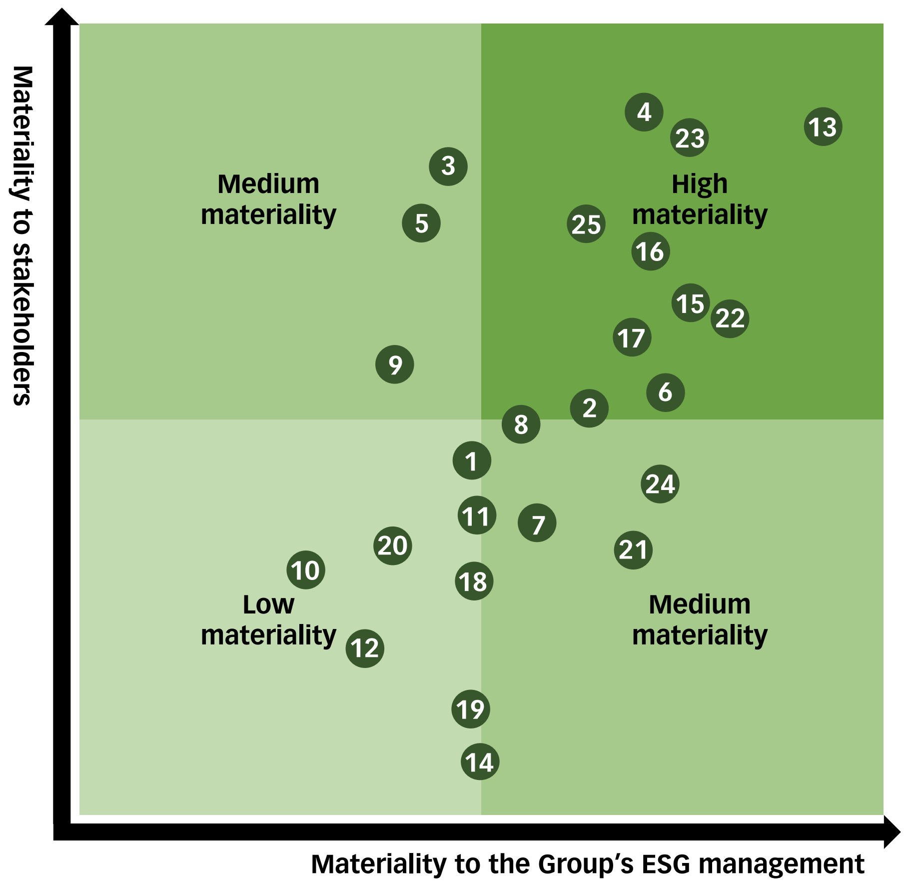
Screening Process of ESG Issues

1. Determining the sources of issues → **2. Defining screening standards** → **3. Reaching judgmental results**

1. Determining the sources of issues
- Recommendations from the management of the Group
- Analysis from internal and external experts
- Multimedia information analysis
- Domestic and overseas counterpart benchmarking
- The ESG Report Guide

2. Defining screening standards
- Contribution to sustainability
- General concerns of stakeholders
- The ESG Report Guide
- Strategic and development needs of the Group

3. Reaching judgmental results
- Materiality to the Group's ESG Management
- Materiality to stakeholders



No.	Concerned issues	No.	Concerned issues
1	Culture and business value	14	Product innovation
2	Industry trends and policies	15	Customer interests and rights
3	Anti-corruption	16	Customer complaint management
4	Operating compliance	17	Customer experience
5	Supplier management	18	Communications with communities and governments
6	Intellectual property rights	19	Community engagement
7	Water resources management	20	Public charity
8	Pollutants management	21	Employee remuneration and benefit
9	Energy management	22	Occupational safety and health
10	Carbon footprint	23	Employee development and training
11	Climate change	24	Employee equality and diversity
12	Impact of business on natural environment	25	Protection of human rights
13	Product quality		

1.5 Enhanced Management

In 2017, the Group shifted its work from its "optimised management" in 2016 to "enhanced management". We continue to build a global brand image for our healthcare products by mainly promoting the Good Health products. By actively capitalising on the advantages of the eastern and western cultural integration, we further expand the sales channels and diversify our product mix. In addition, our rich market experience, marketing models, management culture and our acute market perception and insight into consumer behaviors continue to strengthen our internal management foundation and capacity. Our enhanced management injected infinite growth momentum into our brands, including Good Health brand, enabling a growing number of quality overseas brands to establish their business presence in local markets and achieve new breakthrough in Chinese market.

Clean and honesty

In strict compliance with the *Criminal Law of the People's Republic of China*, the *Anti-Unfair Competition Law of the People's Republic of China*, 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 has formulated the Employee Code of Conduct and Business Code as its highest standards of openness, integrity and accountability in all 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 deception during the selling process. This department will encourage the employees and the public to develop a correct understanding of fighting corruption, thus regulating the Company's business activities. Senior management and internal regulatory authorities of the Group take primary responsibility for preventing, supervising and correcting corrupt practices and potential fraud. On a quarterly basis, we will appoint special officers at our headquarters to conduct inspection work and emphasise clean and honest practices at all subsidiaries. Besides providing regular anti-corruption education to remind our employees, we will continue to promote the awareness of clean and honest practices among our employees.

As the Group never tolerates any violation of clean and honest practices, we implement internal and external complaint and whistle-blowing policies, and constantly improve the complaint and whistle-blowing systems against corrupt practices. We provide various complaint and whistle-blowing means and channels, allowing the whistleblowers to lodge complaints through interviews, text-messaging, WeChat and e-mail.

Internal whistleblowing → Managers In different locations → Headquarters' Monitoring Department → General Manager → Board

External whistleblowing → General Manager → Board

There was no litigation arising from corruption in the Group in 2017.

The Group will continue its self-improvement by gradually establishing and improving sales regulations and systems, as well as defining the six sales guidelines for all employees of the Group. In such case, all of our employees are required to strictly comply with the honest practices and uphold the code of integrity. In addition, any action that damages the interests of the Group and consumers will be prohibited.

Honours and Awards

In 2017, the Group was awarded "Forbes China Up-and-Comers List: 100 best Listed Companies Category"

In 2005, the "Forbes China Potential Enterprise 100" was launched for the first time and lasts for 12 years. Due to our outstanding performance, the Group for the first time was admitted to the "Forbes China Potential Enterprise 100" in 2015, and was once again admitted to the "2017 Forbes China Up-and-Comers List" in 2017.

In 2017, Our "Zhongsheng Coenzyme Q10 Capsules" Won the "Designated Product Award"

At the "Healthcare Product Development Meeting of 'Healthy China' and the Theme Forum of the 17th China International Healthcare Expo" held in Guangzhou, the Group shared its market innovation experience as a representative enterprise and received the "Designated Product Award" for our "Zhongsheng Coenzyme Q10 Capsules".

2. PRODUCT — ASSURED HEALTH

Upholding the objective of "improving the physical status of people under sub-health conditions and making healthy people healthier", the Group is committed to producing and providing organic and safe healthcare products for our consumers so that their growing health needs will be satisfied amid an increasingly diversified selection of healthcare products.

2.1 All-category product development

The Group has been gradually globalising and diversifying its brand development. Currently, the Group owns various brands, including Zhongsheng, Hejian, Cobayer, Good Health, and Living Nature. In addition, we continue to introduce new products to develop more premier product mixes. In 2017, by analysing the market demand in China, we incorporated sport-based supplements, bone building supplements, baby supplements, and pregnancy supplements to Good Health, a New Zealand brand, so that the consumer demand among various growing customer bases could be met.

In strict compliance with the *Patent Law of the People's Republic of China* and the *Trademark Law of the People's Republic of China*, the Group respects intellectual property rights and trademark protection and ensures the compliance by our overseas operating businesses with the local relevant requirements. As at 31 December 2017, the Group sold a total of 757 types of existent products and new products. During the reporting period, the Group introduced 29 types of new products and applied for registration of 107 trademarks.

Product innovation and upgrade

By constantly improving our "production-education-research" system, the Group will gradually demonstrate its capacity as a scientific and technological research center to promote product innovation and upgrades. On the other hand, the Group will strengthen the introduction of high-caliber research talents and leading international technologies and equipment, while adopting leading global marketing and management models. In addition to our current research and development team, the Company establishes various research and development teams to cover Hejian, Good Health and Living Nature. Furthermore, we are planning to form the "International Alliance for Health" for the purposes of consolidating the best health-related resources across the globe.

Our continued and strengthened collaboration with scientific research institutions will inject new vitality into the research capacity of the Group.

- We entered into the production-education-research collaboration agreement with the Institute of Chemical Industry of Forest Products CAF;

- We established an internship base with Nanjing University of Chinese Medicine.

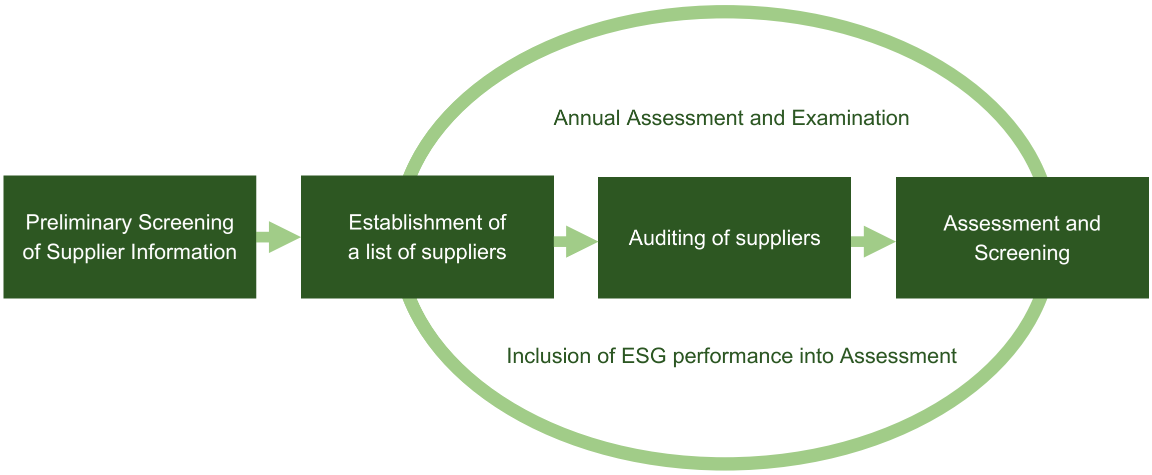
During the reporting period, the Group invested RMB 4.6 million in research and development, representing an increase by 283.3% as compared to that for 2016, during which, two scientific and technological innovation projects were established and implemented. Meanwhile, local governments recognised our research and innovation by rendering various forms of government support to the Group such as government grants of RMB50,000 and scientific and technological rewards of RMB 200,000. In the future, we will continue to strengthen collaboration with scientific and technological institutions to enhance our product innovation and improve our position in the industry, thus promoting the improvement and development of the healthcare industry.

2.2 Quality control

The Group will continue to improve its quality management system by exercising strict control over each procedure involved in the product quality control, including the purchase of raw materials, production and product inspection. Our persistence in seeking excellence will safeguard the product quality and property. On the other hand, given the special natures of healthcare products, we implement strict control procedures when obtaining the relevant approval from China Food and Drug Administration with respect to our products. The Group has a total of 29 approvals issued by China Food and Drug Administration with respect to our healthcare food. These approvals represent the highest product and regulatory standards governing nutritional and dietary supplements.

Screened suppliers

As the primary factor in quality control is supplier management, the Group continues to improve its supply chain management system, while constantly optimizing its procurement procedures to ensure the standardization of our procurement work in strict compliance with various internal management systems including the "Supplier Access Management Process", "Supplier Qualification Management System", "Supplier Audit Management System" and "Supplier Assessment Procedures". During the reporting period, we enhanced our management of sources of raw materials. To safeguard product quality from the sources of materials, we improve certain methods of procuring raw materials by shifting to centralised procurement at the group level from procurement at the subsidiary level. Furthermore, we continue to improve the supplier assessment mechanism by including the environmental and social responsibility of suppliers to our final assessment process. As at 31 December 2017, the Group had 286 overseas suppliers and 48 domestic suppliers, 275 of which were suppliers of raw materials.



Our Supplier Screening Procedures

Quality control procedures

In strict compliance with the Good Manufacturing Practice (GMP), the Group strictly observes the sanitation and quality requirements as provided under national laws and regulations governing various aspects, including inspection of raw materials before their entry into the production facilities, personnel management, facility and equipment management, production processes and reception and issuance of supplies, while maintaining samples of each product for future reference. In October 2017, external audit over our quality management was carried out.

Our production base possesses a variety of quality management system certifications, including HACCP certification, ISO9001 quality management system certification and ISO22000 food safety management system certification. Our production workshops operate by the 100,000-grade dust-free workshop standard with on-site quality assurance (QA) personnel to fully ensure our production conditions fall in line with the relevant requirements.

The Group stresses the importance of customer trust in our product quality by gradually establishing our product traceability system. This system provides open, transparent and traceable information. We continuously impose stringent requirements on our quality control to provide our customers with trusted products on the best effort basis, which on the other hand showcases our confidence in our product and food safety.

Whole-process Traceability of Imported Milk Powder

In 2017, the Group worked with China Certification & Inspection Group (CCIC) and New Zealand testing bodies to achieve the whole-process traceability of imported milk powder in Jiangsu Province and even across the country. As a result, the General Administration of Quality Supervision, Inspection and Quarantine and our customers will immediately access to all information about imported milk powder by scanning the QR code on product packages, which further enhances the confidence of regulatory bodies and our customers in the food safety standards of our products.

Good Health Maintains Stringent Quality Control

Good Health, as a subsidiary of the Group, promotes sustainability by rejecting any raw materials sourced from genetically modified plantations or exercising strict control, screening and selection procedures to identify other suppliers. From research and development, screening of raw materials and production to finished products, Good Health has been exercising stringent monitoring and testing procedures for every detail of each product for the purposes of ensuring the highest quality and purity level. The Group conducts 15 tests over its products, including active ingredient testing, microbiological testing, bacterial testing, heavy metal testing, pesticide testing, and stability testing, which delivers safe and high-quality medicines and food to the public consumers.

Good Health has obtained sales and production certifications from New Zealand and Australian authorities with respect to its branded products and production facilities:

- the Good Manufacturing Practice (GMP) certificate (good pharmaceutical production quality management norm) issued by the New Zealand Medicines and Medical Devices Safety Authority;
- the Therapeutic Goods Administration (TGA) certification;
- The Ministry of Primary Industries (MPI) certification.

Handling quality issues

The Group takes quality issues seriously by formulating quality handling processes and recall procedures and organising annual quality handling and recall drills to ensure the effectiveness of the handling process and recall procedures. In case of any quality complaint, we will assign the quality assurance (QA) personnel to investigate into and analyse the complaint in accordance with the complaint handling guidelines along with our reasonable responses.

Promoting quality awareness

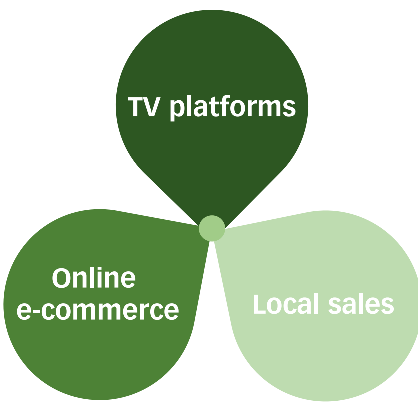
The key to implementing quality assurance measures is to promote quality awareness among our employees. The Group's ongoing training sessions and industry exchange provide opportunities to promote quality awareness among our employees. Meanwhile, we will proactively cooperate with the government on carrying out the national campaign of "Quality Month" to strengthen the promotion of the quality awareness within the Company, including quality knowledge contests and select articles of shared experience in quality management. These measures will strengthen the campaign and further encourage the active involvement of our employees.

3. CUSTOMERS — BUSINESS COMMITMENT

The Group is committed to developing and servicing the customer base. By persistently applying the tenet of "integrity and efficiency, quality service, continuous improvement" to our customer services, the Group provides its customers with all-channel premier product and aftersales services, while continuing to enhance customer experience and safeguarding customer interests and rights.

3.1 All-channel customer services

In response to the changes brought by technological advancement in the consumption models of our customers, as well as providing a more convenient access for our customers to understand and experience the healthcare products of the Group, we actively expand our online and offline sales service channels. In 2017, we set up TV sales platforms, increased promotion activities on our online e-commerce platforms and strengthened our product and local services in strict compliance with the *Advertising Law of the People's Republic of China*. As a result, we gradually expanded our promotional service channels, including TV shopping, online e-commerce and local sales. To achieve our objective of global business development, the Group establishes an extensive sales network that covers various regions on the globe, including the UK, Germany, Holland, Canada, Dubai, South Korea, Japan, Singapore, South Africa, Vietnam, Thailand, Malaysia, Indonesia, and the United Arab Emirates and etc,. Our consumers can access premier healthcare products by phone or websites, along with professional health-related consultation, convenient logistics distribution, and hassle-free aftersales services.



In 2017, we chose the TV shopping platforms as our major channel for national promotion services. Our live broadcasting presented all TV audiences a vivid picture of healthy and premier products that accommodate the consumer needs. We will continue to establish and improve the TV shopping management system and service mechanism, under which, our employees at the TV shopping division will each be responsible for customer services for each TV shopping channels on a daily basis.

3.2 Customer service commitments

Enhancing customer experience

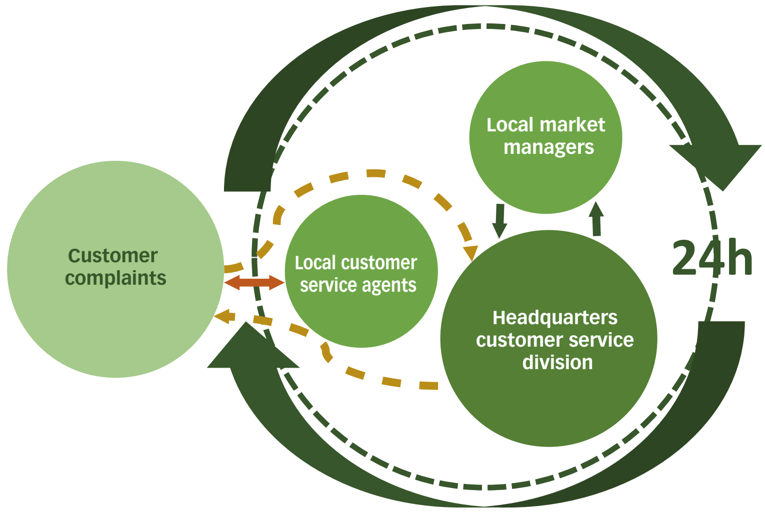
The Group continues its commitment to enhancing customer experiences. Customer trust and satisfaction represents the best recognition of our value. Good customer experiences are conducive to improving our products and services, as well as boosting customer loyalty. We strive to provide our customers with more thorough, professional, authoritative and reliable services and recommendations by establishing mature shop and personnel management systems to regulate the actions of our employees and enhance the professional practice of our employees.

We emphasise "active services" when enhancing customer experiences. Therefore, we will send our best wishes over the phone or by sending practical items on important occasions, such as festivals, customers' birthdays, and wedding anniversaries. In 2017, we started to send blessing through text messages or WeChat, thus reducing unnecessary nuisance calls to our customers. Our WeChat official account delivers regular health analysis reports, providing our customers with better insight into health information in the timeliest manner.

Protecting customers' rights and interests

The Group stresses great importance of the legitimate rights and interests of each customer and strictly abides by the Consumer Protection Law of People's Republic of China to safeguard the legitimate rights and interests of customers. Customers' information is strictly managed. Our customers are organised into existing customers, new customers and potential customers for filing and management purposes. All employees are strictly forbidden to disclose or use customer information without approval so as to protect the security of customers' privacy.

We constantly improve our customer complaint mechanism by making available various customer complaint channels so that each customer's opinions and complaints can be expressed and appealed. As a result, we improved and enhanced the quality of our products and services while safeguarding the legitimate rights and interests of customers. We have a customer service executive in each sales territory to attend customers' complaints. If any customer issue cannot be solved in a satisfactory manner, the customer may make a complaint to the customer account department at the Group's Headquarters through the Headquarters' customer complaint hotline. For customer complaints, we hope to solve customers' minor issues as soon as possible to prevent them from suffering material issues due to minor issues, and will respond within 24 hours and propose a satisfactory solution to the relevant customer.



Customer complaint handling process

To resolve customer issues at the earliest hour, as well as improving the quality of handling customer complaints, we have set up a corresponding market manager assessment system, under which, local market managers will be interviewed if more than three complaints are filed by the same customer directly to the headquarters of the Group. During the reporting period, the Group had no customer complaints that are not properly handled.

4. ENVIRONMENT — SHARING GREEN ENVIRONMENT

Besides strengthening our philosophy of environmental operations, the Group aims to reduce environmental loads, continues to improve our corporate image in communities, and remains in pursuit of environmental sustainability so that we can share the green environment with communities.

4.1 Green business operations

In strict compliance with various national and local laws and regulations governing environmental protection, including the *Environmental Protection Law of the People's Republic of China*, the *Law on the Prevention and Control of Water Pollution of the People's Republic of China*, the *Law on the Prevention and Control of Air Pollution of the People's Republic of China*, the *Law on the Prevention and Control of Solid Waste Pollution to the Environment of the People's Republic of China*, and the *Law of the People's Republic of China on Energy Conservation*, the Group proceeds with the environmental impact assessments and proactively cooperates with the government on the 13th Five-Year Plan for energy conservation and emission reduction. In addition, we continue to improve our in-house environmental systems, including the "Corporate Drainage System Management", "Corporate Solid Waste Management System", "Energy Conservation Management System" and "Vehicle Management System". By launching our ISO 14001 environmental management system certification project, the Group will gradually establish and improve our environmental management system.

We take active measures to implement environmental control, energy conservation and emission reduction, and strengthen promotion and education on energy conservation and emission reduction. Furthermore, we are committed to reducing the carbon footprint arising from productions and operations of the Group, as well as mitigating the negative impacts on the environment. We adopt the following measures for our office, production and storage areas:

Reducing emissions

Office area

- A waste sorting system is implemented, under which, domestic waste will be sorted and collected before being handled by the property management office in a centralised manner.
- Public transportation is encouraged by reducing the use of vehicles to lower vehicle exhaust emissions.

Production and storage

- The municipal environmental sanitation office will handle such waste that is sorted for storage, collection and disposal in a centralised manner.
- A management system for hazardous waste is established and related registration is filed with the relevant government bodies. Qualified third-party companies will be appointed to handle hazardous substances in a centralised manner.
- Regular sewage testing reports will be released, while sewage and drainage will be separated and subject to regular testing. The sewage discharge permit will be subject to approval along with sewage control and discharge measures to ensure the standards are met.

Reducing energy consumption

Office area

- All employees are required to timely turn off unnecessary electrical equipment when leaving offices.
- All light bulbs are replaced with energy-efficient light bulbs.
- Obsolete vehicles with a high level of oil consumption will be phased out, while no scrapped vehicles will be used.

Production and storage

- The engineering department will increase the frequency of daily inspection and make timely rectifications.
- The parameters of control equipment in production conditions will be set at a lower level to the extent they satisfy production requirements.
- Management of power distribution rooms is strengthened to ensure effective power. The engineering department shall timely inspect and record the management of power distribution rooms, and maintain a record of power consumption and analyse the anomalies.
- More energy conservation training is provided to our employees.

Reducing other resource consumption

Office area

- Double-sided printing of paper will be used to reduce unnecessary single-sided printing.

Production and storage

- Packaging for certain products is eliminated to reduce consumption of packaging materials.
- Packaging waste is specifically sorted, categorized and stored for recycle purposes as much as possible.
- Consumption of water resources is minimised by optimising dosage forms, improving production processes and setting higher requirements for suppliers.
- Water meters are installed for all departments for real-time monitoring and follow-up purposes so that unnecessary waste of water resources will be avoided.
- Energy conservation and emission reduction will be taken into consideration during our production, research and development, and packaging materials will be reduced by optimising dosage forms.

Water and Energy Conservation by Zhongsheng Science and Technology

Zhongsheng Science and Technology is a subsidiary of the Group. In 2017, it continued its commitment to conserving water resources and energy sources.

Protection of water resources:

- Research and development of dosage forms for our products aims to improve the production processes and minimise the use of water for productions and cleaning.

- All departments increase their efforts to inspect and gather statistics of use of water resources and reduce wastewater discharge.

Energy conservation:

- Subject to seasons and specific production activities, the engineering department will rationalise power equipment to reduce power consumption to the extent that product quality is safeguarded.

- When using the air-conditioning equipment, the administrative department will make adjustments for different seasons, such as minimum heating in winter and minimum cooling in summer. In addition, the administrative department will supervise the implementation of such adjustments.

- In 2017, 300 20-watt LED lights were installed to replace the 36-watt light bulbs, thus conserving 9,600 KWh.

Good Health Starts Clean Production From the Sources

Good Health always pays attention to environmental protection, and advocates control over pollution from the sources used for production processes.

- Coal-fired or gas boilers will not be used for production activities, and therefore no steam or heat is consumed.

- No corrosive alkaline, acid, chlorine or other solvents will be used for any closed-loop cleaning system.

- The dry process is adopted for our production processes so that water consumption is reduced.

- Domestic waste is zoned and discharged in accordance with the laws and regulations of New Zealand.

Cobayer Engages in Environmental-friendly Activities

In 2017, Cobayer proactively engaged in environmental-friendly activities to make due contributions to environmental protection.

- By the end of March 2017, Cobayer started using cloud-based accounting software, which to a great extent reduces the need to print invoices. In addition, the employees are permitted to perform remote office duties, thus reducing carbon emissions and lowering energy costs.
- Through environmental-friendly meetings, environmental-friendly policies are formulated:
    - Gift bags for our promotional activities use environmental materials.
    - Paper-based communications are avoided by using email messages or other electronic means to confirm reception of bills and communications messages.
    - All lights shall remain turned off when the conferences are not in use.
    - Reusable paper and cardboard boxes will be used in office areas.
    - The recycle trash cans deployed throughout offices increase the recycling frequency.

In 2017, Zhongsheng Science and Technology carried out construction projects within the factory premises, during which, strict control over the construction projects was exercised to minimise possible impacts on the production areas by separating the construction sites and production areas. Meanwhile, active measures were adopted to reduce impacts brought by construction on the surrounding areas in strict compliance with national standards, which comprised measures implemented to minimise the impacts brought by dust and construction waste on the surrounding areas. During the reporting period, the Group's business activities did not impose any material impact on the environmental and natural resources.

4.2 Environmental Performance

Consumables Category	Consumption Amount 2016	2017	Unit
Energy consumption			
Direct energy consumption			
Gasoline	54,657	57,291	litre
Diesel	10,528	7,708	litre
Total direct energy consumption amount	72.51	71.65	tonnes of standard coal equivalent
Indirect energy consumption			
Purchased power	2,014.32	2,363.01	MWh
Total indirect energy consumption amount	247.56	290.41	tonnes of standard coal equivalent
Total energy consumption			
Total energy consumption	320.07	362.06	tonnes of standard coal equivalent
Integrated energy consumption per revenue of RMB10,000	6.86	7.32	kilogram standard coal equivalent per RMB10,000
Resource consumption			
Water resources	43,991.54	40,630.22	tonne
Water consumption per revenue of RMB10,000	0.94	0.82	tonnes per RMB10,000
Packaging materials	354.79	280.95	tonne
Packaging consumption per revenue of RMB10,000	7.61	5.68	kilogram per RMB10,000

Emissions Category	Emission Amount 2016	2017	Unit
Waste			
Hazardous waste	7.45	17.02	tonne
Hazardous waste per revenue of RMB10,000	–	0.34	kilogram per RMB10,000
Non-hazardous waste	6.01	43	tonne
Non-hazardous waste per revenue of RMB10,000	–	0.86	kilogram per RMB10,000
Wastewater discharge			
Total amount of wastewater discharge	16,250	15,682	tonne
Chemical Oxygen (COD) emissions	0.03	0.03	tonne
Ammonia and nitrogen emissions	0.026	0.01	tonne

Note: In 2016, waste only included those from Zhongsheng Science and Technology, a subsidiary of the Group.

<table>
<tr><th>Greenhouse gas emission
Category</th><th>2016</th><th>Emission Amount
2017</th><th>Unit</th></tr>
<tr><td>Greenhouse gas Scope I</td><td rowspan="2">392</td><td>174</td><td>tonnes of CO_{2eq}</td></tr>
<tr><td>Greenhouse gas Scope II</td><td>972</td><td>tonnes of CO_{2eq}</td></tr>
<tr><td>Greenhouse gas Scope III</td><td>–</td><td>19</td><td>tonnes of CO_{2eq}</td></tr>
<tr><td>Total amount of greenhouse gas emissions</td><td>392</td><td>1,165</td><td>tonnes of CO_{2eq}</td></tr>
<tr><td>Greenhouse gas emissions per revenue of RMB10,000</td><td>8.41</td><td>23.56</td><td>kilogram of CO_{2eq} per RMB10,000</td></tr>
</table>

Note: in 2016, greenhouse gas emissions only included Scope I and II of greenhouse gas emissions of Zhongsheng Science and Technology, a subsidiary of the Group.

5. EMPLOYEES — HAPPY GROWTH

Employees provide assurance to the sustainability of a corporate business. Therefore, the Group upholds the working principle of "happy workplace" by striving to cultivate a happy working environment for our employees, as well as encouraging our employees to practice the teamwork spirit of "striving to build a brighter future in concert".

5.1 Rights and care

Institutional guarantees

In strict compliance with the *Labour Law of the People's Republic of China*, the *Labour Contract Law of the People's Republic of China* and other related laws and regulations, the Group protects the legitimate rights and interests of the employees by law. By introducing a series of human resources policies with respect to recruitment and promotion, remuneration and fringe benefits, termination, and welfare and vacations, including the "Employee Recruitment Management System", the "Employee Training Management System", the "Remuneration Management System", the "Insurance Management System" and the "Employee Promotion System", we offer our employees equal opportunities to access training, career development, promotion and fringe benefits. We believe candidates and employees share the same rights and should be fairly treated. Therefore, no candidates and employees will be discriminated due to their sex, race, religious belief, skin color, sexual orientation, age, marital status, family, pregnancy or any other discriminatory factors prohibited by laws. In compliance with the *Labour Law of the People's Republic of China* and the *Provision on the Prohibition of Child Labour* issued by the State Council, the Group strictly prohibits the use of child labour and forced labour. During the year, the Group reported no child labour or forced labour.

Offering of employee-friendly benefits

We offer our staff varied employee-friendly benefits. In addition to our basic retirement insurance, medical insurance, unemployment insurance, workplace injury insurances, maternity insurance and housing fund (also known as five insurances plus one fund), we also offer shuttle buses to all factories to pick up our employees who commute between workplaces and home. In high temperature conditions in summer, our employees will receive water to stay cool. In addition, we purchase director liability insurances for our management to lower the liability risks of the management.

Enhanced employee communications and care

The Group stresses the importance of communication and exchange with our employees. For those employees who join the Group for only three months and experience mental pressure from work, we will assign personnel from our human resource department to engage in communications and exchanges for the purposes of alleviating the mental pressure of such employees. We also encourage our employees to engage in face-to-face communications with their superiors. Meanwhile, the general manager mailbox is available as a platform for our employees to provide constructive comments, protect their own rights and file complaints.

Good Health Employee Assistance Program

In 2017, Good Health adopted the Employee Assistance Program (EAP), which is a campaign where Good Health provides free consultation services to provide the employees a pleasant workplace and maintain mental and physical health. This campaign was well received among our employees. In 2018, Good Health is authorized to establish a social networking club that commits to improving employee communications and care.

We care about our employees by striving to provide an employee-friendly workplace. We value the anniversary of each employee and present an anniversary present to our employees on their anniversaries. We will also visit those hospitalised employees to express our solicitude. To enrich the amateur life of our employees, we established a yoga club in 2017, offering weekly yoga classes. On the other hand, the Group's subsidiaries organised regular company retreats, while our employees at home and abroad continue to engage in regular communications for the purposes of promoting integration of the Eastern and Western cultures. Through these actions, our corporate culture and development strategies have been deeply rooted among our employees, which in return help boost our corporate management capacity.

5.2 Training and development

Employee training management

To enhance our capacity reserve for business development and the talent quality, the Group provides various training opportunities to our employees under the "Staff Training Management System", including entry-level training, manager training and online business academy training.

Entry-level training

- Two-day pre-employment training
- Weekly training at Nanjing headquarters

Manager training

- Monthly training will be arranged, which may be included in a meeting of managers.

Online business academy

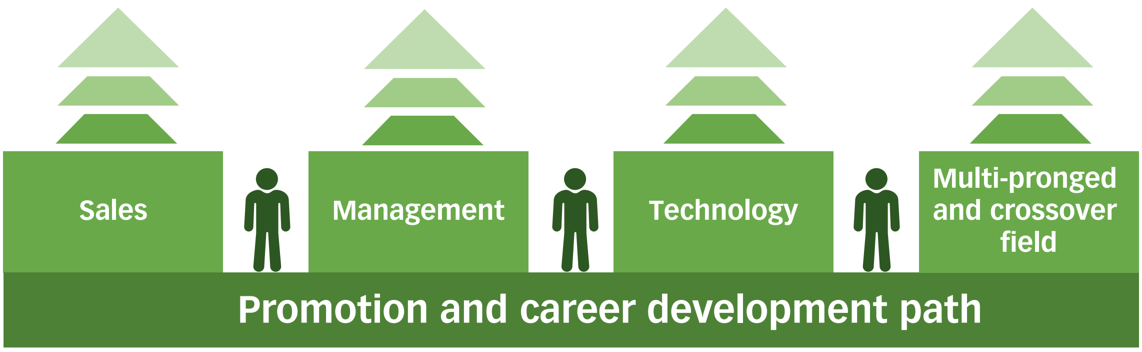
- Outstanding middle-level employees are recommended by various market managers to be members of the business academy, and our CEO or senior manager will be their mentors.
- Our mentors will offer guideline training through online broadcasting or WeChat learning groups.

In 2017, Zhongsheng Science and Technology improved its training work for employees at the production workshops, quality control department and engineering department of the Company by combining in-house training and external training, including training result assessment into certain training sessions, and setting a mandatory requirement of 40-hour training for employees at the production workshops throughout the year.

During the reporting period, we strengthened efforts to provide employee training. As a result, the total training hours amounted to 46,135 hours, representing a significant growth as compared to that in 2016. There were a total of 1,164 attendees for our training sessions.

Employee promotion mechanism

The Group implements a multi-pronged promotion mechanism. In accordance with the "Employee Promotion Management System", the quality, ability, working attitude and performance of an employee will be taken into consideration on an integrated basis to ensure that each outstanding employee has access to an equal and fair opportunity for promotion.



We also formulate the "Successor" Initiative, which encourages each manager throughout the Company to identify an outstanding employee as their successor and provide proper training. In 2017, we identified a total of 18 outstanding successors, who were nominated for promotion.

5.3 Health and safety

Employee health and safety management

The Group values the occupational health and safety of our employees, and therefore implements the *Workplace Safety Law of the People's Republic of China*, the *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases*, and the *Safety Training Management Rules* and other national and local laws and regulations. Furthermore, the Group formulates a series of in-house regulations and policies, under which, stringent product safety management, as well as work related to industrial sanitation and prevention and control of occupation disease, are effectively carried out to safeguard the occupational health and safety of our employees. We have established and implemented the workplace safety accountability system and production safety management system, pursuant to which, all departments and positions are fully assigned with the safety responsibility. To execute and enhance the workplace safety accountability system and production safety management system, we set up the safety management body along with a safety management staffing mechanism to ensure that the safety management body is properly staffed by the safety management personnel and up to standard. We require all employees to be certified with a health report for their positions, and annual occupational disease examinations will be arranged for employees at key positions.

Good Health's Sound Safety Management Structure Safeguards the Safety of the Employees

Good Health operates a safety committee comprising six members, who receive professional training as to health and safety. Led by the safety committee, monthly meetings on safety issues are held and safety concerns are recorded at such meetings for tracking and follow-ups. Feedback on each safety concern will be reported to the management team on a regular basis, which is also displayed on our health and safety bulletin.

Minimising safety risks of our employees

To minimise the operating risks of our employees, the Group sets up a safety fund, which is used to upgrade and transform production equipment, as well as purchasing cooling supplies, dust removers and labour protective supplies. Meanwhile, we streamline our packaging with a view to reducing operating risks involved in complicated packaging processes. Furthermore, we strengthen our employee safety training in various forms, including special workplace safety meetings, quarterly safety meetings, promotion events and training sessions for the safety month, and fire drills. These measures will continue to enhance the safety awareness of our employees, which in return strengthens individual safety protection. During the reporting period, we invested a total of RMB3 million in our production safety practices with seven safety drills.

Cobayer Continues to Enhance Employees' Safety Awareness

By stressing importance to the health and safety of our employees, Cobayer regularly promotes the safety awareness among all employees and implements related measures. In addition, all employees at workplaces will be informed of the health and safety requirements, in particular positions with higher risks at the warehouses and expositions outside office areas. Cobayer will prepare and provide operating safety instruction manuals, and equip the involved employees with appropriate safety protection gears (including safety vests, safety shoes and safety helmets), thus ensuring that all employees work in a safe environment.

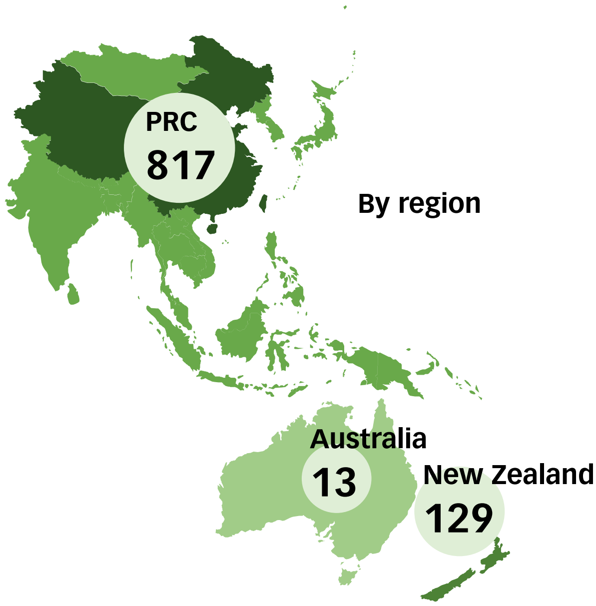
Improving our mechanism to handle workplace injuries

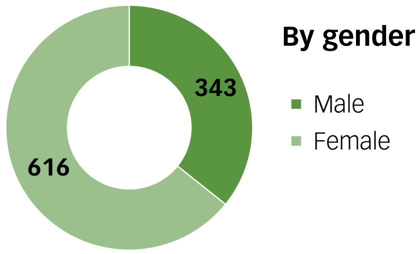
The Group formulates and improves the mechanism to handle workplace injuries, which covers a series of handling procedures, including workplace accident reports, accident analysis, accident settlement, accident feedback and communications on precautions. These measures in place timely and duly address the workplace injuries of our employees. In strict compliance with the requirements under the Workplace Insurance Ordinances, we will arrange our injured employees for consultation and treatment at hospital, the expenses of which will be covered by us to avoid any unnecessary worry.

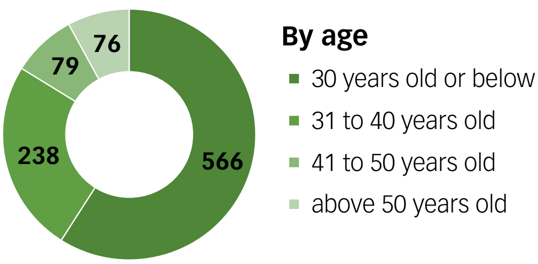
During the reporting period, the Group reported no accidents involving the death of our employees due to work.

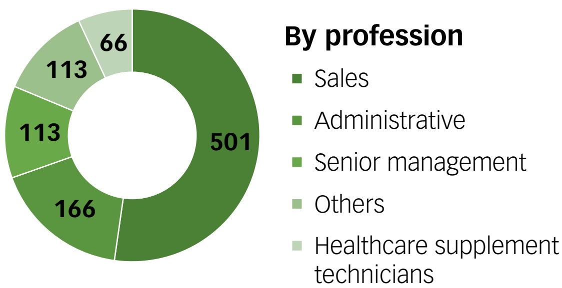
5.4 Employment performance

During the reporting period, the Group had a total of 959 employees, categorisation of which is set forth as below.









6. COMMUNITY — CONTRIBUTIONS TO PUBLIC WELFARE

The Group recognises and maintains a good relationship with communities, while joining all sectors to promote and advance the social development. We make active contributions to communities and strive to become a role model of corporate social responsibility. The Group persists in fulfilling its tax obligations according to the law. In 2017, the Group's tax contribution amounted to RMB99 million. On the other hand, we have always cared and supported vulnerable groups by proactively engaging in public welfare campaigns and fulfilling the corporate social responsibility. We make multiple positive contributions in various areas, including social campaigns, disaster relief, and support to the disabled, aged and education. Our own concrete actions to assist others will serve as an example to promote positivity among communities.

During the reporting period, we engaged in social activities focused on charity and donation, sponsorship for social events, and collaboration with education institutions. By deepening our collaboration with various sectors, we organised massive promotions and campaigns on a healthy life among communities in order to raise public health awareness, which yielded fruitful results.

6.1 Community engagement

Collaboration with education institutions

The Group emphasises collaboration with education institutions. In collaboration with universities, we proactively organise tours, exchanges and internship events for students in college, and consider retaining those who have outstanding performances.

Agreement with Nanjing University of Chinese Medicine to Establish an Education Base and Partnership Plague Awarding Ceremony

In 2006, Zhongsheng Science and Technology entered into an agreement with Nanjing University of Chinese Medicine with respect to the establishment of an education base. Ever since then, Nanjing University of Chinese Medicine will select students who have outstanding performance for the internship program of Zhongsheng Science and Technology every year. During the year, Zhongsheng Science and Technology invited students from Anhui Science and Technology University for a tour at our production bases. The manager from our quality department acting on behalf of the Company introduced our corporate culture, product mix, and the current industry outlook of healthcare products to the visiting students along with presentations on the processes and procedures of our production and laboratory testing. The entire event inspired and interested the college students, resulting in submission of many applications for internship. This helped increase employment opportunities in communities.

International cultural exchange

During the reporting period, Cobayer sponsored a series of popular social and cultural events for the Sino-Australia exchange program. Our sponsorship aimed to promote the Chinese culture and encourage overseas Chinese communities to participate in various cultural events in Australia. With these events successfully accomplished, massive Chinese communities in Australia and international friends who aspire to the Chinese culture felt a strong connection to the Chinese culture, which effectively promoted the Chinese culture.

Date	Place	Name of Event	Number of Attendees
4 March 2017	Sydney	Tour show of "Empress Wu Zetian"	More than 2,000 audiences
4 October 2017	Sydney	Mid-Autumn Evening of Northeast China Association (東北同鄉會)	More than 300 participants
30 December 2017	Sydney	Chinese New Year Evening of Northeast China Association (東北同鄉會)	More than 300 participants
October 2017	Brisbane, Melbourne, and Sydney	Van Ness Wu Project S.A.L.T 2017	More than 1,000 participants

6.2 Public welfare and charity

Good Health has long been paying attention to the health of children with heart disease and is actively assisting local communities and people in need in the international society.

Good Health Makes Contributions to Community Charity

In August 2017, Good Health sponsored a charity fundraising activity for children with heart attacks, which attracted more than 100 caring people. In September, Good Health launched a three-month charity campaign, during which, each time a product was sold in our retail outlets, it donated NZ$1 to children with heart disease. During the event, a total of NZ$12,275 were donated under the help of over 250 customers. In addition, Good Health also donated NZ$11,500 to the Ecology Day activity of Kaipatiki Community this year. The left picture shows the 2017 Ecology Day of Kaipatiki Community and the right picture is the charity auction.

Good Health also makes its due contributions to international communities in need. A monthly donation of NZ$45, totaling NZ$540, was made to World Vision, a global Christian humanitarian organization during the year. Good Health also donated NZ$2,000 to the earthquake disaster-stricken area in Hunan.

With the improvement of living standards and changes in consumer attitudes, the concept of healthy living has also become increasingly popular. The Group promotes health concepts to communities by participating in various social activities. While organizing or sponsoring events, we actively promoted health tips to participants or granted our health products to lucky participants as a way to promote health.

As a subsidiary of the Group, Living Nature has long been paying attention to and supported in indispensable areas of our corporate vision, including beauty fashion, health and well-being, environment and local (Keri Keri and Northern area) activities. In particular, health and well-being is the focus when Living Nature sponsors products. In the past year, its sponsorship and support mainly included: sponsoring sweepstake activities of physical education clubs, supporting MyFoodBag's co-founder and MasterChef winner in New Zealand, Nadia Lim, and her breast cancer foundation's charity breakfast, and offering prize packages for silent auction organized by Look Good Feel Better (Female Cancer Support Team) and black tie fundraising participated by Team New Zealand, the winner of the 2017 America's Cup. During the reporting period, Living Nature donated products in a total value of NZ$4,700 in various social activities.

In the future, the Group will continue to explore the path of social co-prosperity with its own brand characteristics. By striving to create a positive and dynamic corporate social image, the Group will be in a better position to help and support the general public.

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

Subject Areas, Aspects, General Disclosure and Key Performance Indicators		2017 ESG Report
A. Environment		
Aspect A1	**Emissions**	
General disclosure	Information on (a) the policies; and (b) 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. may have material impact on the issuer	4.1 Green business operations
Key Performance Indicators A1.1	The types of emissions and relevant emissions data.	4.2 Environmental Performance
Key Performance Indicators A1.2	Greenhouse gas emissions in total (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	4.2 Environmental Performance
Key Performance Indicators A1.3	Total hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	4.2 Environmental Performance
Key Performance Indicators A1.4	Total non-hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	4.2 Environmental Performance
Key Performance Indicators A1.5	Description of measures to mitigate emissions and results achieved	4.1 Green business operations
Key Performance Indicators A1.6	Description of how hazardous and non-hazardous waste are handled, reduction initiatives and results achieved	4.1 Green business operations
Aspect A2	**Use of resources**	
General disclosure	Policies on efficient use of resources including energy, water and other raw materials Resources used for production, warehouse, transport, buildings, electronic equipment, etc.	4.1 Green business operations
Key Performance Indicators A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (1,000 KWh) and intensity (e.g. per unit of production volume, per facility)	4.2 Environmental Performance
Key Performance Indicators A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	4.2 Environmental Performance
Key Performance Indicators A2.3	Description of energy use efficiency initiatives and results achieved	4.1 Green business operations
Key Performance Indicators A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	4.1 Green business operations
Key Performance Indicators A2.5	Total packaging material used for finished products (in tonnes), and if applicable, with reference to per unit produced	4.2 Environmental Performance
Aspect A3	**The environment and natural resources**	
General disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	4.1 Green business operations
Key Performance Indicators A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	4.1 Green business operations

Subject Areas, Aspects, General Disclosure and Key Performance Indicators		2017 ESG Report
B. Social		
Employment and labour standards		
Aspect B1	Employment	
General disclosure	Information on (a) the policies; and (b) 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.	5.1 Rights and care
Key Performance Indicators B1.1	Total workforce by gender, employment type, age group and geographical Region.	5.4 Employment performance
Key Performance Indicators B1.2	Employee turnover rate by gender, age group and geographical region.	–
Aspect B2	**Health and safety**	
General disclosure	Information on (a) the policies; and (b) compliance with relevant laws and regulations on providing a safe working environment and protecting employees from occupational hazards that have material impact on issuers.	5.3 Health and safety
Key Performance Indicators B2.1	Number and rate of work-related fatalities.	5.3 Health and safety
Key Performance Indicators B2.2	Lost days due to work injury.	–
Key Performance Indicators B2.3	Description of occupational health and safety measures adopted and their implementation and oversight.	5.3 Health and safety
Aspect B3	**Development and training**	
General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	5.2 Training and development
Key Performance Indicators B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management, etc.).	–
Key Performance Indicators B3.2	The average training hours completed per employee by gender and employee Category.	–

Subject Areas, Aspects, General Disclosure and Key Performance Indicators		2017 ESG Report
Aspect B4	**Labour standards**	
General disclosure	Information on (a) the policies; and (b) compliance with relevant laws and regulations on preventing child or forced labour that have material impact on issuers.	5.1 Rights and care
Key Performance Indicators B4.1	Description of measures to review employment practices to avoid child and forced labour.	5.1 Rights and care
Key Performance Indicators B4.2	Description of steps taken to eliminate such practices when discovered.	No case involving child labour and forced labour is found
Operating practices		
Aspect B5	**Supply chain management**	
General disclosure	Policies on managing environmental and social risks of supply chain.	2.2 Quality control
Key Performance Indicators B5.1	Number of suppliers by geographical region.	2.2 Quality control
Key Performance Indicators B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	2.2 Quality control
Aspect B6	**Product responsibility**	
General disclosure	Information on (a) the policies; and (b) 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.	2. Product — Assured Health
Key Performance Indicators B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	–
Key Performance Indicators B6.2	Number of products and service related complaints received and how they are dealt with.	–
Key Performance Indicators B6.3	Description of practices relating to observing and protecting intellectual property rights.	2.1 All — category product development
Key Performance Indicators B6.4	Description of quality assurance process and recall procedures.	2.2 Quality control
Key Performance Indicators B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	3.2 Customer service commitments

Subject Areas, Aspects, General Disclosure and Key Performance Indicators		2017 ESG Report
Aspect B7	**Anti-corruption**	
General disclosure	Information on (a) the policies; and (b) compliance with relevant laws and regulations on bribery, extortion, fraud and money laundering that have material impact on issuers.	1.5 Enhanced Management
Key Performance Indicators 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.	1.5 Enhanced Management
Key Performance Indicators B7.2	Description of preventive measures and whistle-blowing procedures and their implementation and oversight.	1.5 Enhanced Management
Community		
Aspect B8	**Community investment**	
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.	6. Community — Contributions to Public Welfare
Key Performance Indicators B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport) .	6. Community — Contributions to Public Welfare
Key Performance Indicators B8.2	Resources contributed (e.g. money or time) to the focused area.	6. Community — Contributions to Public Welfare

INDEPENDENT AUDITORS' REPORT

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 84 to 159, which comprise the consolidated statement of financial position as at 31 December 2017, 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 2017, 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 MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
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 judgements and assumptions such as long term growth rate and discount rates. Please refer to "Note 3 Significant accounting estimates-Impairment of goodwill" and "Note 15 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 specialists to assist us in reviewing the methodology and certain assumptions adopted in 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 of the Company 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

29 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
REVENUE	5	**472,490**	466,241
Cost of sales		**(166,893)**	(139,549)
Gross profit		**305,597**	326,692
Other income and gains	5	**7,252**	13,407
Selling and distribution expenses		**(190,761)**	(131,905)
Administrative expenses		**(83,090)**	(85,385)
Finance costs	7	**(1,815)**	–
Other expenses		**(23,319)**	(3,719)
Share of profits of a joint venture		**224**	426
PROFIT BEFORE TAX		**14,088**	119,516
Income tax expense	10	**(3,245)**	(28,870)
PROFIT FOR THE YEAR		**10,843**	90,646
OTHER COMPREHENSIVE (LOSS)/INCOME			
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods, after tax:			
Exchange differences on translation of foreign operations		**(10,916)**	8,496
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		**(73)**	99,142
Profit attributable to:			
Owners of the parent		**4,209**	87,232
Non-controlling interests		**6,634**	3,414
		10,843	90,646
Total comprehensive (loss)/income attributable to:		**(6,150)**	92,750
Owners of the parent			
Non-controlling interests		**6,077**	6,392
		(73)	99,142
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		**RMB**	RMB
— Basic and diluted	12	**0.44 cent**	10 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**99,139**	70,695
Prepaid land lease payments	14	**10,463**	10,710
Goodwill	15	**146,134**	153,387
Other intangible assets	16	**73,186**	77,575
Investment in a joint venture	17	**–**	6,304
Deferred tax assets	26	**16,036**	13,085
Pledged deposit	31	**–**	1,216
Other non-current assets	32	**6,144**	7,297
Total non-current assets		**351,102**	340,269
CURRENT ASSETS			
Inventories	18	**163,329**	75,177
Trade receivables	19	**49,340**	39,674
Prepaid land lease payments	14	**247**	247
Prepayments, deposits and other receivables	20	**34,626**	9,996
Tax recoverable		**5,129**	–
Pledged deposit	31	**1,603**	367
Cash and cash equivalents	21	**269,592**	517,934
Total current assets		**523,866**	643,395
Total assets		**874,968**	983,664
CURRENT LIABILITIES			
Trade payables	22	**14,164**	15,538
Other payables and accruals	23	**45,105**	51,346
Interest-bearing bank borrowings	24	**49,500**	–
Tax payables		**8,648**	18,020
Total current liabilities		**117,417**	84,904
NET CURRENT ASSETS		**406,449**	558,491
TOTAL ASSETS LESS CURRENT LIABILITIES		**757,551**	898,760

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	24	**27,500**	–
Deferred tax liabilities	26	**14,345**	17,244
Provision	25	**678**	707
Total non-current liabilities		**42,523**	17,951
Net assets		**715,028**	880,809
EQUITY			
Equity attributable to owners of the parent			
Share capital	27	**94,630**	94,630
Other reserves	28	**620,398**	728,594
Non-controlling interests		**–**	57,585
Total equity		**715,028**	880,809

Gui Pinghu
Chairman and Executive Director

Zhang Yuan
Chief Executive Officer and Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

	Attributable to owners of the parent								
	Share capital RMB'000 (note 27)	Capital reserve RMB'000 (note 28)	Exchange fluctuation reserve RMB'000 (note 28)	Statutory surplus reserve RMB'000 (note 28)	Merger reserve RMB'000 (note 28)	Retained profits RMB'000 (note 28)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
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 differences related to foreign operations	–	–	5,518	–	–	–	5,518	2,978	8,496
Total comprehensive income /(loss) 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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

	Attributable to owners of the parent									
	Share capital RMB'000 (note 27)	Capital reserve RMB'000 (note 28)	Exchange fluctuation reserve RMB'000 (note 28)	Statutory surplus reserve RMB'000 (note 28)	Merger reserve RMB'000 (note 28)	Other reserve RMB'000 (note 28)	Retained profits RMB'000 (note 28)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2017	94,630	544,223	5,173	49,777	(3,871)	–	133,292	823,224	57,585	880,809
Profit for the year	–	–	–	–	–	–	4,209	4,209	6,634	10,843
Other comprehensive income/(loss) for the year:										
Exchange differences related to foreign operations	–	–	(10,359)	–	–	–	–	(10,359)	(557)	(10,916)
Total comprehensive income/(loss) for the year	–	–	(10,359)	–	–	–	4,209	(6,150)	6,077	(73)
Acquisition of non-controlling interests	–	–	–	–	–	(2,022)	–	(2,022)	(63,662)	(65,684)
Final 2016 dividend declared and paid	–	–	–	–	–	–	(100,024)	(100,024)	–	(100,024)
Transfer from retained profits	–	–	–	6,398	–	–	(6,398)	–	–	–
At 31 December 2017	94,630	544,223*	(5,186)*	56,175*	(3,871)*	(2,022)*	31,079*	715,028	–	715,028

* These reserve accounts comprise the consolidated other reserves of RMB620,398,000 (2016: RMB728,594,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**14,088**	119,516
Adjustments for:			
Finance costs	7	**1,815**	–
Share of profits of a joint venture		**(224)**	(426)
Interest income	5	**(3,300)**	(8,266)
Short term investment income	5	**(9)**	(79)
Depreciation	13	**7,203**	8,444
Amortisation of other intangible assets	16	**3,709**	2,962
Amortisation of prepaid land lease payments	14	**247**	247
(Gain)/Loss on disposal of property, plant and equipment		**(19)**	598
Realized foreign exchange loss		**12,091**	–
Write-down of inventories to net realisable value	6	**336**	297
Impairment of trade receivables	19	**790**	297
Impairment of goodwill	15	**346**	–
Impairment of an investment in a joint venture	5/6	**5,959**	2,143
		43,032	125,733
(Increase)/decrease in inventories		**(90,228)**	14,977
Increase in pledged deposits		**(19)**	(367)
(Increase)/decrease in prepayments		**(14,205)**	6,231
Increase in trade and other receivables		**(17,919)**	(9,117)
Increase/(decrease) in deferred income		**93**	(666)
Decrease in trade and other payables		**(5,853)**	(15,349)
Cash generated (used in)/from operations		**(85,099)**	121,442
Income tax paid		**(23,641)**	(43,730)
Net cash flows (used in)/from operating activities		**(108,740)**	77,712

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments to acquire property, plant and equipment		**(40,143)**	(26,857)
Deposits for other intangible assets		**(460)**	(1,619)
Additions to other intangible assets	16	**(315)**	–
Acquisition of a non-controlling interest	29	**(65,684)**	–
Reduction of purchase consideration		**1,217**	–
Acquisition of a subsidiary	30	**(35)**	(9,476)
Proceeds from disposal of property, plant and equipment		**405**	5
Redemption of a short term investment		**–**	3,000
Short term investment income received	5	**9**	79
Dividends received from a joint venture		**87**	845
Realized foreign exchange loss		**(12,091)**	–
Interest received		**3,194**	8,424
Net cash flows used in investing activities		**(113,816)**	(25,599)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**–**	65,414
Share issue expenses		**–**	(454)
New bank loans		**77,000**	–
Interest paid		**(1,658)**	–
Repayment of loans of the newly acquired subsidiary		**–**	(2,629)
Dividend paid to owners of the parent	11	**(100,024)**	(129,007)
Net cash flows used in financing activities		**(24,682)**	(66,676)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(247,238)**	(14,563)
Cash and cash equivalents at beginning of year		**517,934**	532,326
Effect of foreign exchange rate changes, net		**(1,104)**	171
CASH AND CASH EQUIVALENTS AT END OF YEAR	21	**269,592**	517,934

1. CORPORATE AND GROUP INFORMATION

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

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

Information about subsidiaries

Particulars of the Company's subsidiaries as at 31 December 2017 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		Principal activities
			Direct	Indirect	
南京中生生物科技有限公司	The PRC 17 June 2003 Limited liability company	RMB20,000,000	100%	–	Manufacturing, 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

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Name	Place of incorporation or establishment and place of operation/ date of incorporation and establishment/ type of legal entity	Fully paid share capital/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
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
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

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Name	Place of incorporation or establishment and place of operation/ date of incorporation and establishment/ type of legal entity	Fully paid share capital/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
天津康爾生物科技有限公司	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
上海惟翊投資管理有限公司	The PRC 21 October 2014 Limited liability company	RMB120,000,000	100%	–	Investment holding
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	100%	–	Manufacture, processing and sale of health food products
Brandfolio Limited	New Zealand 23 February 2012	NZD100	100%	–	Trading of 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

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Name	Place of incorporation or establishment and place of operation/ date of incorporation and establishment/ type of legal entity	Fully paid share capital/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
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
Living Nature Natural Products Limited	New Zealand 1987 Limited liability company	NZD14,784,444	100%	–	Manufacture, and sale of cosmetics and skin care products
南京康赫生物科技有限公司	The PRC 13 December 2017 Limited liability company	RMB10,000	100%	–	Research, development and sale of health food products

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

The nature and the impact of the amendments are described below:

(a) 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. Disclosure of the changes in liabilities arising from financing activities is provided in note 33 to the financial statements.

(b) Amendments to HKAS 12 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 amendments have had no impact on the financial position or performance of the Group as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

(c) Amendments to HKFRS 12 clarify that the disclosure requirements in HKFRS 12, other than those disclosure requirements in paragraphs B10 to B16 of HKFRS 12, apply to an entity's interest in a subsidiary, a joint venture or an associate, or a portion of its interest in a joint venture or an associate that is classified as held for sale or included in a disposal group classified as held for sale. The amendments have had no impact on the Group's financial statements as the Group has no subsidiary classified as a disposal group held for sale as at 31 December 2017 and so no additional information is required to be disclosed.

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*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
HKFRS 9	*Financial Instruments*[1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[2]
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28[1]

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

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

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 an 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. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if they elect to adopt for all three amendments and other criteria are met. The Group will adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

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

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 will adopt HKFRS 9 from 1 January 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018. During 2017, the amendments are not expected to have any significant impact on the Group's financial statements.

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 adoption now.

HKFRS 15, issued in July 2014, 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. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. 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 will adopt HKFRS 15 on 1 January 2018. During 2017, the Group has performed a detailed assessment on the impact of the adoption of HKFRS 15.

The Group's principal activities consist of the manufacture and sale of health food products, the manufacture and sale of cosmetics and skin care products. The Group recognises revenue from the sale of goods measured at fair value of the consideration received or receivable. The amendments are not expected to have any significant impact on the Group's financial statements.

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

HKFRS 16 , issued in May 2016, 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 elective 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, or relates to a class of property, plant and equipment to which the revaluation model is applied. 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. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt HKFRS 16 from 1 January 2019. The Group is currently assessing the impact of HKFRS 16 upon adoption. and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. As disclosed in note 34 to the financial statements, at 31 December 2017, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately RMB40,184,000. Upon adoption of HKFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low- value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

Amendments to HKAS 40, issued in April 2017, clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to the changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at the date that it first applies the amendments and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application is only permitted if it is possible without the use of hindsight. The Group expects to adopt the amendments prospectively from 1 January 2018.The amendments are not expected to have any significant impact on the Group's financial statements.

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

HK(IFRIC)-Int 22, issued in June 2017, provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. Entities may apply the interpretation on a full retrospective basis or on a prospective basis, either from the beginning of the reporting period in which the entity first applies the interpretation or the beginning of the prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Group expects to adopt the interpretation prospectively from 1 January 2018. The interpretation is not expected to have any significant impact on the Group's financial statements.

HK(IFRIC)-Int 23, issued in July 2017, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

Investment in a 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.

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

Investment in a joint venture (continued)

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 are 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.

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.

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

Business combinations and goodwill (continued)

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.

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.

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

Fair value measurement (continued)

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.

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.

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

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.

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

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

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.

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 the 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 life 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 life of 5 years.

Customer relationships

Customer relationships acquired as part of business combinations were 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 to14 years.

Trademarks

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

Distribution network

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

Operating leases

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

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

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

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

Investments and other financial assets (continued)

Available-for-sale financial investments (continued)

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

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

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

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

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.

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

Impairment of financial assets (continued)

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 and interest-bearing bank and other borrowings.

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 profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

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

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

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 profit or loss.

Offsetting of financial instruments

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined 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.

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.

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

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.

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.

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

Income tax (continued)

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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.

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.

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

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 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 profits or losses are translated into Renminbi at the weighted average exchange rates for the year.

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 2017 was RMB146,134,000 (2016: RMB153,387,000). Further details are given in note 15.

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 16 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 2017 was RMB29,998,000 (2016: RMB13,085,000). Further details are contained in note 26 to the financial statements.

4. OPERATING SEGMENT INFORMATION

(a) Reportable segments

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

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

	2017 **RMB'000**	2016 RMB'000
Mainland China	**303,968**	322,656
New Zealand	**149,031**	127,330
Australia	**7,071**	3,405
Vietnam	**1,917**	2,974
Other countries	**10,503**	9,876
	472,490	466,241

(c) Non-current assets

	2017 **RMB'000**	2016 RMB'000
Mainland China	**95,621**	128,431
New Zealand	**86,625**	29,191
Australia	**993**	1,358
	183,239	158,980

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 GAINS

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

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

	Note	2017 RMB'000	2016 RMB'000
Revenue			
Sale of goods		**472,244**	464,085
Rendering of services		**246**	2,156
		472,490	466,241
Other income			
Bank interest income	6	**3,300**	8,266
Government grants*	6	**3,572**	4,820
Short term investment income		**9**	79
Net exchange gain		**–**	98
Others		**352**	144
		7,233	13,407
Gains			
Gain on disposal of items of property, plant and equipment	6	**19**	–
		7,252	13,407

* 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

The Group's profit before tax is arrived at after charging:

	Notes	2017 RMB'000	2016 RMB'000
Cost of inventories sold		**163,535**	134,613
Amortisation of prepaid land lease payments	14	**247**	247
Amortisation of intangible assets*	16	**3,709**	2,962
Auditor's remuneration		**1,950**	2,174
Depreciation of property, plant and equipment	13	**7,203**	8,444
Operating lease payments on properties and retail shops		**16,378**	19,211
Research and development expenses		**3,039**	2,232
Employment benefit expense (excluding directors', supervisors' and chief executive's remuneration):			
Wages and salaries		**94,662**	90,249
Pension scheme contributions		**4,477**	6,578
Other benefits		**10,780**	7,683
Foreign exchange differences, net		**14,087**	(98)
Impairment of an investment in a joint venture**		**5,959**	2,143
Impairment of trade and other receivables	19	**790**	297
Write-down of inventories to net realisable value**		**97**	297
Bank interest income	5	**(3,300)**	(8,266)
Government grants	5	**(3,572)**	(4,820)
Gain on disposal of items of property, plant and equipment	5	**(19)**	–

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

** 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 and other comprehensive income.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2017 RMB'000	2016 RMB'000
Interest on bank loans	**1,815**	–

8. 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:

	2017 RMB'000	2016 RMB'000
Fees	**250**	249
Other emoluments:		
Salaries, allowances and benefits in kind	**1,575**	1,365
Performance related bonuses	**2,227**	1,060
Pension scheme contributions	**231**	207
	4,033	2,632
	4,283	2,881

(a) Independent non-executive directors

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

	2017 RMB'000	2016 RMB'000
Mr. Jiang Fuxin (note i)	**60**	60
Ms. Feng Qing (note i)	**60**	60
Mr. Vincent Cheng (note i)	**130**	129
	250	249

There were no other emoluments payable to the independent non-executive directors during the year (2016: Nil).

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

(b) Executive directors, a 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
2017					
Executive directors					
Mr. Gui Pinghu	–	722	220	68	1,010
Ms. Zhang Yuan (note ii)	–	171	696	30	897
Ms. Xu Li	–	155	398	27	580
Ms. Zhu Feifei	–	137	283	21	441
	–	1,185	1,597	146	2,928
Non-executive director					
Mr. Xu Chuntao	–	–	–	–	–
Supervisors					
Ms. Yu Min	–	127	245	23	395
Ms. Wu Xuemei	–	93	224	21	339
Ms. Lu Jiachun	–	85	81	20	186
Mr. Tao Xingrong	–	–	–	–	–
Ms. Chen Xiu	–	85	80	20	184
	–	390	630	84	1,104

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

(b) Executive directors, a 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
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

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.

The number of directors, supervisors and chief executives whose remuneration fell with the following band is as follows:

	Number of employees 2017	2016
Nil to HKD1,000,000	**8**	10
HKD1,000,001 to HKD1,500,000	**2**	–
	10	10

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

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

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.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors and the chief executive (2016: two directors and the chief executive), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining two (2016: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2017 **RMB'000**	2016 RMB'000
Salaries, allowances and benefits in kind	**1,029**	215
Performance related bonuses	**1,962**	436
Pension scheme contributions	**182**	61
	3,173	712

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	
	2017	2016
Nil to HKD1,000,000	**2**	2

10. INCOME TAX

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

	2017 **RMB'000**	2016 RMB'000
Current		
— PRC	**6,871**	27,150
— Over provision in PRC in prior years	**148**	–
— New Zealand	**1,988**	6,520
	9,007	33,670
Deferred (note 26)	**(5,762)**	(4,800)
Total tax charge for the year	**3,245**	28,870

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%. Another subsidiary of the Group was deemed as a 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 2017 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.

10. INCOME TAX (CONTINUED)

(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:

2017

	Mainland China		New Zealand		Australia		Total	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Profit before tax	11,051		2,584		453		14,088	
Tax at the statutory tax rates	2,763	25.0	723	28.0	136	30.0	3,622	25.7
Lower tax rates enacted by local authority	(2,870)	(26.0)	–	–	–	–	(2,870)	(20.4)
Adjustments in respect of current tax of previous periods	148	1.3	–	–	–	–	148	1.1
Additional deductible allowance for research and development expenses	(135)	(1.2)	–	–	–	–	(135)	(1.0)
Expenses not deductible for tax	285	2.6	125	4.8	–	–	410	2.9
Tax losses not recognised	3,184	28.8	–	–	–	–	3,184	22.6
Tax losses utilised from previous periods	(1,043)	(9.4)	–	–	–	–	(1,043)	(7.4)
Others	(87)	(0.8)	16	0.6	–	–	(71)	(0.5)
Tax charge/(credit) at the Group's effective rate	2,245	20.3	864	33.4	136	30.0	3,245	23.0

10. INCOME TAX (CONTINUED)

(b) (continued)

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

11. DIVIDENDS

	2017	2016
	RMB'000	RMB'000
Dividends approved and paid	**100,024**	129,007

Pursuant to the annual general meeting on 5 June 2017, the Company declared a dividend of RMB6.00 cents (2016: RMB6.75 cents) per share, totalling RMB56,777,902 (2016: RMB60,809,857) and a special dividend of RMB4.57 cents (2016: RMB7.57 cents) per share, totalling RMB43,245,836 (2016: RMB68,197,128), which was paid in July 2017.

The Board does not recommend the payment of any final dividend (2016: RMB6.00 cents per share) for the year ended 31 December 2017 or any special dividend (2016: RMB4.57 cents per share).

12. 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 946,298,370 (2016: 875,738,080) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2017 and 2016.

The calculation of basic earnings per share is based on:

	2017 RMB'000	2016 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**4,209**	87,232

	2017	2016
Shares		
Weighted average number of ordinary shares for the purpose of the basic earnings per share calculation	**946,298,370**	875,738,080

13. 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 2017							
At 1 January 2017:							
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
At 1 January 2017, net of accumulated depreciation	13,639	1,913	7,653	9,657	5,890	31,943	70,695
Additions	–	298	1,790	2,715	137	31,520	36,460
Depreciation provided during the year	(1,174)	(533)	(1,382)	(2,369)	(1,745)	–	(7,203)
Disposals	–	–	(9)	(36)	(341)	–	(386)
Exchange realignment	–	(32)	(299)	(61)	(1)	(34)	(427)
At 31 December 2017, net of accumulated depreciation	12,465	1,646	7,753	9,906	3,940	63,429	99,139
At 31 December 2017:							
Cost	24,564	4,166	15,923	17,113	8,997	63,429	134,192
Accumulated depreciation	(12,099)	(2,520)	(8,170)	(7,207)	(5,057)	–	(35,053)
Net carrying amount	12,465	1,646	7,753	9,906	3,940	63,429	99,139

13. 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 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 30)	–	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

14. PREPAID LAND LEASE PAYMENTS

	2017 RMB'000	2016 RMB'000
Carrying amount at 1 January 2017	**10,957**	11,204
Amortisation recognised during the year	**(247)**	(247)
Carrying amount at 31 December 2017	**10,710**	10,957
Current portion included in prepayments, deposits, and other receivables	**(247)**	(247)
Non-current portion	**10,463**	10,710

15. GOODWILL

	2017 RMB'000	2016 RMB'000
Cost at 1 January	**153,387**	54,096
Acquisition of subsidiaries	**362**	97,980
Deduction of purchase consideration*	**(1,217)**	–
Impairment during the year	**(346)**	–
Exchange realignment	**(6,052)**	1,311
Cost at 31 December, net of accumulated impairment	**146,134**	153,387
Cost at 31 December		
Cost	**146,480**	153,387
Accumulated impairment	**(346)**	–
Net carrying amount	**146,134**	153,387

* This represents the adjustment of purchase consideration according to terms of agreement.

15. 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 CGU;
- Hejian CGU;
- LN CGU;
- Brandfolio CGU

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	2017 **RMB'000**	2016 RMB'000
Brandfolio	**346**	–
GHP products	**50,061**	55,272
Hejian products	**87,223**	87,223
LN products	**8,850**	10,892
	146,480	153,387

The recoverable amount of each cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. 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 2017 and 31 December 2016 are as follows:

	GHP		**Hejian**		**LN**		**Brandfolio**	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
Sales annual growth rate (%)	**2%-10%**	2.4%-3.4%	**3%-29%**	5%-12%	**2%-32%**	5%-20%	**2%-2.4%**	–
Gross margin (% of revenue)	**46%**	48%	**69%**	67.7%	**64%**	67%	**14%**	–
Long term growth rate	**2%**	2%	**3%**	3%	**2%**	2%	**2%**	–
Pre-tax discount rate	**17.7%**	19.9%	**23%**	22.5%	**21.7%**	21.2%	**17.2%**	–

15. 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 cash-generating units and discount rates are consistent with external information sources.

16. 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 2017					
Cost at 1 January 2017, net of accumulated amortisation	59,943	3,094	1,673	12,865	77,575
Addition	–	–	315	–	315
Amortisation provided during the year (note 6)	(1,857)	(366)	(169)	(1,317)	(3,709)
Exchange realignment	(776)	(114)	(47)	(58)	(995)
At 31 December 2017	57,310	2,614	1,772	11,490	73,186
At 31 December 2017:					
Cost	61,935	3,525	1,989	13,569	81,018
Accumulated amortisation	(4,625)	(911)	(217)	(2,079)	(7,832)
Net carrying amount	57,310	2,614	1,772	11,490	73,186

16. OTHER INTANGIBLE ASSETS (CONTINUED)

	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 30)	43,813	–	1,241	13,496	58,550
Amortisation provided during the year (note 6)	(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

(a) Trademarks acquired as part of business combinations in 2017 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 2017 is regarded as having indefinite useful life because the licence term can be renewed annually and is expected to generate net cash flows indefinitely.

16. 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 CGU; and
- LN CGU.

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

	Hejian 2017 RMB'000	LN 2017 RMB'000	Total 2017 RMB'000
Trademarks	39,400	4,633	44,033
Licence	–	1,112	1,112
	39,400	5,745	45,145

The values of trademarks and licence with indefinite useful lives are assessed annually by using the relief from the 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 2017 are as follows:

	Hejian	LN	
	Trademark	Trademark	Licence
Sales annual growth rate (%)	3%–29%	2%–32%	2%–32%
Royalty saving rates (%)	4%	4%	1%
Long term growth rate	3%	2%	2%
Pre-tax discount rate	23.4%	21.9%	17.2%

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.

17. INVESTMENT IN A JOINT VENTURE

Before August 2017, the Group through its subsidiary, GHP, held 36% equity interests of Brandfolio. On 1 August 2017, GHP acquired the remaining 64% equity interests of Brandfolio. Thereafter, Brandfolio became a wholly-owned subsidiary of the Group. Please refer to Note 30 "Business Combinations" for details.

	2017 **RMB'000**	2016 RMB'000
Share of net assets	**–**	317
Goodwill on acquisition	**–**	8,220
Impairment	**–**	(2,233)
	–	6,304

18. INVENTORIES

	2017 **RMB'000**	2016 RMB'000
Raw materials	**21,572**	14,173
Work-in-progress	**1,723**	2,441
Finished goods	**84,255**	45,692
Goods merchandise	**55,779**	12,871
	163,329	75,177

19. TRADE RECEIVABLES

	2017 RMB'000	2016 RMB'000
Trade receivables	**50,049**	40,255
Impairment	**(709)**	(581)
	49,340	39,674

In general, the entities in 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 provisions, is as follows:

	2017 RMB'000	2016 RMB'000
Within 1 month	**37,273**	26,840
Over 1 month but within 3 months	**10,230**	11,154
Over 3 months but within 1 year	**1,813**	1,376
Over 1 year	**24**	304
	49,340	39,674

19. TRADE RECEIVABLES (CONTINUED)

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

	2017 RMB'000	2016 RMB'000
At beginning of the year	581	284
Amount written off as uncollectible	(662)	–
Impairment losses recognised (note 6)	790	297
	709	581

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB709,000 (2016: RMB581,000) with a carrying amount before provision of RMB709,000 (2016: RMB581,000).

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

	2017 RMB'000	2016 RMB'000
Neither past due nor impaired	37,166	32,836
Less than 1 month past due	7,885	3,657
1 to 3 months past due	1,628	2,352
Over 3 months past due	2,661	829
	49,340	39,674

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

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 RMB'000	2016 RMB'000
Prepayments	**19,870**	3,992
Deposits and other receivables	**7,095**	5,868
Interest receivable	**242**	136
Value-added tax recoverable	**7,419**	–
	34,626	9,996

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.

21. CASH AND CASH EQUIVALENTS

	Note	2017 RMB'000	2016 RMB'000
Cash and bank balances		**118,462**	243,275
Time deposits		**152,733**	276,242
		271,195	519,517
Less: Pledged time deposit		**(1,603)**	(367)
Pledged fixed term deposit	31	**–**	(1,216)
Cash and cash equivalents		**269,592**	517,934
Denominated in RMB		**211,392**	180,150
Denominated in HKD		**28,469**	105,523
Denominated in AUD		**1,837**	2,500
Denominated in NZD		**27,887**	40,464
Denominated in USD		**1**	189,291
Denominated in EUR		**6**	6
Total		**269,592**	517,934

21. CASH AND CASH EQUIVALENTS (CONTINUED)

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.

22. TRADE PAYABLES

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

	2017 RMB'000	2016 RMB'000
Within 1 month	**7,421**	11,645
Over 1 month but within 3 months	**3,786**	2,577
Over 3 months but within 1 year	**1,653**	1,078
Over 1 year	**1,304**	238
	14,164	15,538

The trade payables are non-interest-bearing and are normally settled on 30-40 day terms.

23. OTHER PAYABLES AND ACCRUALS

	2017 RMB'000	2016 RMB'000
Deferred income	**385**	293
Other payables	**6,860**	14,495
Accrued payroll	**19,312**	19,266
Other tax payables	**3,195**	9,222
Interest payable	**157**	–
Advance from customers	**15,196**	8,070
	45,105	51,346

Other payables are non-interest-bearing.

24. INTEREST-BEARING BANK BORROWINGS

	2017		
	Effective interest rate (%)	**Maturity**	**RMB'000**
Current			
Bank loans — unsecured	**5.00-5.39**	**2018**	**39,500**
Current portion of long term bank loans — secured	**5.70**	**2018**	**10,000**
			49,500
Non-current			
Bank loan —secured	**5.70**	**2020**	**27,500**

	2017 RMB'000	2016 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**49,500**	–
In the second year	**20,000**	–
In the third to fifth years, inclusive	**7,500**	–
Over five years	**–**	–
	77,000	–

Note:

The Group's bank loan is secured by the mortgages over the Group's 100% equity interests of Shanghai Weiyi Investment & Management Limited Company* (上海惟翊投資管理有限公司), which had an aggregate carrying value at the end of the reporting period of RMB137,683,922.

25. PROVISION

	2017 RMB'000	2016 RMB'000
At 1 January	**707**	631
Increase in discounted amounts arising from the passage of time	**–**	20
Exchange realignment	**(29)**	56
At 31 December	**678**	707

GHP, a subsidiary of the Group, has a restoration obligation under a property lease agreement.

26. 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 2017							
At 1 January 2017	**3,594**	**3,239**	**598**	**164**	**4,990**	**500**	**13,085**
Deferred tax credited/(charged) to profit or loss during the year	**4,345**	**2,306**	**(349)**	**42**	**(3,336)**	**–**	**3,008**
Exchange realignment	**(21)**	**–**	**(12)**	**(8)**	**(16)**	**–**	**(57)**
Gross deferred tax at 31 December 2017	**7,918**	**5,545**	**237**	**198**	**1,638**	**500**	**16,036**

	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

26. 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 2017	**17,244**
Deferred tax credited to profit or loss during the year	**(2,754)**
Exchange realignment	**(145)**
Gross deferred tax liabilities at 31 December 2017	**14,345**

	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

The Group has tax losses arising in Mainland China of RMB35,577,000 (2016: RMB11,610,000) 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 RMB3,487,000 (2016: RMB1,346,000) 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.

27. SHARE CAPITAL

Shares

	2017 RMB'000	2016 RMB'000
Issued and fully paid:		
946,298,370 (2016: 946,298,370) ordinary shares	**94,630**	94,630

28. 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 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.

(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.

(v) Other reserve

On 2 August 2017, the Company acquired the 40% equity interest in Shanghai Weiyi from the non- controlling shareholder. The excess of consideration paid over the company amounts of the equity interest acquired was debited into the other reserve.

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

Pursuant to the agreement entered into between the Company, Shanghai Fosun Weishi Phase I Equity Investment Fund Partnership (L.P.)* (上海復星惟翊一期股權投資基金合夥企業(有限合夥)) ("Fosun Partnership") and Fosun Weishi (Hong Kong) Limited (復星惟翊(香港)有限公司) ("Fosun HK") on 6 April 2016 and the supplemental agreement on 31 March 2017, the Company acquired the remaining 40% equity of GHP from Fosun Partnership at a consideration of RMB65.68 million. The acquisition was completed on 2 August 2017.

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

	1 January to 2 August 2017 RMB'000	2016 RMB'000
Revenue	**136,745**	154,270
Cost	**(75,094)**	(89,797)
Total expenses	**(39,394)**	(53,222)
Profit for the year	**16,586**	8,535
Total comprehensive income for the year	**15,193**	15,979

	2017 RMB'000	2016 RMB'000
Current assets	**–**	102,777
Non-current assets	**–**	90,692
Current liabilities	**–**	(46,461)
Non-current liabilities	**–**	(3,046)

30. BUSINESS COMBINATIONS

(a) Acquisition of Brandfolio

On 1 August 2017, GHP, a subsidiary of the Group, purchased the remaining 64% equity of Brandfolio from the other shareholders of Brandfolio. As a result, Brandfolio became a wholly-owned subsidiary from a joint venture of the Group. Brandfolio is a limited liability company incorporated in New Zealand that specialises in the consignment services of health food products. The acquisition has been accounted for using the acquisition method. The consolidated financial statements include the financial results of Brandfolio for the five-month period from the acquisition date.

30. BUSINESS COMBINATIONS (CONTINUED)

(a) Acquisition of Brandfolio (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	122
Cash	975
Trade receivables	1,106
Prepayments and other receivables	129
	2,332
Liabilities	
Trade payables	(447)
Accruals and other payables	(617)
Income tax payable	(52)
	(1,116)
Total identifiable net assets at fair value	1,216
Goodwill arising from acquisition	362
Satisfied by shares and cash at fair value	1,578

	RMB'000
Analysis of cash flows on acquisition:	
Net cash acquired with the subsidiary	975
Cash paid in the current year	(1,010)
Net cash outflow on acquisition (included in cash flows from investing activities)	(35)

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

The Group incurred transaction costs of RMB240,135 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 and other comprehensive income.

Since the acquisition, Brandfolio had no contribution to the Group's revenue because of the inter-company transactions, but caused net losses of RMB2,127,356 to the consolidated profit before tax for the year ended 31 December 2017. 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 RMB476,960,100 and RMB11,119,377, respectively.

30. BUSINESS COMBINATIONS (CONTINUED)

(b) 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. 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

30. BUSINESS COMBINATIONS (CONTINUED)

(b) 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 and other comprehensive income.

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 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 ended 31 December 2016 would have been RMB517,590,600 and RMB127,468,658, respectively.

(c) 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 manufacturing 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.

30. BUSINESS COMBINATIONS (CONTINUED)

(c) 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 of acquisition (included in cash flows from investing activities)	(19,506)

30. BUSINESS COMBINATIONS (CONTINUED)

(c) 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 and other comprehensive income.

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 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 ended 31 December 2016 would have been RMB471,522,753 and RMB118,878,670, respectively.

31. PLEDGED DEPOSIT

During the year of 2015, a subsidiary of the Group entered into a lease arrangement as the lessee. Pursuant to the lease agreement, a bank deposit equivalent to RMB1,235,000 (AUD242,000) (2016: RMB1,216,000 (AUD242,000)) was pledged for three years and will be due within one year as of December 31, 2017.

32. OTHER NON-CURRENT ASSETS

	2017 RMB'000	2016 RMB'000
Long-term deposits for construction in progress	**–**	1,487
Long-term deposits for leased properties	**416**	798
Prepayment for acquisition of health food certificates	**5,728**	4,818
Prepayment for acquisition of a software system	**–**	194
	6,144	7,297

33 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Bank borrowings
At 1 January 2017	–
Changes from financing cash flows	**77,000**
At 31 December 2017	**77,000**

34. 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 and more.

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

	2017 RMB'000	2016 RMB'000
Within one year	**13,450**	15,747
In the second to fifth years, inclusive	**22,011**	25,907
After five years	**4,723**	7,691
	40,184	49,345

35. COMMITMENTS

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

	2017 RMB'000	2016 RMB'000
Contracted, but not provided for:		
Land and buildings	**48,651**	25,962
Authorised, but not contracted:		
Capital contributions payable to non-controlling interests	**–**	70,000
	48,651	95,962

36. RELATED PARTY DISCLOSURES

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

Name	Relationship
Brandfolio	A joint venture of the Group before 1 August 2017

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

	Period from 1 January To 1 August 2017 RMB'000	2016 RMB'000
Commission paid to Brandfolio	**2,915**	5,208
Management fee income from Brandfolio	**246**	211

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

	2017 RMB'000	2016 RMB'000
Basic salaries and bonus	**1,750**	1,828
Social insurance and housing fund	**326**	364
	2,076	2,192

37. 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:

2017

Financial assets

	Loans and receivables RMB'000	Total RMB'000
Trade receivables	49,340	49,340
Financial assets included in prepayments, deposits and other receivables	7,337	7,337
Cash and cash equivalents	269,592	269,592
Pledged deposits	1,603	1,603
Long term deposits	416	416
	328,288	328,288

Financial liabilities

	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade payables	14,164	14,164
Interest-bearing bank borrowings	77,000	77,000
Financial liabilities included in other payables and accruals	6,860	6,860
	98,024	98,024

37. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

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

38. 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 19.

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

(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.

	Carrying amount RMB'000	Total contractual undiscounted cash flows RMB'000	On demand or within one year RMB'000
As at 31 December 2017			
Trade payables	**14,164**	**14,164**	**14,164**
Other payables	**6,860**	**6,860**	**6,860**
Interest-bearing bank borrowings	**77,000**	**77,000**	**49,500**
	98,024	**98,024**	**70,524**
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

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

(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	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Pledged deposits	**1,603**	1,583	**1,603**	1,583
Long term deposits	**450**	2,285	**450**	2,285
	2,053	3,868	**2,053**	3,868

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals. The differences are immaterial since the fair values are mainly equal to their carrying amounts.

(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 12% (2016: 5%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sale, whilst approximately 18% (2016: 31%) of costs were denominated in the units' functional currencies. The Group also has certain bank balances denominated in NZD, USD and HKD.

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Foreign currency risk (continued)

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 RMB'000	Increase/ (decrease) in equity* RMB'000
2017			
If NZD weakens against RMB	**(1%)**	**(279)**	**(7,449)**
If NZD strengthens against RMB	**1%**	**279**	**7,449**
If USD weakens against RMB	**(1%)**	**–**	**–**
If USD strengthens against RMB	**1%**	**–**	**–**
If HKD weakens against RMB	**(1%)**	**(285)**	**–**
If HKD strengthens against RMB	**1%**	**285**	**–**
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	–

* Excluding retained profits

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank (note 24). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (note 24). Management monitors the interest rate exposures and will consider hedging significant interest rate exposures should the need arise.

The Group is also exposed to cash flow interest rate risk relates to pledged bank deposits and bank balances carried at prevailing market rates. However, such exposure is minimal to the Group as these bank balances are all short-term in nature.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the interest rate as stipulated by the People's Bank of China arising from the Group's RMB borrowings.

The sensitivity analysis below has been determined based on the exposure to interest rates for variable- rate bank borrowings, which is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year.

For variable-rate bank borrowings, if the interest rates had been 30 basis points higher and all other variables were held constant, the Group's profit after tax for the year ended 31 December 2017 would have decreased by approximately RMB112,000 (2016: nil).

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 2017 and 31 December 2016.

39. EVENTS AFTER THE REPORTING PERIOD

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

40. COMPARATIVE AMOUNTS

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

41. 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:

	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**12,173**	13,212
Investment properties	**2,790**	3,050
Investments in subsidiaries	**360,637**	266,810
Other non-current assets	**345**	–
Deferred tax assets	**1,006**	–
Total non-current assets	**376,951**	283,072
CURRENT ASSETS		
Inventories	**113,183**	21,159
Trade receivables	**6,712**	6,113
Due from subsidiaries	**147,498**	134,208
Prepayments, deposits and other receivables	**18,250**	3,279
Cash and cash equivalents	**201,481**	391,144
Total current assets	**487,124**	555,903
CURRENT LIABILITIES		
Trade payables	**117**	9
Interest-bearing bank borrowings	**49,500**	–
Due to subsidiaries	**45,534**	25,191
Other payables and accruals	**9,019**	5,901
Tax payables	**–**	5,921
Total current liabilities	**104,170**	37,022
NET CURRENT ASSETS	**382,954**	518,881
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**27,500**	–
Total non-current liabilities	**27,500**	–
TOTAL ASSETS LESS CURRENT LIABILITIES	**759,905**	801,953
NET ASSETS	**732,405**	801,953
EQUITY		
Share capital	**94,630**	94,630
Other reserves (note)	**637,775**	707,323
Total equity	**732,405**	801,953

41. 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 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
At 1 January 2017	**544,223**	**44,544**	**118,556**	**707,323**
Total comprehensive income for the year	**–**	**–**	**30,476**	**30,476**
Final 2016 dividend declared and paid	**–**	**–**	**(100,024)**	**(100,024)**
Transfer from retained profits	**–**	**2,771**	**(2,771)**	**–**
At 31 December 2017	**544,223**	**47,315**	**46,237**	**637,775**

42. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 29 March 2018.

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				
	2013 RMB'000	2014 RMB'000	2015 RMB'000	2016 RMB'000	**2017** **RMB'000**
RESULTS					
REVENUE	194,736	252,449	397,064	466,241	**472,490**
Cost of sales	(20,909)	(23,099)	(77,138)	(139,549)	**(166,893)**
Gross profit	173,827	229,350	319,926	326,692	**305,597**
Other income and gains	2,385	15,785	15,008	13,407	**7,252**
Selling and distribution expenses	(39,807)	(62,911)	(90,054)	(131,905)	**(190,761)**
Administrative expenses	(41,332)	(38,743)	(59,488)	(85,385)	**(83,090)**
Finance costs	–	–	–	–	**(1,815)**
Other expenses	(76)	(3,923)	(1,212)	(3,719)	**(23,319)**
Share of profit of a joint venture	–	–	327	426	**224**
PROFIT BEFORE TAX	94,997	139,558	184,507	119,516	**14,088**
Income tax	(24,211)	(31,688)	(45,557)	(28,870)	**(3,245)**
PROFIT FOR THE YEAR	70,786	107,870	138,950	90,646	**10,843**
Attributable to:					
Owners of the parent	70,786	107,873	136,233	87,232	**4,209**
Non-controlling interests	–	(3)	2,717	3,414	**6,634**
	70,786	107,870	138,950	94,096	**10,843**

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2013 RMB'000	2014 RMB'000	2015 RMB'000	2016 RMB'000	**2017** **RMB'000**
TOTAL ASSETS	211,745	664,903	779,759	983,664	**874,968**
TOTAL LIABILITIES	(27,863)	(31,950)	(64,046)	(102,855)	**(159,940)**
NON-CONTROLLING INTERESTS	–	(4,997)	(51,193)	(57,585)	**–**
TOTAL	183,882	627,956	664,520	823,224	**715,028**