中国泰凌医药集团
CHINA NT PHARMA GROUP

Stock Code: 01011

SEIZE OPPORTUNITIES FROM HEALTHCARE REFORM, SCALE NEW HEIGHTS THROUGH INNOVATION

ANNUAL REPORT 2016

VISION

Serving health and life

MISSION

Striving to become a premier healthcare enterprise

PURSUIT

Scaling a new height with calmness; keeping a spirit of adventure in mind

CONTENTS

MAJOR EVENTS IN 2016

JANUARY

The Group was approved by the China Food and Drug Administration ("CFDA") to conduct a clinical research on lurasidone hydrochloride. Lurasidone hydrochlorid is used to treat schizophrenia and major depressive episodes associated with bipolar 1 disorder. At present, no domestic pharmaceutical companies in China are allowed to import or produce lurasidone hydrochloride or its preparations. If the clinical trial of this new drug is successful, it will become the first generic drug of lurasidone hydrochloride in China, and further boost the development of the Group in the therapeutic area of the central nervous system.

MARCH

On 23 March, the Company announced its annual results for 2015, with operating results improving significantly as well as gross profit and operating profit increasing by 15.4% and 41.5% year-on-year to approximately RMB452 million and RMB136 million respectively. Net profit rose 41 times substantially to RMB87.69 million. Due to the satisfactory performance and cash abundance, the Company distributed dividends for the first time, with the payment of a final dividend of HK1 cent per share.

APRIL

From 18 to 20 April, the "75th PharmChina" (a nationwide pharmaceuticals trade fair) organized by Reed Sinopharm Exhibitions, was held at the National Exhibition and Convention Center (Shanghai). It was the largest and most influential industry event in the pharmaceutical industry in China. The Group attended the trade fair, showcasing national class 1 new drug Xi Di Ke (uroacitides injection), Songzhi Wan (the only traditional Chinese medicine in the world for the treatment of hepatitis C), Libod (doxorubicin hydrochloride liposome injection) and Shusi (quetiapine fumarate) as well as various other products from its subsidiary Suzhou First Pharmaceutical Co., Ltd.. New and existing customers and professionals were attracted by these products to make inquiries as well as discuss cooperation and exchanges, which allowed people outside the industry to acquire a deeper and broader understanding of the Group's development.

MAY

On 19 May, the 2016 Annual General Meeting of the Company was successfully held in Hong Kong, which were attended by Chairman of the Board of Directors and Chief Executive Officer Mr. Ng Tit, Executive Director Ms. Chin Yu, Independent Non-executive Directors Mr. Yue Nien Martin Tang, Mr. Patrick Sun and Dr. Lap-Chee Tsui as well as Chief Financial Officer and Company Secretary Mr. Chiu Yu Kang.

JUNE

Songzhi Wan, produced by the Group's subsidiary NT Pharma Changsha Pharmaceutical Co., Ltd. for the treatment of hepatitis C, was approved for marketing and officially available for sale at hospitals on 8 June after the pharmaceutical standards and quality requirements of CFDA were met. Songzhi Wan is the only traditional Chinese medicine approved by CFDA for the treatment of hepatitis C. It has a unique therapeutic effect on fatty liver as well. During the R&D process, it was included in China's "Tenth Five-year" programme on major scientific and technological projects, and high-tech R&D project (863 Project). It is subject to patent protection for a period of 20 years. The Group believes that the launch of Songzhi Wan will contribute significantly to the expansion of the product portfolio for the Group.

On 22 June, construction of the production plant of Suzhou First Pharmaceutical Taizhou Co., Ltd. (蘇州第壹製藥泰州有限公司) ("Taizhou Company") owned by Suzhou First Pharmaceutical Co., Ltd. ("Suzhou First"), the wholly-owned subsidiary of the Group, officially commenced. Taizhou Company is located in Chinese Medicine City, Taizhou, Jiangsu Province, with a gross floor area of approximately 10,000 square meters, a registered capital of RMB50 million and a total investment of RMB120 million. Its core products are Methylphenidate Hydrochloride Tablets and Chlorotrianisene Pills. These two products are exclusively owned by the Group, for which production approvals have been granted by CFDA.

JULY

The Group completed a major transaction for the acquisition of Miacalcic injection from Novartis in China and other regions for a total consideration of US$145 million, enabling the Group to take a strategic move into the therapeutic area of orthopedic. Miacalcic is a well-known international orthopedic brand with a global sales network, primarily used for the treatment of osteoporosis. With the increasing global trend in population aging, the acquisition of Miacalcic will present enormous market opportunities to the Group.

AUGUST

On 18 August, the Company announced its interim results for 2016, with total income increasing by 1.3% to approximately RMB386 million year-on-year. Blessed by the reduced operating expenses and financing costs, operating profit increased to RMB62.05 million from RMB57.18 million for the same period last year, while net profit rose 37.2% to RMB50.07 million.

FINANCIAL HIGHLIGHTS

A summary of the main financial data of China NT Pharma Group Company Limited ("NT Pharma" or the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2016 is set out below:

	For the year ended 31 December		
	2016 RMB'000	2015 RMB'000	**%Change**
Turnover	915,119	847,726	**7.9%**
Gross profit	493,629	451,507	**9.3%**
Profit from operations	185,666	135,957	**36.6%**
Profit attributable to equity shareholders of the Company	116,181	87,694	**32.5%**
Core profit attributable to equity shareholders of the Company	131,854	103,367	**27.6%**
Earnings per share (RMB cents)			
Basic	7.46	6.19	**20.5%**
Diluted	7.42	6.14	**20.9%**
Core earnings per share (RMB cents)			
Basic	8.46	7.30	**15.9%**
Diluted	8.42	7.24	**16.3%**

In view of the satisfactory operating results, the board of directors (the "Directors") of the Company (the "Board") recommended the payment of a final dividend for the year ended 31 December 2016 of HK2.5 cents per share (2015: HK1.0 cent per share), representing a total dividend distribution of approximately HK$39.0 million.

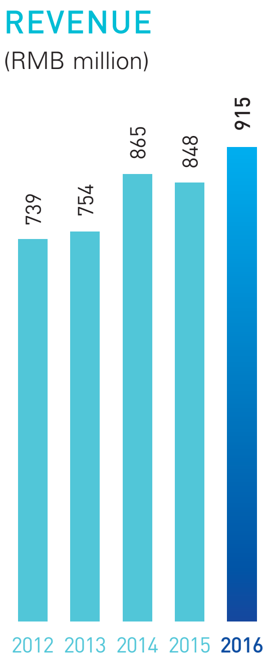
FIVE-YEAR FINANCIAL SUMMARY

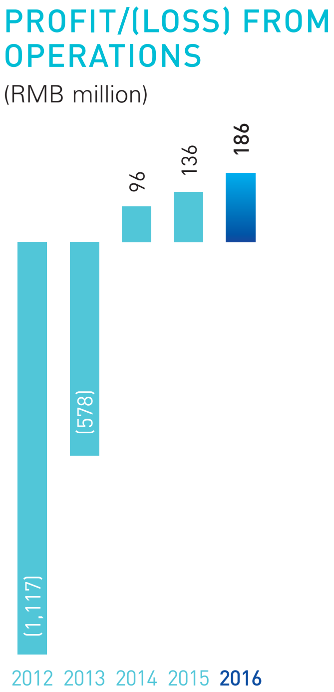
Results

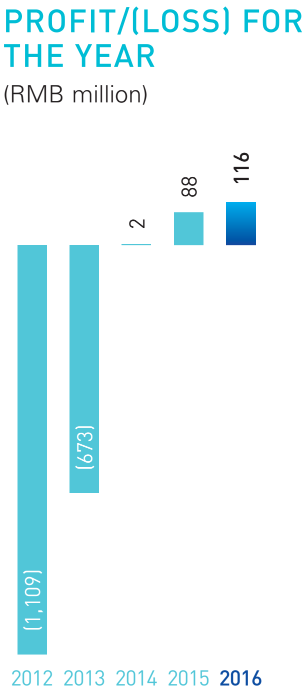
	For the year ended 31 December				
	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
Turnover	**915,119**	847,726	864,621	754,115	739,132
Gross profit	**493,629**	451,507	391,341	288,968	271,819
Profit/(loss) from operations	**185,666**	135,957	96,071	(577,638)	(1,117,190)
Profit/(loss) before taxation	**156,603**	100,705	17,327	(652,841)	(1,177,288)
Profit/(loss) for the Year	**115,760**	87,694	2,087	(673,458)	(1,109,316)

Assets and Liabilities

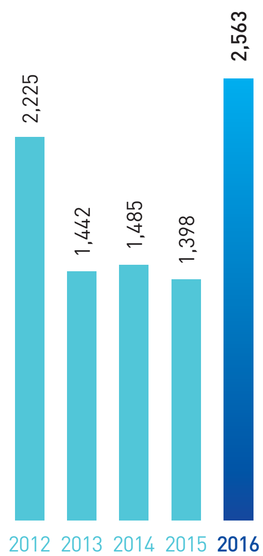
	At 31 December				
	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
Total non-current assets	**1,578,145**	565,635	437,554	374,591	397,671
Total current assets	**984,594**	832,678	1,047,878	1,067,055	1,827,321
Total current liabilities	**1,367,579**	495,590	1,129,621	922,035	1,318,945
Net current (liabilities)/assets	**(382,985)**	337,088	(81,743)	145,020	508,376
Total assets less current liabilities	**1,195,160**	902,723	355,811	519,611	906,047
Total non-current liabilities	**156,138**	–	142,832	310,812	21,053
Net assets	**1,039,022**	902,723	212,979	208,799	884,994
Total equity attributable to equity shareholders of the Company	**1,027,083**	890,363	212,979	208,799	884,994


REVENUE
(RMB million)
739
754
865
848
915
2012
2013
2014
2015
2016

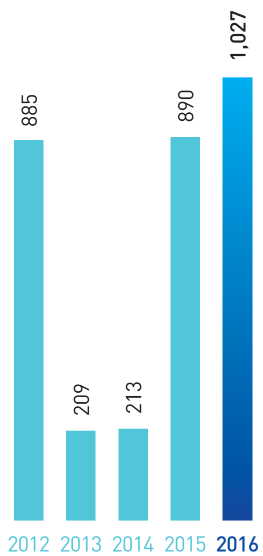

PROFIT/(LOSS) FROM OPERATIONS
(RMB million)
(1,117)
(578)
96
136
186
2012
2013
2014
2015
2016


PROFIT/(LOSS) FOR THE YEAR
(RMB million)
(1,109)
(673)
2
88
116
2012
2013
2014
2015
2016

TOTAL ASSETS
(RMB million)



TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY
(RMB million)



BASIC EARNINGS/ (LOSSES) PER SHARE
(RMB cents)

In 2016, NT Pharma reaped good operating results, with income and net profit hitting a new high upon completion of the transformation following continued improvement in its profit structure and completed adjustment to its product portfolio. Moreover, the acquisition of the Miacalcic project was successfully completed, "Xi Di Ke" and "Songzhi Wan" were approved for launching to the market by the CFDA, "Shusi" continued to be on both the National Reimbursement Drug List and the National Essential Drugs List, suggesting that progress was made in innovative drugs, brand-name drugs and generic drugs. Looking to the future, NT Pharma will seize the opportunity arising from the healthcare reform by taking up a dominant position and accelerating the pace of R&D on new drugs to make innovative and remarkable achievements.

Chairman &
Chief Executive Officer
Mr. Ng Tit

Dear Shareholders,

On behalf of the Board, I am pleased to present the annual report of NT Pharma for the year ended 31 December 2016. NT Pharma is a technology-based pharmaceutical company which owns two new state-class drugs and diversified product portfolio, with its products covering therapeutic areas such as oncology and blood, osteology, central nervous system ("CNS"), hepatopathy and respiratory system. NT Pharma strongly believes that the possession of core proprietary products and R&D capabilities is critical in boosting the profitability of the Group, adapting to the shifting healthcare industry dynamics and delivering long-term value to the shareholders.

In 2016, pharmaceutical companies in China were facing the dual pressure of price and capacity reduction under the healthcare reform in the PRC, resulting in the overall weak performance of the healthcare sector. To meet the challenges, the Group focused on improving its profit margins, expanding its proprietary product portfolio and developing its own R&D capabilities, thus achieving good operating results, with both revenue and net profit reaching new heights after the transformation. The overall revenue of the Group for the year ended 31 December 2016 increased by RMB67.4 million or 7.9% to RMB915.1 million, as compared with that of RMB847.7 million for the year ended 31 December 2015; while the net profit recorded a substantial year-on-year growth of 32.5% from RMB87.7 million for the year ended 31 December 2015 to RMB116.2 million for the year ended 31 December 2016. In view of satisfactory operating results for the year, the Group declared a final dividend of HK2.5 cents per share (2015: HK1 cent per share), representing a significant increase of 150%, totalling approximately HK$39.0 million.

The Group has identified oncology and blood, osteology, CNS, hepatopathy and respiratory system as its core specialized therapeutic areas. In the therapeutic area of oncology and blood, the Group currently has two key products: Xi Di Ke and Libod. Xi Di Ke is a unique national class 1.1 new drug of which the global exclusive intellectual property rights and related patents have been obtained by the Group. Xi Di Ke has been approved by the CFDA for the treatment of non-small cell lung cancer and breast cancer. A new indication of Xi Di Ke is for treating myelodysplastic syndrome ("MDS"). Xi Di Ke is the only known drug to treat light-to-medium MDS. In order to meet the future demand for this new drug, NT Pharma has invested more than RMB100 million in constructing a new manufacturing plant in Taizhou, Jiangsu Province for the production of Xi Di Ke. The construction work of the new plant was completed in 2015, and the new Good Manufacturing Practices ("GMP") certification was obtained from the CFDA in March 2017. Mass production of Xi Di Ke commenced in March this year, and it will be available for consumption in hospitals starting from April this year. Libod is manufactured by Shanghai Fudan–Zhangjiang Bio-Pharmaceutical Co., Ltd ("FDZH"), with NT Pharma being its exclusive agent, and is for Level-I application for oncology Chemotherapy. NT Pharma believes that Xi Di Ke and Libod will complement each other from a sales and marketing perspective and will provide long-term growth for the Group in view of the increasing prevalence of cancer in China.

In addition, the Group strategically entered into the therapeutic area of orthopaedic treatment by completing a major transaction for the acquisition of Miacalcic injection in China and other regions from Novartis in July 2016, the purchase price of which totalled US$145 million. Miacalcic, a well-known international orthopaedic treatment brand mainly used for the treatment of osteoporosis, Paget's disease of bone and hypercalcemia, has already established a global sales network. As the global aging trend intensifies, the acquisition of Miacalcic will bring huge market opportunities to the Group and will help the Group to further expand in China while exploring overseas markets, enrich its product portfolio and provide long-term growth potential.

In the therapeutic area of CNS, the Group's key product is Shusi, which is a proprietary product manufactured by Suzhou First. Shusi is an atypical antipsychotic drug which has proven safety track records and therapeutic effects on first-time psychiatric patients, elderly patients and adolescent patients. In December 2013, it was also approved by the CFDA for the treatment of bipolar affective disorder. Shusi has strong growth potential and will continue to play an important role in contributing to the Group's future growth. The Group also has obtained approval from the CFDA to conduct clinical researches on lurasidone hydrochloride in January 2016, which may be used for the treatment of major depressive episodes related to schizophrenia and bipolar I disorder. Currently, no pharmaceutical company in China has been granted approval to import or produce lurasidone hydrochloride or its preparations. If the Group's product achieves good results in the clinical trials, it may become the first generic version of lurasidone hydrochloride in China, which would further facilitate the Group's development in the therapeutic area of CNS.

In the therapeutic area of hepatopathy, Songzhi Wan, the Group's key product, is officially available for consumption for hospitals starting from June 2016. Songzhi Wan is the only Chinese traditional medicine approved by the CFDA for the treatment of hepatitis C, and it has unique effects on fatty liver. The development process of Songzhi Wan has been included in the Major Scientific and Technical Breakthrough Program under the "10th Five-Year Plan" (國家「十五」重大科技攻關計劃項目) and the National High Technology Research and Development Program (863 Program) (國家高科技研究發展計劃(863計劃)), and therefore received state subsidies. In its I-II-III clinical study period, Songzhi Wan was implemented in strict accordance with the principles for implementation of evidence-based medicine. Its efficacy and safety have been carefully verified through modern medical studies before ultimately obtaining the Certificate of New Drug and permitted to launch to the market. Songzhi Wan is produced by the Group's subsidiary, NT Pharma Changsha Pharmaceutical Co., Ltd. ("Changsha Pharmaceutical"), the production line of which has obtained the new GMP certification. At present, there are tens of millions of domestic hepatitis C virus carriers in China, while over 4 million of hepatitis C patients are in urgent need of treatment, revealing a huge market for Songzhi Wan.

In the therapeutic area of respiratory system diseases, the Group's key product is ambroxol hydrochloride, which is a proprietary product manufactured by Suzhou First and is widely used for the treatment of chronic bronchitis at acute severe stage, asthma bronchitis and bronchial asthma.

Throughout 2016, the Group has continued to strengthen its internal control and credit control systems and procedures with the aim of enhancing the management of working capital and cash flow.

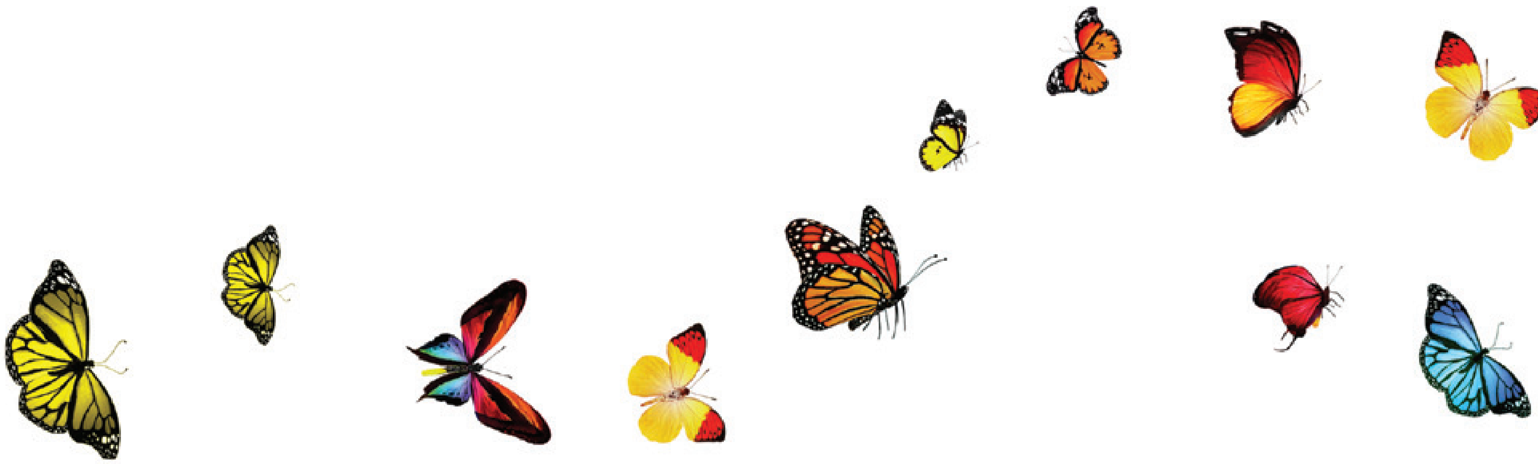
Looking ahead, the increasing transparency of information and clearer direction on the healthcare reform policy will help pharmaceutical companies create a distinct positioning. Moreover, the Group will take up a dominant position during the healthcare reform because it has received support for its innovative drugs under the national policies. The intensified population aging and increasing affordability of general population will boost the demand from the pharmaceutical market. Moreover, the pharmaceutical industry is expected to maintain a stable growth in future since the Chinese government and the private sector will continue to step up financial commitment to the healthcare industry. NT Pharma will seize the opportunity arising from the healthcare reform by grabbing market chances, taking up a dominant position, accelerating the pace of R&D on new drugs, creating a market value and continuing to enhance the Company's earnings growth to create a value for its shareholders.

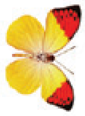
Finally, on behalf of the Board, I would like to thank the Directors and the employees of the Group for their efforts and dedications, and the shareholders and business partners for their support during the year. I remain confident that NT Pharma is well-poised to deliver long-term value to the shareholders.

Ng Tit
Chairman and Chief Executive Officer

Hong Kong, 21 March 2017

NT Pharma is a technology-based pharmaceutical company which owns two new state-class drugs and diversified product portfolio, with its products covering therapeutic areas such as oncology and blood, osteology, central nervous system, hepatopathy and respiratory system. It has three subsidiaries for pharmaceutical production: Suzhou First, Jiangsu Biopharma and Changsha Pharma. It has a number of sales companies as well as nearly 1,000 sales and R&D professionals, with an extensive promotional network in China covering nearly 10,000 hospitals.





OVERVIEW

NT Pharma is a technology-based pharmaceutical company which is principally engaged in the investment, research and development ("R&D"), manufacturing and sales of pharmaceutical products in the People's Republic of China ("China" or "PRC") and over 20 countries overseas, with its products covering therapeutic areas such as oncology, orthopedics, CNS, hepatopathy and respiratory system. NT Pharma owns two new Class 1 drugs in China, one well-known international brand-name drug, and a number of generic drugs, and the Group conducts its production through three of its subsidiaries, namely Suzhou First Pharmaceutical Co., Ltd. ("Suzhou First"), Jiangsu NT Biopharma Co., Ltd. ("Jiangsu Biopharma") and NT Pharma Changsha Pharmaceutical Co., Ltd. ("Changsha Pharma"). The Group also owns several sales and distribution companies with around 1,000 sales professionals and R&D specialists. The Group has an extensive promotion network in China, covering nearly 10,000 hospitals. In addition, the Group maintains long-term and in-depth strategic cooperative relationships with Sinopharm Group Co., Ltd. and Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. ("FDZH"), and will adopt an innovative model of business cooperation with them, which will help NT Pharma grow into an innovative investment-oriented pharmaceutical company with outstanding R&D capabilities.

In 2016, the Group substantially dedicated its focus on improving its operating profit margins, expanding its proprietary product portfolio and developing its own research and development capabilities. The overall revenue of the Group for the year ended 31 December 2016 increased by RMB67.4 million or 7.9% to RMB915.1 million, as compared with RMB847.7 million for the previous year. Operating profit for the year ended 31 December 2016 improved significantly to RMB185.7 million, as compared with an operating profit of RMB136.0 million for the previous year. The improvement in operating results during the year ended 31 December 2016 was mainly due to increase of contribution from higher-margin products, such as Miacalcic and Shusi, lower selling and distribution expenses. As a result of the improved operating results, the Group reported a net profit of RMB116.2 million for the year ended 31 December 2016, as compared with a net profit of RMB87.7 million for the previous year, representing a significant increase of 32.5% year on year.

BUSINESS REVIEW

Production Bases

The Group conducts its production through three of its subsidiaries, Suzhou First, Jiangsu Biopharma and Changsha Pharma.

Production Base of Chemical Drugs

Suzhou First is the Group's production base of chemical drugs, which is dubbed a "High-tech Enterprise" in Jiangsu Province. Suzhou First has renewed its certification of Good Manufacturing Practice ("GMP") with a total of 129 Drug Registration Certificates issued by CFDA. The company is located in the Sino-Singaporean Suzhou Industrial Park, covering an area of 150 acres. Among the 20 types of products currently being produced and sold by Suzhou First, "Shusi" (quetiapine fumarate tablets), as its core product and a high-tech product under a famous brand recognized by Jiangsu Province, is a main resort for the therapy of CNS. Zhuo'ao (ambroxol hydrochloride for injection), another product of Suzhou First, is the main resort for respiratory system therapy.

Production Base of Bio-chemical Drugs

Jiangsu Biopharma is a high-tech pharmaceutical enterprise, with its plant located in the Chinese Medicine City in Taizhou, China, which covers an area of 100 acres and is the Group's production base for bio-chemical drugs, mainly for the production of anticancer drugs with the production lines granted the renewed GMP certification in early March 2017. Jiangsu Biopharma owns a new Class I anticancer drug "Xi Di Ke" (uroacitides injection), which has been approved to be used in treatment of non-small cell lung cancer and breast cancer, with its new indication "myelodysplastic syndrome ("MDS")" under phase II clinical research. Xi Di Ke has been admitted into the "Major New Drugs Innovation" projects shortlist of the Ministry of Science and Technology.

Production Base of Traditional Chinese Medicine

Changsha Pharma is the Group's production base for traditional Chinese medicine, which is located in the National Bio-industry Base in Changsha, China, covering an area of 50 acres. It has also renewed its GMP certification. Its production lines commenced operation in June 2016. Changsha Pharma owns a new state-class drug known as Songzhi Wan, which is the only traditional Chinese medicine capable of curing hepatitis Type C globally. The development of Songzhi Wan was subsidized by China's "863" Programme.

Core Products

NT Pharma has 129 product registration certificates as approved by CFDA, among which, over 20 products are being produced and sold.

Miacalcic

The generic name of Miacalcic is salmon calcitonin, which is a well-known international orthopedic brand. The brand is mainly used for treatment of bone pain led by osteolysis and lower bone mass, osteoporosis, Paget's disease, hypercalcemia and reflex sympathetic dystrophy syndrome. The brand has a global sales network. After the completion of the major transaction on acquisition of Miacalcic Injection in respect of China and other regions from Novartis at a total purchase price of US$145 million in July 2016, while transfer consideration of Miacalcic Spray which was conditional and not exceeding US$65 million, the Group has strategically established its presence in the area of orthopedic treatment.

Xi Di Ke

Xi Di Ke, also known as uroacitides injection, is a proprietary product of Jiangsu Biopharma. Xi Di Ke, in combination with chemotherapy, is used in the treatment of advanced breast cancer and non-small cell lung cancer. In 2015, the research project on treatment of MDS with Xi Di Ke and its industrialization was admitted into the "Major New Drugs Innovation" projects shortlist of the Ministry of Science and Technology.

Songzhi Wan

Songzhi Wan is the only traditional Chinese medicine capable of curing hepatitis Type C as approved by CFDA, the development of which was included in the Major Scientific and Technical Breakthrough Program under the "10th Five-Year Plan" and the National High Technology Research and Development Program (863 Program). During the Stage I-II-III clinical research on Songzhi Wan, we proceeded in strict accordance with the principles of evidence-based medicine, and as a result, its drug efficacy and safety have been carefully verified with modern medicine, for which it was finally approved to enter the market with a certificate of new drug. It was officially commercialized at hospitals in June 2016.

Shusi

Shusi, also known as quetiapine fumarate, is a proprietary product of Suzhou First. It was approved in May 2003, and was officially on the market in July 2003. Shusi is suitable for the treatment of schizophrenia and maniacalis insultus of bipolar affective disorder. As a high-tech product under a famous brand recognized by Jiangsu Province, Shusi is one of the atypical antipsychotic drugs of a new generation with dopaminergic antagonist, and has a significant effect in treatment of the symptoms of schizophrenia and the maniacalis insultus of bipolar affective disorder.

Libod

Libod, also known as doxorubicin hydrochloride liposome injection, is a product produced by FDZH with NT Pharma as the exclusive distributor. Libod applies to Level-I chemotherapy drugs, and is a good replacement for the traditional doxorubicin, with low cardiac toxicity, a stronger targeting capability, longer duration and better security. It was recommended by NCCN for Level-I application for the first time in 2015.

Zhuo'ao

The generic name of Zhuo'ao is ambroxol hydrochloride for injection, which is a proprietary product of Suzhou First primarily used for acute exacerbations of chronic bronchitis, asthmatic bronchitis and bronchial asthma.

OPERATING RESULTS

Sales

The Group's business is currently composed of three operating segments, i.e. proprietary products production and sales; Miacalcic and third-party pharmaceutical promotion and sales.

The proprietary products include Songzhi Wan, Shusi, Zhuo'ao and other drugs. During the period ended 31 December 2016, total revenue from production and sales of proprietary products increased by RMB88.3 million or 40.6% to RMB305.6 million, as compared with RMB217.3 for the previous year. Songzhi Wan was launched for sale in June 2016, with revenue of RMB35.9 million for the year ended 31 December 2016, as compared with nil for the previous year. Revenue of Shusi increased by RMB66.5 million or 47.7% to RMB205.9 million, as compared with RMB139.4 million for the previous year. The increased revenue of Shusi was attributable to the increased demand and improved inventory management of distribution channels. Revenue of Zhuo'ao decreased by RMB15.4 million or 29.3% to RMB37.1 million, as compared with RMB52.5 million for the previous year. The decrease in revenue of Zhuo'ao was mainly due to the restructuring of its sole distributor Sihuan Pharmaceutical during the year, which affected the sales results of the product.

For the year ended 31 December 2016, revenue from Miacalcic segment amounted to RMB45.8 million. The revenue from Miacalcic originated from brand licensing fee income of Miacalcic Injection upon the acquisition from Novartis in July 2016.

For the year ended 31 December 2016, revenue generated by the third-party pharmaceutical promotion and sales segment decreased by RMB66.7 million or 10.6% to RMB563.7 million, as compared with RMB630.4 million for the previous year. The decrease in overall revenue of this segment was mainly due to the complete termination of the Fortum distribution business of the Group in 2016. However, the revenue from Libod, an oncology drug manufactured by FDZH, increased by RMB13.5 million or 2.5% to RMB555.5 million, as compared with RMB542.0 million for the previous year, which offset the impact of the decrease in revenue of this segment. The growth in sales of Libod was mainly due to the good safety and efficacy of the drug, resulting in further expansion of market coverage and increase in sales.

Research and Development

The Group has established a R&D and clinical medical center in Beijing, which maintains long-term strategic cooperation with domestic and foreign research institutions and companies. The Group conducts R&D of new products in many areas, such as cancer and blood diseases, central nervous system diseases, liver diseases and infectious diseases, while expanding the scope of indications of the existing drugs, with an aim to offer more new products to the patients in the future.

PROSPECTS AND OUTLOOK OF THE GROUP

The Chinese government continues to commit resources to and invest in the healthcare sector as part of its long-term healthcare reform plan. Although more stringent regulations may create short-term operating pressures, NT Pharma believes that a better regulated market will ultimately bring opportunities to healthcare companies in China and enable the healthcare industry in China to maintain its growth in the long term. The Group believes that the growth of the healthcare industry in China is supported by a combination of favorable factors, including the size of an increasing ageing population, the Chinese government's commitment to improve access to healthcare services and better affordability from rising disposable income. With the Chinese government's continual reforms on the healthcare sector, NT Pharma has redefined its long-term growth strategies in accordance with the changing landscape of the industry. Going forward, NT Pharma will continue to refine and reinforce its strategies: the Group will actively conduct R&D of innovative drugs for driving the Group's profit growth and fully develop the market potential of brand drugs and generic drugs, achieving the economies of scale for the Group through boosting sales performance of various drugs. The Group will continue to proactively identify opportunities to acquire quality products to enrich its product portfolio, gathering the momentum for sustainable development of the Group.

We have been in the field of medical and healthcare industry for over 20 years and strived to build our company to be an excellent medical and healthcare enterprise. In the future, the entire staff of NT Pharma will endeavor to deliver outstanding performance with progressive growth and constant innovation by seizing opportunities presented by various policies under the healthcare reform, upholding the advanced operation philosophies, taking advantage of extensive industry experience and expertise and leveraging our strong marketing network. Looking forward, we are confident about our capability for creating more value for our customers, shareholders and patients, embracing a new chapter for the Company.

HUMAN RESOURCES

As at 31 December 2016, the Group had 582 fulltime employees (2015: 411 employees). For the year ended 31 December 2016, the Group's total cost on remuneration, welfare and social security amounted to RMB64.6 million (2015: RMB66.1 million).

The remuneration structure of the Group is based on employee performance, local consumption level and prevailing conditions in the human resources market. Directors' remuneration is determined with reference to each Director's experience, responsibilities and prevailing market standards.

On top of basic salaries, bonuses may be paid by reference to the Group's performance as well as individual's performance. Other staff benefits include contributions to Mandatory Provident Fund retirement benefits scheme in Hong Kong and various retirement benefits schemes including the provision of pension funds, medical insurance, unemployment insurance and other relevant insurance for employees of the Group pursuant to the PRC rules and regulations and the prevailing regulatory requirements of the PRC. The salaries and benefits of the Group's employees are kept at a competitive level and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system, which is reviewed annually. The Group also operates a share option scheme ("New Share Option Scheme") adopted by the Company on 22 September 2014, and a share award scheme ("New Share Award Scheme") adopted on 4 September 2015, where options to subscribe for shares and share awards may be granted to the Directors and employees of the Group.

The Group made considerable efforts in continuing education and training programs for its staff, to continuously enhance their knowledge, skills and team spirit. The Group regularly provided internal and external training courses for relevant staff according to their needs.

FINANCIAL REVIEW

Revenue

	For the year ended 31 December							
	2016 Sales volume '000	2016 Unit price RMB	2016 Sales amount RMB'000	2016 Proportion (%)	2015 Sales volume '000	2015 Unit price RMB	2015 Sales amount RMB'000	2015 Proportion (%)
Proprietary products production and sales								
Songzhi Wan	108	333.0	35,895	3.9%	–	–	–	–
Shusi	7,257	28.4	205,872	22.5%	6,292	22.2	139,403	16.4%
Zhuo'ao	30,507	1.2	37,124	4.1%	37,672	1.4	52,497	6.2%
Others	18,941	1.4	26,746	2.9%	24,362	1.0	25,403	3.0%
Subtotal			305,637	33.4%			217,303	25.6%
Miacalcic								
Miacalcic Injection	–	N/A	45,827	5.0%	–	–	–	–
Third-party pharmaceutical promotion and sales								
Libod	90	3,598.1	324,557	35.5%	84	3,860.3	323,389	38.1%
Service income for Libod	90	2,566.1	230,953	25.2%	85	2,572.4	218,656	25.8%
Fortum	–	N/A	(638)	–	1,751	41.4	72,386	8.5%
Others	93	94.0	8,783	0.9%	910	17.6	15,992	1.9%
Subtotal			563,655	61.6%			630,423	74.4%
Total			915,119	100.0%			847,726	100.0%

Revenue from proprietary products production and sales increased by RMB88.3 million or 40.6% to RMB305.6 million, accounting for 33.4% of the total revenue in 2016, as compared with RMB217.3 million or 25.6% of the Group's revenue in 2015. The increase in revenue from proprietary products production and sales was due to two reasons. Firstly, Songzhi Wan was launched for sale in the market in June 2016, bringing revenue contribution to the Company of RMB35.9 million for the year ended 31 December 2016. Secondly, Shusi recorded an increase in sales. The increase in revenue of Shusi was primarily due to increased market demand as well as improved management of inventory in the distribution channels which resulted in an increase of 965,000 units or 15.3% in sales volume for the year ended 31 December 2016 from 6,292,000 units for the corresponding period in 2015, and an increase of RMB6.2 or 27.9% in the average commercial selling price per unit to RMB28.4 for the year ended 31 December 2016 from RMB22.2 for the corresponding period in 2015.

The Company completed the acquisition and settlement in respect of Miacalcic Injection in July 2016, bringing brand licensing fee income contribution to the Company of RMB45.8 million for the year ended 31 December 2016.

Revenue from third-party pharmaceutical promotion and sales decreased by RMB66.7 million or 10.6% to RMB563.7 million, accounting for 61.6% of the total revenue in 2016, as compared with RMB630.4 million or 74.4% of the Group's total revenue in 2015. The decrease in revenue from third-party pharmaceutical promotion and sales was mainly due to a decrease in the sales of Fortum, an antibiotic manufactured by GlaxoSmithKline Plc ("GSK"). The Group completely terminated its Fortum distribution business in 2016.

On the other hand, for third-party pharmaceutical promotion and sales, the revenue from Libod, an oncology drug manufactured by FDZH, increased by RMB13.5 million or 2.5% to RMB555.5 million, accounting for 60.7% of the total sales for the year ended 31 December 2016, as compared with RMB542.0 million or 63.9% of the total sales for the corresponding period in 2015. The increase in revenue from Libod was mainly due to an increase of 6,000 units or 7.1% in sales volume for the year ended 31 December 2016 from 84,000 units for the corresponding period in 2015, which was partially offset by a decrease of RMB262.2 or 6.8% in the average commercial selling price per unit to RMB3,598.1 for the year ended 31 December 2016 from RMB3,860.3 for the corresponding period in 2015. In addition, included in the revenue of Libod in 2016 is a service income of RMB231.0 million, or RMB2,566.1 per unit sold, recognised under a contract between FDZH and a subsidiary of the Company. The service income was paid by FDZH to this subsidiary for the promotion of Libod. Given the prevalence of cancer in China, the Group believes that Libod will maintain stable growth in sales.

Cost of Sales

For the year ended 31 December 2016, cost of sales increased by RMB25.3 million or 6.4% to RMB421.5 million, as compared with RMB396.2 million for the year ended 31 December 2015. The increase in cost of sales during the year was mainly due to the increase in sales of Libod and Shusi and launch of Songzhi Wan for sale in the market.

Gross Profit

Products	For the year ended 31 December 2016 Gross Profit RMB'000	2016 Gross Profit Margin (%)	2015 Gross Profit RMB'000	2015 Gross Profit Margin (%)
Proprietary products production and sales				
Songzhi Wan	31,654	88.2%	–	–
Shusi	161,868	78.6%	104,979	75.3%
Zhuo'ao	19,292	52.0%	28,702	54.7%
Others	(4,240)	(15.9%)	(1,830)	(7.2)%
Subtotal	208,574	68.2%	131,851	60.7%
Miacalcic				
Miacalcic Injection	45,827	100.0%	–	–
Third-party pharmaceutical promotion and sales				
Libod	239,796	43.2%	317,743	58.6%
Fortum	(621)	N/A	7,617	10.5%
Others	53	0.6%	(5,704)	(35.7)%
Subtotal	239,228	42.4%	319,656	50.7%
Total	493,629	53.9%	451,507	53.3%

Gross profit increased by RMB42.1 million or 9.3% to RMB493.6 million in 2016, as compared with RMB451.5 million in 2015. Gross profit margin increased by 0.6 percentage point to 53.9% for the year ended 31 December 2016, as compared with 53.3% for the corresponding period in 2015. The increase in gross profit margin was mainly due to higher average selling price and sales contribution of products with higher gross profit margin, including Shusi, and contribution from newly acquired product, namely Miacalcic Injection.

Reportable Segment Operating Profit

The operating expenses of the Group decreased by RMB28.6 million or 9.6% to RMB268.7 million for the year ended 31 December 2016, as compared with RMB297.3 million for the corresponding period in 2015. The Group reported an operating profit of RMB224.9 million for the year ended 31 December 2016, as compared with RMB154.3 million for the corresponding period in 2015. The following table sets forth a breakdown of the Group's operating profit by reportable segment for the year ended 31 December 2016:

	For the year ended 31 December			
	2016 Operating profit RMB'000	2016 Operating profit margin (%)	2015 Operating profit RMB'000	2015 Operating profit margin (%)
Proprietary products production and sales	60,485	19.8%	71,001	32.7%
Miacalcic	45,365	99.0%	–	–
Third-party pharmaceutical promotion and sales	119,031	21.1%	83,249	13.2%
Total	224,881	24.6%	154,250	18.2%

Finance Costs

The Group's finance costs consist of interest on bank borrowings and bank charges. Finance costs increased by RMB1.7 million or 6.5% to RMB29.0 million for the year ended 31 December 2016, as compared to RMB27.3 million for the year ended 31 December 2015. The increase in finance costs was mainly due to the corresponding finance cost from new loans during the year. However, as the interest rate of new loans was generally low during the year, the increase in finance costs was not significant.

Taxation

Income tax expense was RMB40.8 million for the year ended 31 December 2016 as compared to an income tax expense of RMB13.0 million for the year ended 31 December 2015. The increase in income tax expense was mainly due to increase in profit before taxation and reversal of temporary differences for deferred tax assets arising from internal restructuring of business of certain PRC subsidiaries within the Group that led to decrease in expected future taxable profits against which the deductible temporary differences, which were previously recognised as deferred tax assets, in respect of provision for trade receivables will be utilized in the future.

Profit/Core Profit Attributable to Equity Holders of the Company

Profit attributable to equity holders of the Company for the year ended 31 December 2016 was RMB116.2 million as compared to a net profit of RMB87.7 million for the year ended 31 December 2015. Core profit attributable to equity holders of the Company for the year ended 31 December 2016 was RMB131.9 million as compared to a core profit of RMB103.4 million for the year ended 31 December 2015, which was mainly attributable to the improvement on our gross profit margin and reduction in operating expenses.

Earnings per Share

The calculation of basic earnings and basic core earnings per share is based on the profit and core profit attributable to the equity holders of the Company divided by the weighted average number of ordinary shares of the Company in issue during the year ended 31 December 2016.

The calculation of diluted earnings and diluted core earnings per share is based on the profit and core profit attributable to the equity holders of the Company divided by the weighted average number of ordinary shares of the Company in issue during the year ended 31 December 2016 (subject to the adjustment on all the potential dilution effect of the ordinary shares).

	As at 31 December	
	2016	2015
Profit attributable to equity shareholders of the Company (RMB'000)	116,181	87,694
Plus: equity-settled share option expenses (RMB'000)	2,625	7,441
Plus: share of loss of an associate (RMB'000)	31	8,000
Plus: net exchange loss (RMB'000)	617	–
Plus: net loss on disposal of property, plant and equipment, intangible assets and interests in subsidiaries (RMB'000)	12,401	232
Core profit attributable to equity shareholders of the Company (RMB'000)	131,854	103,367
Weighted average number of ordinary shares in issue ('000)	1,558,058	1,416,549
Weighted average number of ordinary shares in issue after the effect of shares issued upon exercise of share options ('000)	1,566,546	1,427,663
Basic earnings per share (RMB cent per share)	7.46	6.19
Diluted earnings per share (RMB cent per share)	7.42	6.14
Basic core earnings per share (RMB cent per share)	8.46	7.30
Diluted core earnings per share (RMB cent per share)	8.42	7.24

The core profit attributable to equity shareholders of the Company is the profit attributable to equity shareholders of the Company excluding equity settled share option expenses, share of loss of an associate, net exchange loss and net loss on disposal of property, plant and equipment and intangible assets and interests in subsidiaries.

Capital Expenditure

Total capital expenditure increased by RMB926.5 million or 797.3% to RMB1,042.7 million for the year ended 31 December 2016, as compared to RMB116.2 million for the year ended 31 December 2015. The capital expenditure was mainly used for acquiring the exclusive intellectual property rights and distribution rights relating to Miacalcic Injectable drug products.

LIQUIDITY AND FINANCIAL RESOURCES

Treasury Policies

The primary objective of the Group's capital management is to maintain the ability to continue as a going concern so that the Group can continue to provide returns for shareholders of the Company and benefits for other stakeholders by proper product pricing and securing access to financing at a reasonable cost. The Group actively and regularly reviews and manages its capital structure and makes adjustments by taking into consideration changes in economic conditions, its future capital requirements, prevailing and projected profitability and operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group closely monitors its debt/assets ratio, which is defined as total borrowings divided by total assets.

Foreign Currency Exposure

The Group is exposed to currency risks primarily through sales made by the Group's Hong Kong and PRC subsidiaries, certain bank deposits and bank loans which are denominated in Hong Kong dollars. The Group recorded a net exchange loss of RMB0.6 million for the year ended 31 December 2016, while the Group did not record any net exchange loss for the year ended 31 December 2015. Presently, the Group does not employ any financial instruments for hedging against the foreign exchange exposure.

Interest Rate Exposure

The Group's interest rate risk arises primarily from bank loans, unsecured debenture and bank balances. Borrowings at variable rates expose the Group to cash flow interest rate risk. Presently, the Group does not employ any financial instruments to hedge against the interest rate exposure.

Group Debt and Liquidity

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Total debt	(892,449)	(261,170)
Pledged bank deposits, cash and cash equivalents	222,624	351,384
Net (debt)/cash	(669,825)	90,214

The maturity profile of the Group's borrowings is set out as follows:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Repayable:		
Within 1 year or on demand	892,449	261,170

The Group's bank borrowings of approximately RMB703.5 million as at 31 December 2016 (2015: RMB261.2 million) were bank borrowing of RMB11.0 million (2015: RMB11.2 million) made from banks in Hong Kong at floating interest rate of 3.2% per annum and from banks in the PRC of approximately RMB692.5 million (2015: RMB130.0 million) at fixed interest rate ranging from 4.3% to 6.5% per annum.

In addition, as at 31 December 2016, the Group's other loans amounted to RMB189.0 million in aggregate (2015: Nil), with fixed interest rate ranging from 5.0% to 8.0% per annual. Among which, RMB89.0 million was guaranteed by two executive directors of the Company, Mr. Ng Tit and Ms. Chin Yu, and corporate guarantees provided by the Company and a subsidiary.

In May 2014, the Group's PRC subsidiary, Suzhou First issued a RMB120,000,000 non-publicly traded bonds to a qualified institutional investor. The coupon interest rate of the bond is 8.5% per annum. The bond has a maturity period of two years from the date of the bond issued and was due and repaid in May 2016.

Debt-to-Assets Ratio

The Group closely monitors its debt-to-assets ratio to optimize its capital structure so as to ensure solvency and the Group's ability to continue as a going concern.

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Total debt	**892,449**	261,170
Total assets	**2,562,739**	1,398,313
Debt-to-assets ratio	**34.8%**	18.7%

Charges on the Group's Assets

As at 31 December 2016, bank deposits of the Group of RMB133.0 million (31 December 2015: RMB23.4 million) were pledged to the banks to secure certain bank loans and bills payable amounting to a total of RMB151.0 million (31 December 2015: RMB149.0 million). As at 31 December 2016, certain banking facilities of the Group were also secured by the Group's fixed assets which amounted to RMB244.9 million (31 December 2015: RMB24.0 million).

Capital Commitments

The following table sets forth our capital commitments provided for but not settled as at 31 December 2016:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Contracted but not provided for		
– property, plant and equipment	**474**	198
– investment in an associate	**28,000**	–
– intangible assets: computer software	**2,300**	–
– intangible assets: Miacalcic Spray	**450,905**	–
	481,679	198

At 31 December 2016, the Group had total future minimum lease payments under non-cancellable operating leases payable as follows:

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Within 1 year	14,001	5,525
After 1 year but within 5 years	29,963	3,376
Over 5 years	313	–
	44,277	8,901

The Group is the lessee in respect of a number of properties held under operating leases. The leases typically run for an initial period of one to three years. None of the leases includes contingent rentals.

Significant Investments Held

Except for investments in subsidiaries, the Group did not hold any significant investment in equity interest in any other company for the year ended 31 December 2016.

Material Acquisitions

On 18 May 2016, NT Pharma International Company Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company ("NT Pharma HK") as the purchaser entered into (i) an asset purchase agreement (the "Asset Purchase Agreement") with Novartis AG and Novartis Pharma AG, companies organised under the laws of Switzerland (collective called "Novartis") pursuant to which Novartis agreed to transfer to NT Pharma HK (a) certain pharmaceutical product in all dosage forms (other than the Miacalcic Spray) that is approved, marketed, distributed and/or sold by Novartis and its affiliates (the "Miacalcic Injectable Transferred Assets") and (b) certain pharmaceutical product in the form of a spray that is approved, marketed, distributed and/or sold by Novartis and its affiliates (the "Miacalcic Spray Transferred Assets"); and (ii) the License Agreement with Novartis, pursuant to which Novartis agrees to grant licenses for the respective assets (the "Licensed Asset") in China and other countries and territories. The purchase price for the Miacalcic Injectable Transferred Assets was US$145,000,000 and for the Miacalcic Spray Transferred Assets and provision of licenses for the Licensed Assets would be the conditional and not exceeding US$65,000,000.

Future Plans for Material Investments and Capital Assets

The Group did not have other plans for material investments and capital assets for the year ended 31 December 2016.

Contingent Liabilities

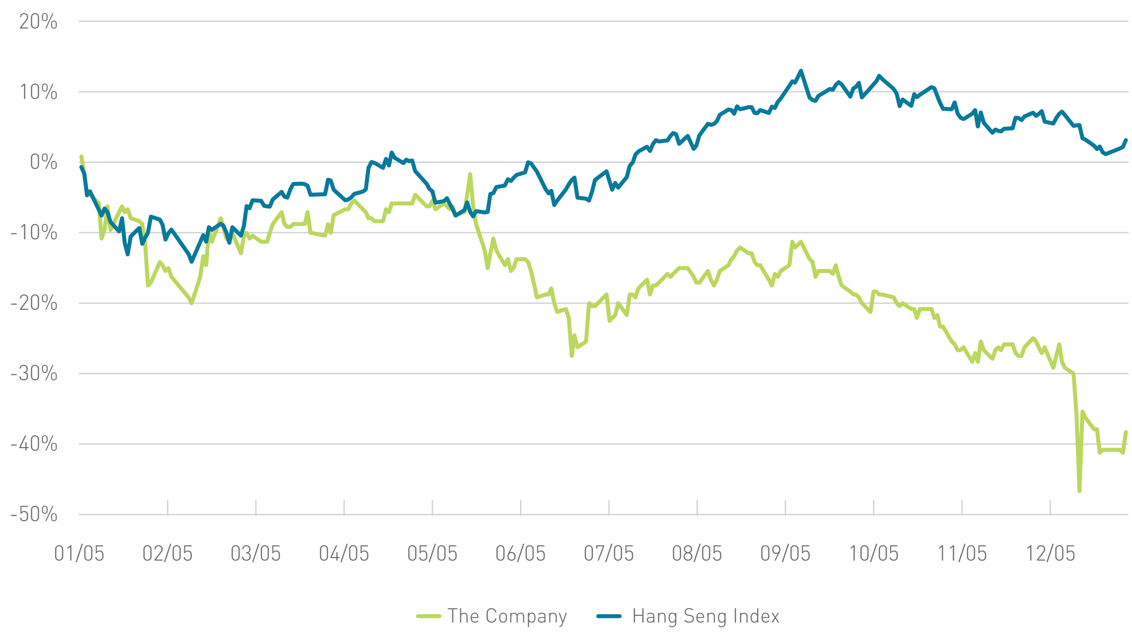
As at 31 December 2016, the Group had no material contingent liabilities.

Since its listing, the Company has gradually formed a scientific and systematic management mechanism for investor relations after plenty of exploration and practice, which serves as a bridge for effective communication between the Company and the capital market. Adhering to the disclosure principles of openness, fairness, transparency and multi-channel, the Company discloses its financial and operation information to the capital market timely. It also listens attentively to various suggestions and proposals with regards to the Company's management and operation in a proactive, sincere and humble manner so as to improve the Company's management quality, enhance shareholders' value and maximize their interests.

SHARE PRICE PERFORMANCE

2016	Highest	Lowest	Closing
Price per share of the Company (HK$)	2.42	1.28	1.48

Share Price Performance in 2016 (From 4 January 2016 to 30 December 2016)



As of 30 December 2016, the total number of shares of the Company was 1,558,247,800 with market price of HK$1.48 each. Based on the closing price as of 30 December 2016, the Company's market capitalisation was approximately HK$2,306.21 million.

SHAREHOLDER RETURNS

The Company attaches great importance to the shareholders' views on its dividend policy. The Company determines its dividend policy with reference to the Company's financial status, long-term development needs and potential investment opportunities. The dividend payout ratio for 2016 is about 34%.

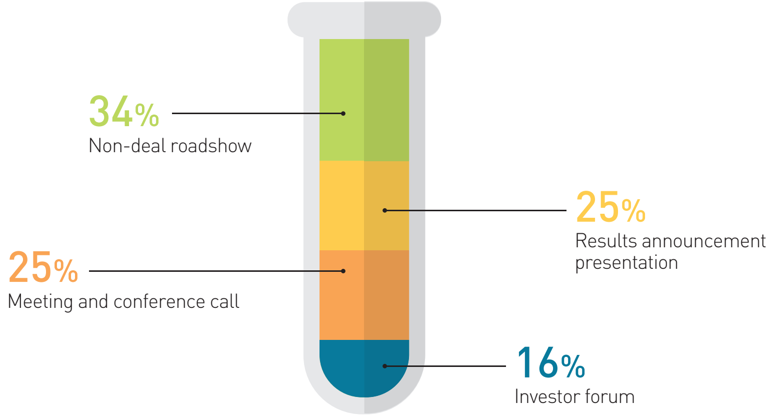
ENHANCING INVESTOR RELATIONS MANAGEMENT SYSTEM

The Company has been committed to establishing a scientific and systematic management system of investor relations. In 2016, the Company delineated and improved its investor relations core practices and further upgraded and completed its investor database, thus standardizing and systematizing the major work on investor relations, including investor meeting scheduling, investor information's collection and classification as well as investor shareholding analysis.

FACILITATING DIVERSIFIED AND MULTI-CHANNELLED INVESTOR ACTIVITIES

The Company communicated its development philosophy and strategies and its latest operation results in the capital market in a timely manner through various investor communication channels, including analyst briefings, non-deal roadshows, one-on-one meetings, investor forums organized by investment banks, telephone conferences, emails, and investors' on-site visits as well as the Company's website. Meanwhile, according to the needs and styles of different analysts and investors, the Company flexibly arranged senior managements with different responsibilities to participate various investor relations activities. Since the listing, the Company's senior managements including Chairman, Chief Executive Officer, and Chief Financial Officer have participated in plenty of investor activities to fully communicate with the capital market, which truly realized multi-channelled communications. In 2016, the Company held interactive communications with over 450 investors or analysts, including analyst presentations and press conferences on its annual and interim results, eight non-deal roadshows and six investor forums held by the investment banks, in addition to hundreds of face-to-face meetings and telephone conferences during the normal course of business.

ATTENDANCE ANALYSIS OF INVESTOR RELATIONS ACTIVITIES IN 2016



List of Investor Relations Activities of the Company Conducted in 2016

No.	Date	Locations	Activities
1.	7 January	Hong Kong	Morgan Stanley Corporate Day – Healthcare/Utilities, Energy & Chemical Corporate Day
2.	13 January	Shanghai	Joint roadshow by the Company and Jiao Da Onlly
3.	13 January	Shanghai	Everbright Securities 2016 Strategy Conference
4.	19 February	Hong Kong	China Construction Bank (Asia) Investment Forum 2016
5.	23 March	Hong Kong	2015 Annual Results Investor/Analyst Briefing
6.	24-30 March	Hong Kong	Deutsche Bank non-deal roadshow
7.	31 March	Hong Kong	Guotai Junan non-deal roadshow
8.	12 April	Hong Kong	First Shanghai results presentation roadshow
9.	6 May	Hong Kong	Haitong International Business Day Investor Conference
10.	19 May	Hong Kong	Annual General Meeting
11.	13 June	Hong Kong	Special roadshow for Miacalcic acquisition
12.	15 June	Hong Kong	Investor conference call for Miacalcic acquisition
13.	7 July	Hong Kong	Extraordinary General Meeting
14.	18 August	Hong Kong	2016 Interim Results Investor/Analyst Briefing
15.	19 August	Hong Kong	Deutsche Bank non-deal roadshow
16.	22 August	Hong Kong	Guotai Junan non-deal roadshow
17.	25 August	Shanghai	Guotai Junan non-deal roadshow
18.	27 October	Hong Kong	Jefferies Greater China Annual Conference
19.	4 November	Shenzhen	Guotai Junan Hong Kong-Shenzhen Stock Connect forecast investor meeting
20.	23 November	Shenzhen	Guoyuan Securities Investment Strategy Conference

ADHERING TO TIMELY, JUST, FAIR AND ACCURATE INFORMATION DISCLOSURE

The Company has strictly complied with the information disclosure requirements for listed companies and made information disclosure in a timely, just, fair and accurate manner so as to enhance the transparency of the Company, established smooth communication channels, and enhanced communications with the capital market. In 2016, the Company published 42 corporate communications, i.e. announcements and circulars, which objectively and comprehensively disclosed the information regarding the Company's results, operating performance, financial information, the change of important executive positions and composition of the Board, poll results of shareholder meetings and some other voluntary disclosures. The Company's website (www.ntpharma.com) is both an important channel for corporate information disclosure and a key platform from which our investors obtain information about the Company.

HEARING INVESTORS COMPREHENSIVELY AND REALIZING INTERACTIVE COMMUNICATIONS

As the Company enhances investor communications and information disclosure, the Company also attaches great importance to its investors' recommendations and opinions. With a proactive, sincere and modest attitude, the Company collected and filed the opinions and recommendations on the Company's operation and management through different channels of investor communications. These initiatives also included the provision of the investor relations electronic mailbox on its website and the telephone line for investors to express their views. The Company actively inquired investors of their recommendations on the Company's operation and management during investor activities and forwarded these opinions and recommendations to the management and supervisors at all levels on a regular and timely basis, hence enabling a two-way interaction with the investors and helping the Company to formulate its development strategies and improve its operation and management.

OTHER NECESSARY INFORMATION FOR SHAREHOLDERS

Shareholder Services

Any matters relating to shareholding, such as transfer of shares, change of name or address, and loss of share certificates should be addressed in writing to the Registrar:

Tricor Investor Services Limited
22th Floor, Hopewell Centre
183 Queen's Road East, Wanchai, Hong Kong

INVESTOR RELATIONS

For enquiries from institutional investors and securities analysts, please contact:

Corporate Finance and Investor Relations Department
China NT Pharma Group Company Limited
Unit 2305-06, 23/F, China Resources Building
26 Harbour Road, Wanchai, Hong Kong
Tel: (852) 2808 1606
Fax: (852) 2508 9459
Email: ir@ntpharma.com

CARING FOR EMPLOYEES

NT Pharma always upholds the concept of "excellent employee is the company's most valuable asset" and pays attention to the sustainable development of each employee. We encourage equal communication between employees, superiors and subordinates, and aim to create a harmonious atmosphere of mutual trust and progress. Under the guidance of human resources development strategy of the company, NT Pharma constantly insists to improve the human resources management system, to provide a high-quality training and development platform for employees, to assure the occupational health and safety of employees and to promote the team building to achieve efficient team work.

Employment and Diversity

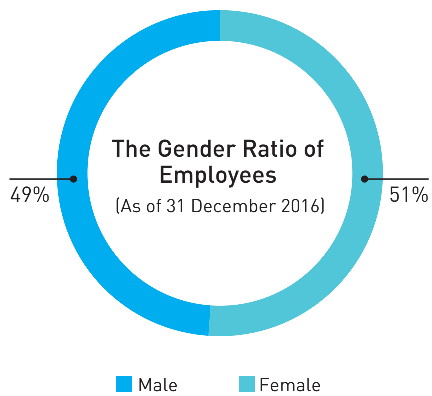
Recruitment and Dismissal

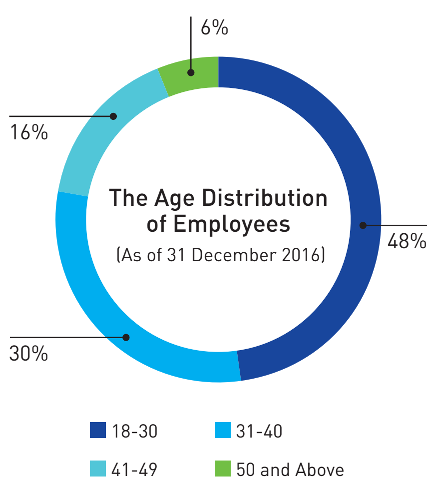
NT Pharma strictly follows the *Labor Law of the People's Republic of China, Labor Contract Law of the People's Republic of China* and other local labor laws and regulations to carry out recruitment. We completely eradicate the phenomenon of child labor and forced labor. The Group constantly optimizes the "human resource management system", refines the recruitment management, and further standardizes the recruitment process. The Group and employees should sign a labor contract according to the related labor laws. The termination and dismissal of the labor contract are also strictly in accordance with the applicable laws and regulations to fully protect the rights of employees and the Group. The Group has conscientiously abided by the *Labor Contract Law of the People's Republic of China* in formulating its employees' leave and attendance regulations as well as regulating employees' working hours. Employees can enjoy fringe benefits including paid annual leave, marriage leave, maternity leave, sick leave, and casual leave etc. The company pays employees overtime work in accordance with national regulations. During the reporting period, the Group was not involved in any illegal recruitment or dismissal.

Equality and Diversity

NT Pharma encourages the diversity among employees, and provides equal opportunity to each employee. Based on the national and local labor laws and regulations, the "Personnel Regulation" of the company states clearly that any types of ethnic, racial, sex or religious discrimination are prohibited. Female and male employees are managed in the same human resources system. Moreover, we apply the same remuneration and promotion policies to all employees, as well as continuously improving the fairness and impartiality of the performance evaluation system. The evaluation system is mainly based on key performance indicator (KPI) assessment, combined with considerations of functional characteristics of employees, with aims of motivating employees efficiently and promoting the mutual growth of employees and the Group.

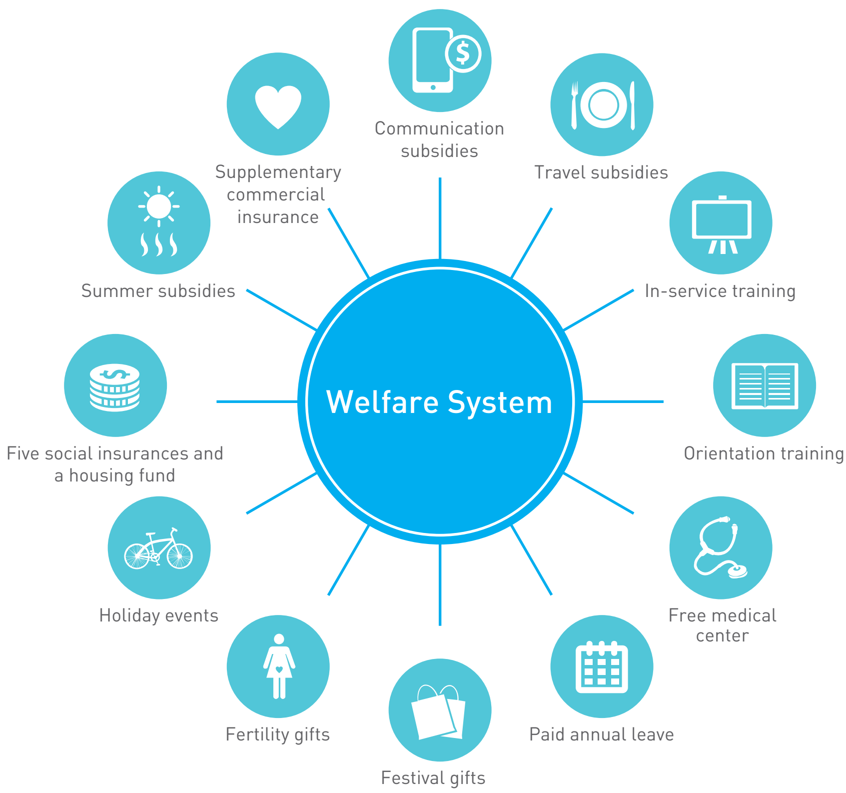
Up until December 31, 2016, the total number of employees of the Group was 582. The balanced distribution of employees with different genders and ages reflects that there is no discrimination against gender or age in the operation of the Group as well as the diversity of the company culture. During the reporting period, the Group did not receive any complaint about discrimination or unequal treatment.





Wages and Benefits

NT Pharma is committed to providing employees with competitive remuneration package. The Group has developed a high-quality remuneration and performance evaluation system to attract, retain and motivate outstanding employees, preparing the human resources base for the long-term development of the Group. According to the remuneration performance management system, the composition of the employee's remuneration package composition includes basic salary, performance salary, company benefit award, performance bonus, project bonus and so on. The Group strictly abides by national and local laws and regulations about social security and pays the related cost for employees, such as social insurance expenses, housing provident fund, etc., directly or through the local agency. The Group regularly evaluates the performances of individual staff and team and provides special awards to the outstanding employees and teams for their contributions to the Group. At the same time, the Group has established an abundant welfare system to improve the living quality of employees and enhance the sense of belonging among employees. The welfare system includes paid annual leave, fertility gifts, five social insurances and a housing fund, travel and communication subsidies and so on.



Training and Talent Development

The Group conducted training activities based on "people-orientation" principle. We aim to enhance the competitiveness of the company through providing employees with systematic, timely and well-organized training activities. Our training system combines both internal and external training formats and involves abundant training activities to enhance the occupational skills of employees and promote the career development of employees.

The internal training system of the Group has included rich resources. New employees should receive pre-job training organized by the Human Resources Department. Employees who transferred to other positions also need to have particular training. We provide different vocational training courses for employees from different department and positions, and also provide management courses for managers. We provide trainings based on the character of each employee and help employees to explore their capabilities.

As an enterprise which recognizes the quality production and product as the most important thing, NT Pharma strictly requires all employees engaged in production, processing, packaging and storage processes to receive Good Manufacturing Practice (GMP) and other pharmaceutical production related trainings and assessments held by both internal departments and external institutions. These measures should improve the employees' awareness to safety, quality and health as well as promoting safe production and improving product quality assurance.

The Group sets up personal training documents for each employee to record their training activities; the document can provide a complete record for the development and promotion of employees while it helps employees to self-promote efficiently. Meanwhile, the Group evaluates the training quality and achievements through several methods, such as the satisfaction questionnaire survey about instructors and training courses assessments. We aim to improve the training quality of the Group based on regular evaluations and feedbacks.

The Group treasures the growth and development of each employee with principles of promoting employees based on their talents, capabilities and performances. We help employees to make their career development plan according to their background and career target. We design H-type promotion channels combined with management route and technical route to provide an open and sustainable development platform for employees. At the same time, the Group provides the opportunities of job rotation and self-selection, so that employees could fully understand the functions of different positions and achieve a wealth of practical experience to further help employees implement their career development plan.

Health, Safety and Workplace

NT Pharma promises to provide safe and healthy environment for all employees, partners and visitors. The Group pays high attention to the health of employees, partners and visitors in the operation process to prohibit any type of hazard and disease. In the reporting period, the Group strives to provide safe production sites for employees working in the production line, and we have strengthened the safety supervision and management of all production bases, and enhanced the safety training and implementation ability of professional teams.

The Group requires all production bases to well establish "Safe Production Management System" to fully meet the requirements of quality control of pharmaceutical production in GMP. The system can enhance the safety management of the Group and strengthen the production safety awareness of employees by implementing responsibility for safe production at different positions. The subsidiary of the Group – Suzhou First made efforts to effectively prevent, control and eliminate potential occupational harm and disease and to protect the health and benefit of employees. Based on the *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases* and *Provisions on the Supervision and Administration of Occupational Health at Work Sites*, Suzhou First has set up series of internal regulations including "The Safety Operation Procedure for Occupational Hazard Position", "Occupational Hazard Warning and Notification System", "Occupational Disease Prevention and Control Responsibility System", "Occupational Hazard Emergency Rescue Measures" and "Supervision and Administration of Occupational Health Care". We give safety management top priority in our operation; each management level is confirmed that they know their responsibility and perform their duties; occupational diseases are completely prevented and controlled to promote sustainable development. In addition, Suzhou First entrusts an occupational health technical service agency for occupational hazard monitoring each year. The test reports during the reporting period included toxic and hazardous substances monitoring and noise monitoring in the workplace, and the test procedures were in compliance with the national standards.

The Group pays high attention to the fire safety management and continues improving the Fire Safety Regulations. We have positively developed contingency plans and conducted fire drills to eradicate as far as possible fire accidents following the principle of "prevention first" combined with fire control. During the reporting period, NT Pharma maintained a safe production environment and there was no serious production accidents or personal injuries.

The Fire Drill Activity of Suzhou First

Employee Engagement

The Group values team building and strives to provide good working environment for each employee with the aim of making the working experience in NT Pharma challenging and joyful. We frequently organized expert visits and internal communication activities to improve the cooperation among subsidiaries of the Group. We continue to promote the development of employee union, enhance the bridging effect brought by the employee unions, and encourage employees to participate in corporate activities to enrich their spare time. For instance, Suzhou First organized various cultural activities and festivals to enrich the cultural life of employees and enhance the internal cohesion. We look forward to jointly promoting the corporate culture of NT Pharma through effective team building, fully utilization of different resources, actively taking the advantages of various units in the Group and the joint force formed among different departments and production bases.

The 2016 Welcome Annual Meeting of NT Pharma

CARING FOR ENVIRONMENTS

Pollution Control

NT Pharma pays high attention to the treatment of wastewater, air pollutants and solid waste (including non-hazardous waste and hazardous waste) as well as the noise control in production area. All types of emissions are in compliance with the national and local standards.

The contaminants of wastewater produced by NT Pharma mainly include Chemical Oxygen Demand (COD), suspended solids, ammonia nitrogen, phosphorus, petroleum hydrocarbon and so on. All production bases of the Group collect and treat the produced wastewater before discharging it in compliance with national standards. For example, Suzhou First collects the generated wastewater in different channels and carries out segregated pretreatment to ensure the released water reaches the Class 3 Standards of National Standard of the People's Republic of China – *Integrated Wastewater Discharge Standard (GB 8978-1996)* in Table 4, while the concentrations of phosphate and ammonia nitrogen reach the corresponding standards of *Administrative Measures for the Licensing of Discharge of Urban Sewage into the Drainage Network (CJ 343-2010)*, and the treated industry water and sewage flow through municipal pipe network and eventually enter the wastewater treatment plant of Suzhou Industrial Park. Changsha Pharma has its own wastewater treatment facilities in the production area. The wastewater treatment method is anaerobic – aerobic – disinfection series process. The wastewater treatment facilities treat all the wastewater generated in the production base including domestic sewage, medicine cleaning wastewater, equipment cleaning wastewater and wastewater produced in the ethanol recovery process, etc. to reach Class 3 Standards of National Standard of the People's Republic of China – *Integrated Wastewater Discharge Standard (GB 8978-1996)* and then eventually flow into the wastewater treatment plant of the industrial park. In the reporting period, Suzhou First and Changsha Pharma employed qualified testing organizations to examine the water sample from discharged wastewater, and the indicators of test results were in line with national and local standards and regulations.

For the air emissions, Suzhou First has two gas-fired boilers using clean energy – natural gas, and the concentrations of air pollutants (sulfur dioxide, nitrogen oxides, dust) in the discharged gas are in compliance with Class 2 standard of *Emission Standard of Air Pollutants for Boilers (GB 13271-2014)*. The dust generated in the pharmaceutical production process of raw material crushing, screening and tablet compressing is treated with bag-type dust collectors and to be released in compliance with Class 2 standard of *Integrated Emission Standard of Air Pollutants (GB 16297-1996)*, so as to minimize the dust emissions in the workplace, protect the health of employees and provide employees with a safe and clean working environment. Changsha Pharma strives to reduce the direct impacts of the operation on the environment. Centralized gas supply from the industrial park is utilized to produce steam and heat energy for the production and there is no gas-fired boiler in the production area to make production clean and establish a low-carbon and ecological community.

The solid waste produced by the Group can be classified into two types – non-hazardous solid waste and hazardous solid waste. Non-hazardous waste includes waste packing material of the products and office and household garbage. We primarily consider comprehensive utilization and recycling when treating non-hazardous solid waste to maximumly reduce the generation amount. The hazardous solid waste is treated according to the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste* by authorizing qualified organizations to do the treatment and recycling. For example, Suzhou First authorized a hazardous waste treating company which is qualified with Permit License for Operation of Dangerous Wastes, 5A Labor Credit Grade Certificate, Small and Medium-Sized Technology-Based Enterprises in Jiangsu Province and so on.

NT Pharma pays close attention to noise control and employee protection. We monitor and control the impact of production noise on the health of our employees and neighboring communities in accordance with national noise control standards. We strive to reduce noise hazards to the minimum through improving equipments and technologies, use of physical isolation, green shielding and occupational protection, ensuring to be in compliance with *Emisson Standard for Industrial Enterprises Noise at Boundary (GB 12348-2008)*. During the reporting period, there was no record of noise complaint. All the production bases of the Group have been in compliance with the noise control standards.

Resource and Energy Saving

NT Pharma always holds the green production concept of "clean production and energy saving" and we have made efforts in the following aspects:

- Using clean energy boiler and the gas supply from the industrial park, to minimize the concentration and generation amount of pollutants and to improve the operational benefit of environmental protection;
- Continuously upgrading production equipment with utilization of energy-saving equipment to reduce energy consumption, and improving the production techniques to increase the production efficiency and to reduce the amount of generated solid waste;
- Installing water circulation cooling system in cooling tower to save water resource;
- Managing production in strict accordance with GMP to prevent the chemical waste in the storage and production process and actively promoting the circular economy.

We actively promote not just green production but also green office. Paperless office, telephone conference and other environmental activities are encouraged. The office lighting has been partly changed to LED lamps, and the voice control system has been installed to reduce energy consumption. Based on the above-mentioned environmental measures taken in production and offices, the water consumption and electricity consumption of Suzhou First were significantly reduced during the reporting period, wherein the water consumption of 2016 was reduced by 32% compared with 2015. The resource consumption data of Changsha Pharma was also disclosed in the corresponding table.

	Water Consumption (10^3•t)	Electricity Consumption (10^3•kWh)	Natural Gas Consumption (10^3•m^3)
Suzhou First (2015)	260	6,830	740
Suzhou First (2016)	177	6,514	760

	Water Consumption (10^3•t)	Electricity Consumption (10^3•kWh)	Steam Consumption (t)
Changsha Pharma (2016)*	48	826	1,237

* The Group purchased Changsha Pharma in August 2015.

Environmental Protection

NT Pharma Group has adhered to its notion of "Care, Green, Life" as the basis for sustainable development since its inception. As a pharmaceutical manufacturing enterprise, we strictly control and reduce the discharge of wastewater and air pollutants to the nature environment. The emissions are in compliance with corresponding standards. Furthermore, in the view of resource and energy saving, the Group continuously improves the production equipment and techniques; green production and green office are promoted; our employees are encouraged to participate in public service activities so as to make contributions to protecting the environment and nature resource. We look forward to growing into an environment-friendly and resource-saving enterprise, reducing the impacts of operation on the environment and taking the corporate social responsibility of environmental protection.

CARING FOR PUBLIC HEALTH

Product Responsibility

NT Pharma pays close attention to improving and ensuring our product quality. The Group focuses on the research and development of medicine to reduce high incidence of disease. The Group seeks to improve life quality and aims to be an innovative and excellent pharmaceutical group and to provide the public with safe, effective and convenient medicine. The Group has formulated medicine safety management system and the management regulation of raw materials, packing materials and final products. We strictly adhere to the established guidelines to control the situation of production management and product quality. We scientifically prepare the instructions and labels of products according to *Provisions on the Administration of Pharmaceutical Directions and Labels* to protect public health and guide consumers to using drugs rationally. With the implementation of above-mentioned measures, the Group safeguards the quality and safety of products in the whole process of production, sales, distribution and usage.

The subsidiary of the Group – Suzhou First continuously promotes quality management system which is in compliance with the new version of GMP. Suzhou First enhances the product quality control through quality risk management, design confirmation, change control, corrective and preventive measures, retrospective analysis of product quality to ensure that NT Pharma could sustainably produce medicine for the intended use, in line with registration requirement and quality standard.

The Group has stipulated the Rules for the Recall of Drug in accordance with national and local laws and regulations to efficiently recall the unqualified or potentially unqualified products in order to minimize adverse effects on the consumers and protect the public's health and safety. During the reporting period, there was no recall of drugs due to health and safety issues.

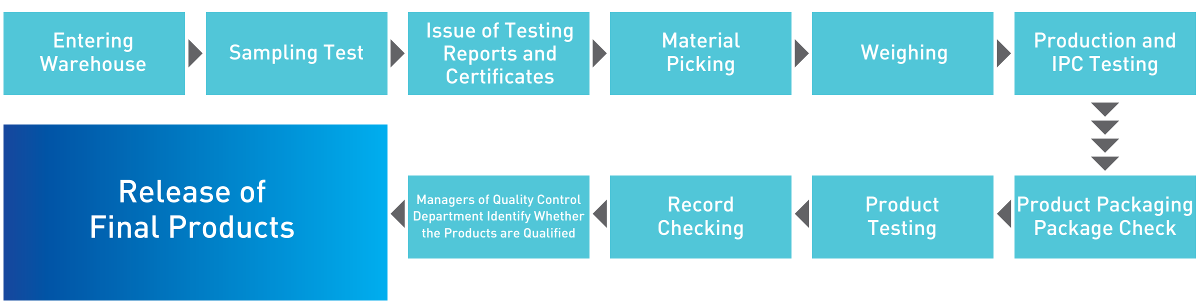
Adverse Drug Reaction Management

The Group attaches importance to medicine safety and pays attention to the reporting and monitoring management of adverse drug reactions. Suzhou First, Jiangsu Biopharma, Changsha Pharma (wholly-owned subsidiaries of the Group), the Research & Development (R&D) and Medical Affairs Center of the Group have a specialized department for safety test, analysis and report on all self-produced products during the whole service life for ensuring the medication safety and to establish a sound reporting and monitoring system of adverse drug reactions.

In the meantime, the Group cooperated with well-known drug manufacturers in China and abroad, selecting the safe and excellent products for disease treatment and prevention. Given all drugs' potential for untoward effect, the Group closely cooperated with the manufactures to strengthen monitoring the untoward effect of the drugs, so as to timely deal with the effect and take measures in accordance with laws and administrative regulations related to the untoward effect. The safety monitoring and test system for agent drugs sold by the Group is composed of the front marketing staff and staff from the medicine department. They collect information on untoward effect of the drugs reported by doctors and consumers, and communicate the information to the drug manufactures. Besides, with the assistance of the relevant untoward effect experts, we help the doctor to deal with such effect.

On the official website of the Group, we set up adverse event hot line (4008208295*823) and email (safety@ntpharma.com) to collect the reporting of adverse events through different routes. We require that employees engaged in drug adverse reaction reporting and monitoring should have backgrounds of medical, pharmaceutical, epidemiological or statistical and other related professional majors with scientific analysis and evaluation abilities of adverse drug reactions, to fully guarantee the Group's processing capability to adverse drug reactions/events. During the reporting period, the Group did not receive any complaints or reports regarding the adverse drug reactions of the products we produced or sold.

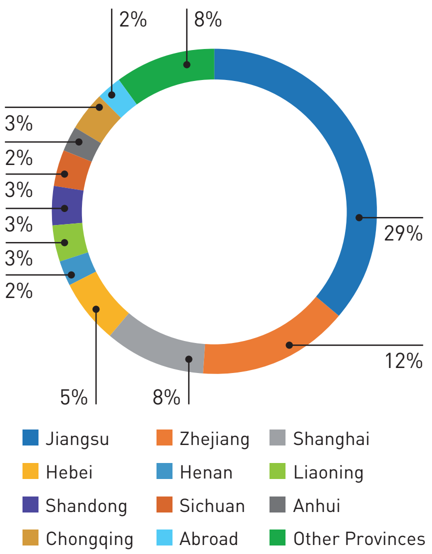
APPROVAL PROCEDURE OF THE QUALIFIED FINAL PRODUCTS



CARING FOR OPERATING PRACTICE

Supply Chain Management

The Regional Distribution of Major Suppliers of Suzhou First



The Group pays attention to the management of supply chain. We have formulated supply chain management regulations according to the new version of GMP to standardize the supervision of suppliers and to ensure that the products provided by suppliers could meet our quality requirements.

The management of suppliers starts from the submission of the introduction report. There is a separate file for each supplier, all the relevant materials about suppliers like audit documents, deviation statistics, change record of the data should be put into the corresponding file for the management. For the required information of suppliers, we have clear and detailed stipulation, and we strive to scientifically evaluate suppliers from aspects of compliance with the law, environmental protection, labor rights protection, integrity management and so on.

We are particularly strict and careful in terms of choosing raw material suppliers. We have specific recording documents and management procedure for processes of initial visiting report, site review report, list of information provided by suppliers, daily survey of suppliers, qualification audit, statistics of quality deviation, supplier data change record and so on. The employees in Quality Audit Department shall do the deviation statistics of product quality provided by suppliers monthly, analyze the statistic results semiannually and review the quality audit annually. Based on the quality deviation results, we take different corrective and preventive measures to improve our supervision system for suppliers. The Group not only considers the supplier management as important work in the company operation, but also recognizes suppliers as significant strategic partners. We believe we could better control our product quality through regular communication with suppliers to continuously improve the quality of raw materials.

At the same time, the Group adheres to sunshine purchase, promotes the standardization, transparency and management informationization of tender procedure and prohibits the commercial bribery in the procurement process.

Sales Compliance

NT Pharma is committed to promote honest, ethical and lawful business practices. We have established a business model that follows professional ethics and complies with the *Interim Provisions on Prohibiting Commercial Bribery* and other national laws and regulations to maintain the integrity reputation of the Group. The Group also established the Standards of Business Conduct & Ethics to require the honest and ethical conduct of business by directors, officers and employees, including sales representatives and other agents of NT Pharma. NT Pharma conducts compliance policy training towards all employees by means of e-learning, compliance policy quiz and face-to face teaching. The company is committed to the principle that we will not use gifts, payments or any other things of value to improperly influence relationships or business transactions. In addition, the Group has 24-hour compliance hot-line and mailbox to prevent bribery, blackmailing, fraud and money laundering. During the reporting period, NT Pharma was not reported to be involved in any non-compliance case related to illegal marketing.

NT Pharma has strict personal information privacy protection and security policy in place. We maintain strict administration and protection on the collected data from customer and employees, and prohibit any abuse of information and illegal profiteering acts. The customer information system as well as employee information system only accepts authorized access. The collection, treatment, disclosure, preservation, destruction, maintenance, protection and filing of such personal information are carried out under complete procedures and system. We look forward to protecting the personal information and privacy of customer through scientific management and effective implementation.

Protection of Intellectual Property

NT Pharma pays attention to the maintenance and protection of intellectual property. We have formulated management system of intellectual property according to *Patent Law of the People's Republic of China* and other national regulations. The Group requires all employees to take steps to safeguard intellectual property in the possession of the company, including the intellectual property of others with which the Group is entrusted. Furthermore, employees are required to promptly notify the company, through its Legal Department, of any intellectual property they created through their employment with NT Pharma.

CARING FOR COMMUNITY

As a corporate citizen, the Group adheres to the principle of "taken from society, give back to society" and actively participates in public benefit activities. The core value of the Group involves the pursuit of responsibility, integrity, innovation and win-win. We are committed to the responsibility for the society and shareholders, as this is the foundation of our healthy development.

NT Pharma is active in the participation of programs for public welfare, for instance supporting impoverished college students, donating drugs to poor areas and cooperating with university or research institutes to provide internship opportunities for students.

The Group actively participates in and sponsors the pharmaceutical industry forums. From 18th to 20th April, 2016, the Group took part in the 75th PharmChina with our representative products, Doxorubicin Hydrochloride Liposome Injection and Quetiapine Fumarate Tablets (Shusi). In this forum, we communicated with other experts in the pharmaceutical production and service field to grasp the latest development trend in pharmaceutical industry and to promote the information exchange and cooperation in pharmaceutical industry.

<ENVIRONMENT, SOCIAL AND GOVERNANCE REPORTING GUIDE> CONTENT INDICES

Description of <Environment, Social and Governance Reporting Guide>		Pages
Environmental		
Aspect A1: Emissions		
General	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	34-35
Aspect A2: Use of Resources		
General	Policies on the efficient use of resources, including energy, water and other raw materials.	35
Aspect A3: The Environment and Natural Resources		
General	Policies on minimizing the issuer's significant impact on the environment and natural resources.	36
Social		
Aspect B1: Employment		
General	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	30-31
Aspect B2: Health and Safety		
General	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	32-33
Aspect B3: Development and Training		
General	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	32

Description of <Environment, Social and Governance Reporting Guide>		Pages
Social		
Aspect B4: Labour Standards		
General	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	30
Aspect B5: Supply Chain Management		
General	Policies on managing environmental and social risks of the supply chain.	38
KPI 5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	38
Aspect B6: Product Responsibility		
General	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	36-37
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	39
KPI B6.4	Description of quality assurance process and recall procedures.	37
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	39
Aspect B7: Anti-corruption		
General	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	38
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	38
Aspect B8: Community Investment		
General	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	39

EXECUTIVE DIRECTORS

Mr. Ng Tit (吳鐵先生), aged 53, co-founder of the Group, has been the Chairman of the Board of Directors and Chief Executive Officer of the Group since 1995. Mr. Ng was appointed as the Company's Executive Director on 1 March 2010, responsible for the overall strategic planning and management of the Group. He has extensive experience in the pharmaceutical industry, having been engaged in the pharmaceutical business for over 20 years. Prior to establishing the Group in 1995, Mr. Ng worked for a number of relevant organisations and enterprises. Mr. Ng is a member of Jiangsu Committee of the Chinese People's Political Consultative Conference ("CPPCC") of the PRC, deputy director of Jiangsu Committee of Hong Kong, Macao, Taiwan and Overseas (Foreign Affairs) of CPPCC, vice president of Overseas Friendship Association of Jiangsu Province, vice president of Federation of HK Jiangsu Community Organisations and Chairman of China Nation Culture Spread Ltd.* (中華民族文化傳播有限公司). Mr. Ng obtained his bachelor degree from Guizhou University in 1986, and an Executive Master of Business Administration ("EMBA") from Fudan University (復旦大學) in 2007. He is the spouse of Ms. Chin Yu, who is an executive Director, and the brother-in-law of Dr. Qian Wei, who is a non-executive Director.

Ms. Chin Yu (錢余女士), aged 53, co-founder of the Group. Ms. Chin has been re-designated from non-executive Director to executive Director of the Group since 1 February 2015. Ms. Chin is responsible for the daily operations of NT Pharma (Hong Kong) Co., Ltd. Ms. Chin was appointed as non-executive Director on 1 March 2010. Prior to the establishment of the Group, Ms. Qian was an accounting professional. Ms. Chin worked in Bank of Communications from 1987 to 1993. Ms. Chin is the spouse of Mr. Ng Tit, the Chairman of the Board of Directors and Chief Executive Officer, and the sister of Dr. Qian Wei, a non-executive Director.

Mr. Wu Weizhong (吳為忠先生), aged 47, was appointed as an executive Director of the Group on 20 March 2015. Mr. Wu is also the Senior Vice President of the Group, General Manager of manufacturing and supply chain centre, Chairman and General Manager of Suzhou First and Chairman of NT Pharma (Changsha) Co., Ltd, having overall responsibilities for organization of its own brand product production, operational management and supply chain management. Mr. Wu has over 20 years of experience in pharmaceutical manufacturing. Mr. Wu has been the General Manager of Suzhou First since 2006, and was appointed as its Chairman since 2014. Prior to joining the Group, Mr. Wu worked at various positions including engineer, assistant manager and deputy factory manager of Suzhou No. 4 Pharmaceutical Factory and was the factory manager of Suzhou First. Mr. Wu obtained a bachelor's degree in Chemical Engineering from Dalian University of Technology in 1992. He also obtained an EMBA from Fudan University in 2004.

NON-EXECUTIVE DIRECTOR

Dr. Qian Wei (錢唯博士), aged 60, was appointed as a non-executive Director of the Group on 1 March 2010. Dr. Qian is currently a tenured full professor of Biomedical Engineering, University of Texas, and a fellow of American Institute for Medical and Biological Engineering. He also enrolled the Chinese 1000 Plan as an innovation expert. He is Dean of the Sino-Dutch Biomedical and Information Engineering School of Northeastern University. Dr. Qian was appointed as Allen Henry Endowed Chair Distinguished Professor of Electrical Engineering in the Engineering College at Florida Institute of Technology in 2009. He had previously been an associate professor of Department of Interdisciplinary Oncology at Moffitt Cancer Center, College of Medicine, University of South Florida from 2001 to 2007. Dr. Qian has been given the Stars Award of system research by University of Texas, US in 2008, Award for Outstanding Research Achievements by American Cancer Society in 2000. Dr. Qian received Martrin Silberg Cancer Research Award for outstanding achievements for two consecutive years in 1994 and 1995. He obtained his doctorate of Biomedical Engineering at Southeast University in 1990. He was a Postdoctoral Research Associate of University of Notre Dame in 1992, of University of South Florida in 1994. Dr. Qian is the brother of Ms. Chin Yu, an executive Director and the brother-in-law of Mr. Ng Tit, the Chairman and Chief Executive Officer of the Group.

Mr. Ge Jianqiu (葛劍秋先生), aged 46, was appointed as a non-executive Director of the Group on 31 May 2016. Mr. Ge has extensive experience in the pharmaceutical industry, investment banking and capital market, and has been engaged in these sectors for over 20 years. Since June 2015, he is the director and executive vice president of Shanghai Jiao Da Onlly Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 600530). Prior to that, he was the executive partner of Shanghai HengRui Equity Investment Management Center* (上海衡銳股權投資管理中心), vice president of Shanghai Pharmaceuticals Holding Co., Ltd.* (上海醫藥集團股份有限公司), executive director and principal of the Shanghai representative office of UBS AG and senior vice president of the Shanghai representative office of BNP Paribas. Mr. Ge obtained a bachelor's degree in law from East China University of Political Science and Law in 1992 and obtained a master's degree in law from the Law School of the Columbia University in USA in 2004.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Patrick Sun (辛定華先生), aged 58, was initially appointed as an independent non-executive Director on 1 March 2010 for a term of one year and subsequently re-appointed on 7 March 2011 after expiry of his term of office. He is currently an independent non-executive director of Trinity Limited (stock code: 891), Sihuan Pharmaceutical Holdings Group Ltd. (stock code: 460), China Railway Signal & Communication Corporation Limited (stock code: 3969) and Kunlun Energy Company Limited (stock code: 135), all of which are listed in Hong Kong. He is also an independent non-executive director of CRRC Corporation Limited (HKSE stock code: 1766; SSE stock code: 601766) and China Railway Construction Corporation Limited (HKSE stock code: 1186; SSE stock code: 601186), both of which are listed on the Stock Exchanges of Hong Kong and Shanghai. He is a vice-chairman of The Chamber of Hong Kong Listed Companies and was its chairman (2013 – 2015) and Honorary Chief Executive Officer.

Mr. Sun was an independent non-executive director and non-executive chairman of Solomon Systech (International) Limited, a non-executive director of Renhe Commercial Holdings Company Limited, an executive director of Value Convergence Holdings Limited and SW Kingsway Capital Holdings Limited (all of which are listed companies in Hong Kong), and an independent non-executive director of China Railway Group Limited (listed on the Stock Exchanges of Hong Kong and Shanghai), China CNR Corporation Limited (which was delisted in May 2015 due to merger with CRRC Corporation Limited) and The Link Management Limited (the manager of The Link Real Estate Investment Trust which is also listed in Hong Kong), the Senior Country Officer and Head of Investment Banking for Hong Kong of JP Morgan Chase, group executive director and Head of Investment Banking for Greater China at Jardine Fleming Holdings Limited. He was a member of the Takeovers & Mergers Panel and the Takeovers Appeal Committee, Deputy Convenor of the Listing Committee of the Stock Exchange and a council member of the Stock Exchange.

Mr. Sun graduated from the Wharton School of the University of Pennsylvania, the United States, with a Bachelor of Science degree in Economics in 1981. Mr. Sun also completed the Stanford Executive Program of Stanford Business School, the United States, in 2000. Mr. Sun is a fellow of the Association of Chartered Certified Accountants, the United Kingdom, and a fellow of the Hong Kong Institute of Certified Public Accountants.

Mr. Yue Nien Martin Tang (唐裕年先生), aged 67, was initially appointed as an Independent non-executive Director on 1 March 2010 for a term of one year and was subsequently re-appointed as an Independent non-executive Director on 7 March 2011 after expiry of his term of office. Mr. Tang is also an independent non-executive Director of Li & Fung Limited (stock code: 494), a company listed on the HKSE, an independent non-executive Director of CEI Contract Manufacturing Limited (stock code: CEI), a company listed on the Singapore Stock Exchange, a director of HK Wuxi Trade Association Limited, a director of ER 2 Holdings Limited and an independent non-executive director of Aviva Life Insurance Company Limited*（英傑華人壽保險有限公司）. Mr. Tang has extensive recruiting expertise in the public and private sectors, including banking and commerce. Prior to joining the Board, Mr. Tang worked at Spencer Stuart & Associates, a global executive search consulting firm, for 16 years and retired as Chairman, Asia in November 2008. Currently, Mr. Tang is a trustee emeritus and Presidential Councillor of Cornell University, a member of MIT Corporation, a trustee of the Institute of International Education (IIE) in New York, a trustee of Asia Business School in Kuala Lumpur, a member of the Executive Committee of Junior Achievement Hong Kong and a trustee member of the World Wide Fund for Nature – Hong Kong. Mr. Tang was Vice Chairman and Member of the Council of Hong Kong University of Science and technology. Mr. Tang obtained his Bachelor of Science degree from Cornell University in 1970 and a master's degree of science in management from the Massachusetts Institute of Technology in 1972.

Dr. Lap-Chee Tsui (徐立之博士), aged 66, was appointed as an Independent non-executive Director on 1 April 2010 and was subsequently re-appointed on 1 April 2011. Dr. Tsui has been an independent non-executive Director of Hang Lung Group (stock code: 00010), a company listed on the HKSE, since November 2014, a director of IDS Medical Holdings Limited since December 2014, an Independent Non-executive Director of Purapharm Corporation Limited (stock code: 1498), a company listed on the HKSE, since July 2015 and President of The Academy of Sciences of Hong Kong since December 2015. He served as the fourteenth Vice-Chancellor of the University of Hong Kong from 2002 to 2014. Prior to his current appointment in 2002, Dr. Tsui was a member of the Research Institute at The Hospital for Sick Children in Toronto, Canada since 1981, rising to Geneticist-in-Chief of the Hospital in 1996 and Head of the Genetics and Genomic Biology Program in 1998; He also held academic appointments at the University of Toronto since 1983, was awarded the title of University Professor in 1994 and has held an Emeritus status since 2006. He was also the President of the Human Genome Organization from 2000 to 2002. Dr. Tsui has received numerous awards for his work, including the Royal Society of Canada Centennial Award in 1989, Gairdner International Award in 1990, Cresson Medal of Franklin Institute in 1992, XII Sanremo International Award for Genetic Research in 1993, the Distinguished Scientist Award from the Medical Research Council, Canada in 2000, Killam Prize of Canada Council in 2002 and the European Cystic Fibrosis Society Award in 2009. He was elected as Fellow of the Royal Society of Canada in 1990, Fellow of the Royal Society of London in 1991, Member of Academia Sinica in 1992, Foreign Associate of the National Academy of Sciences of the US in 2004, and, Foreign Member of the Chinese Academy of Sciences in 2009. Dr. Tsui obtained a bachelor's and master's degree in biology from The Chinese University of Hong Kong in 1972 and 1974 respectively. He also obtained a doctorate degree in biological sciences from the University of Pittsburgh in 1979.

SENIOR MANAGEMENT

Mr. Chiu Yu Kang (邱于賡先生), Chief Financial Officer and Company Secretary

Mr. Chiu, aged 39, joined the Group in April 2015 to serve as the Group's Chief Financial Officer and Company Secretary. He is responsible for the overall financial management and control, accounting, auditing, corporate financing, investor relations and listing rules compliance of the Group. Mr. Chiu has over 15 years of experience in corporate financing, investor relations, auditing, accounting and financial management. Prior to joining the Group, Mr. Chiu was vice president, chief financial officer and company secretary of a company listed on the Main Board of the HKSE. Mr. Chiu obtained a bachelor degree in Business Administration and a master degree in Economics from The University of Hong Kong in 2001 and 2002 respectively. He is a member of the Association of Chartered Certified Accountants and a fellow of the Hong Kong Institute of Certified Public Accountants.

Mr. Zhuang Yingjian (莊穎健先生), Vice President of the Group and General Manager of the Marketing and Sales Centre

Mr. Zhuang, aged 41, joined the Group in September 2015 to serve as Vice President and General Manager of the Marketing and Sales Centre. He is responsible for the sales and marketing of the Group's products, assisting the chief executive officer in developing strategic development plans for corporate business and management of the Marketing and Sales Centre and the Group's Business Development Department. Mr. Zhuang has over 18 years of experience in the pharmacy industry. Prior to joining the Group, he served as a pharmaceutical representative and a manager of a commercial region of Shanghai Johnson & Johnson Pharmaceuticals Limited, a national project director, General Manager of the Marketing and Development Department and the Business Development Department of Sinopharm Group Co. Ltd. Mr. Zhuang obtained a bachelor degree in Traditional Chinese Medicine from the Nanjing University of Chinese Medicine in 1998.

Mr. Ge Baoming (葛寶銘先生), Vice President of the Group and General Manager of R&D and Medical Affairs Centre

Mr. Ge, aged 51, joined the Group in March 2013 to serve as the vice President and General Manager of R&D and Medical Affairs Centre. He is responsible for product R&D, clinical medical support, registration and regulatory affairs, managing adverse event of pharmaceuticals and intellectual property management and management of R&D and Medical Affairs Centre. Mr. Ge has over 20 years of experience in product introduction, registration, R&D and clinical medical affairs. Prior to joining the Group, Mr. Ge served as a director of research and development and medical affairs at various well-known pharmaceutical companies, including Rottapharm, Luye Pharma Group Limited and Shanghai Green Valley Pharmaceutical Co., Ltd.. Mr. Ge obtained his bachelor degree of Clinical Medicine from Beijing Medical University in 1990. He also obtained a master degree in Clinical Medicine from The University of Western Ontario in 2003.

Mr. Zhang Jianfeng (張堅峰先生), Vice-General Manager of the Marketing and Sales Centre

Mr. Zhang, aged 44, joined the Group in September 2015 to serve as Vice General Manager of the Sales & Marketing Centre. He is responsible for refined marketing, agent management, sales training and customer services. Mr. Zhang has 20 years of experience in the pharmacy industry. Prior to joining the Group, he served as a regional sales manager in Fortin Pharmacy (Australia), Chief Representative of Shanghai Office of Grünenthal GmbH (Germany) and Vice President and Sales Director of Eddingpharm (China). Mr. Zhang obtained his bachelor degree in Clinical Medicine from Shanghai Second Medical University in 1995.

The Board is committed to maintaining a high standard of corporate governance. The Board believes that a high standard of corporate governance will provide a framework for the Company to formulate its business strategies and policies, and manage and lower the associated risks through effective internal control procedures. It will also enhance the transparency of the Company and strengthen the accountability to its shareholders and creditors.

CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") of the HKSE and certain recommended best practices. The Company has complied with all the applicable code provisions in the Code throughout the year ended 31 December 2016, save as disclosed below:

Code provision A.2.1 of the Code, which stipulates that the roles of chairman and chief executive officer should be separated. The chairman and the chief executive officer of the Company is Mr. Ng Tit. Nevertheless, the Board considers that this structure will not impair the balance of power and the authority of the Board.

The Board currently comprises three executive Directors, two non-executive Directors and three independent non-executive Directors, with independent non-executive Directors representing approximately 37.5% of the Board, which is higher than one third of the Board. Such percentage of independent non-executive Directors on the Board can ensure their views carry significant weight and reflect the independence of the Board. Mr. Ng is the main founder of the Group and he is responsible for the overall strategic planning and management of the Group. He has played an important role during the Group's expansion. Mr. Ng has extensive experience in the pharmaceutical industry, having been engaged in the pharmaceutical business for over 20 years. At present, the Board believes that it is beneficial to the management and development of the Group's businesses for Mr. Ng to be both the chairman and chief executive officer as it helps to facilitate the Board's decision-making.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. After making specific enquiry to the Directors, it is confirmed that all Directors have complied with the standards as stipulated in the Model Code throughout the year ended 31 December 2016.

INDEPENDENT NON-EXECUTIVE DIRECTORS

For the year ended 31 December 2016, the Board at all times met Rules 3.10 and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise and the number of independent non-executive Directors representing at least one third of the Board.

The Company has received annual confirmations from each of the three independent non-executive Directors in respect of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all existing independent non-executive Directors are independent parties in accordance with the independence guidelines set out in the Listing Rules and are free of any relationship that could materially interfere with the exercise of their independent judgments.

THE BOARD

The Board is responsible for achieving corporate goals, formulating development strategy, reviewing the organizational structure, monitoring business activities and performance of management and determining the policy for corporate governance of the Company so as to protect and maximize the interests of the Company and the shareholders as a whole. Matters relating to the daily operations of the Group are delegated to management. During the year under review, the Board considered and approved the annual budget and its performance under management supervision together with the business reports from management. The Board also reviewed and approved the final results for the year ended 31 December 2016 and other critical business operations. The Board also assessed the internal control and the financial matters of the Group.

Board Composition

The Board composition for the year of 2016 is as follows:

Executive Directors

Mr. Ng Tit *(Chairman and Chief Executive Officer)*
Ms. Chin Yu
Mr. Wu Weizhong

Non-executive Directors

Dr. Qian Wei
Mr. Ge Jianqiu *(Appointed on 31 May 2016)*

Independent Non-executive Directors

Mr. Patrick Sun
Mr. Yue Nien Martin Tang
Dr. Lap-Chee Tsui

As at the date of this annual report, the Board comprises eight Directors, including three executive Directors, two non-executive Directors and three independent non-executive Directors. The members of the Board possess diverse and rich industry backgrounds with appropriate professional qualifications. Please refer to the section headed – "Directors and Senior Management" for their profiles.

To the best knowledge of the Board, save as disclosed in the section headed "Directors and Senior Management", there is no financial, business, family or other material/relevant relationship among members of the Board. Board members are free to exercise their independent judgment.

Under code provision A.4.1 of the Code contained in Appendix 14 of the Listing Rules, non-executive Directors should be appointed for a specific term, subject to re-election. The non-executive Director was appointed for a term of three years, subject to re-election when appropriate by the Company in general meeting.

Board Diversity Policy

To demonstrate the Company's continued commitment to high standards of corporate governance, the Board adopted a Board Diversity Policy in August 2013 to comply with the code provision A.5.6 of the Code on board diversity. The policy is as follows:

Purpose

This policy aims to set out the approach to achieve diversity on the Board.

Vision

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance.

Policy Statement

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. All Board appointments will be based on merit, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Measurable Objectives

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Review of this Policy

The Board will review this policy on a regular basis to ensure its continued effectiveness.

For the purpose of implementation of the Board Diversity Policy, the following measurable objectives were adopted:

(A) at least one-third of the members of the Board shall be independent non-executive directors;
(B) at least one of the members of the Board shall have obtained accounting or other professional qualifications;
(C) at least 70% of the members of the Board shall have more than seven years of experience in the industry he/she is specialised in; and
(D) at least two of the members of the Board shall have China-related work experience.

For the year ended 31 December 2016, the Board has fulfilled the measurable objectives of the Board Diversity Policy.

Board Meetings

The Board conducts meetings on a regular basis and on an ad hoc basis, whenever required. The Company will convene at least four regular meetings every year. In 2016, the Company convened 5 Board meetings. The attendance records of the Board meetings held during the year ended 31 December 2016 are set out below:

Name of Directors	Meeting attendance/ number of meetings	Attendance rate (%)
Executive Directors		
Mr. Ng Tit *(Chairman and Chief Executive Officer)*	5/5	100%
Ms. Chin Yu	4/5	80%
Mr. Wu Weizhong	4/5	80%
Non-Executive Directors		
Dr. Qian Wei	3/5	60%
Mr. Ge Jianqiu *(Appointed on 31 May 2016)*	3/3	100%
Independent Non-Executive Directors		
Mr. Yue Nien Martin Tang	4/5	80%
Mr. Patrick Sun	5/5	100%
Dr. Lap-Chee Tsui	4/5	80%

Notices of regular Board meetings are given to all Directors at least 14 days before the meetings. For other Board committee meetings, reasonable notice is generally given. The agendas and accompanying Board papers were given to all Directors in a timely manner.

All Directors have full and timely access to all relevant information with the advice of the company secretary, to ensure that Board procedures and all applicable rules and regulations are followed. Upon making request to the Board, all Directors may obtain independent professional advice at the Company's expense for carrying out their functions.

The minutes of all Board committee meetings are kept by the Company at its Hong Kong office. Draft and final versions of the minutes are normally circulated to the Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection.

Training for Directors

For each newly appointed Director, he/she will be provided with an induction course so as to ensure that he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and the relevant regulatory requirements.

There are also arrangements in place for providing continuing briefing and professional development to Directors whenever necessary.

During the year ended 31 December 2016, the Company circulated materials relevant to the Director's duties and responsibilities to Directors and management of the Company for their reading and reference.

A summary of the reading record and attending external seminars/briefings of the Directors for the year ended 31 December 2016 is as follows:

	Listing Document Simplification Guide	Attending external seminars/ briefings
Executive Directors		
Mr. Ng Tit *(Chairman and Chief Executive Officer)*	✓	✓
Ms. Chin Yu	✓	✓
Mr. Wu Weizhong	✓	✓
Non-executive Directors		
Dr. Qian Wei	✓	✓
Mr. Ge Jianqiu *(Appointed on 31 May 2016)*	✓	✓
Independent Non-executive Directors		
Mr. Patrick Sun	✓	✓
Mr. Yue Nien Martin Tang	✓	✓
Dr. Lap-Chee Tsui	✓	✓

Directors' and Senior Officers' Liability Insurance and Indemnity

The Company has arranged for appropriate liability insurance to indemnify the Directors and senior officers for their liabilities arising out of corporate activities. For the year ended 31 December 2016, no claim has been made against the Directors and senior officers.

Board Committees

The Board has set up three Board committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee (collectively the "Board Committees"), for overseeing particular aspects of the Company's affairs.

The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

AUDIT COMMITTEE

The Board established the Audit Committee on 26 March 2011, with written terms of reference in compliance with the Listing Rules. It is chaired by Mr. Patrick Sun and comprises two other members, namely Mr. Yue Nien Martin Tang and Dr. Lap-Chee Tsui, all of whom are independent non-executive Directors.

The primary duties of the Audit Committee are to make recommendations to the Board on the appointment and removal of the external auditors, review the financial statements, oversee and provide advice in respect of the financial reporting system, oversee the internal control procedures and perform the corporate governance duties of the Company.

The Audit Committee is responsible for performing the following corporate governance duties:

1. to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
2. to review and monitor the training and continuous professional development of Directors and senior management;
3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
5. to review the Company's compliance with Appendix 14 to the Listing Rules (Corporate Governance Code and Corporate Governance Report).

During the year ended 31 December 2016, the Audit Committee convened three meetings:

Name of Directors	Meeting attendance/ number of meetings	Attendance rate (%)
Mr. Patrick Sun *(Chairman)*	3/3	100%
Mr. Yue Nien Martin Tang	3/3	100%
Dr. Lap-Chee Tsui	3/3	100%

During the year ended 31 December 2016 and up to the date of this report, the Audit Committee together with the management of the Company reviewed the corporate governance code, the accounting principles and practices adopted by the Group and discussed the Group's internal control, risk management and financial reporting matters, including a review of the annual results for the year ended 31 December 2016 and the interim results for the six months ended 30 June 2016, with recommendation to the Board for approval. The Audit Committee has also recommended to the Board that, subject to shareholders' approval at the forthcoming annual general meeting, Crowe Horwath (HK) CPA Limited be re-appointed as the external auditors of the Company.

REMUNERATION COMMITTEE

The Board established the Remuneration Committee on 26 March 2011, with written terms of reference in compliance with the Listing Rules. Mr. Yue Nien Martin Tang, an independent non-executive Director, is the chairman of the Remuneration Committee. Mr. Patrick Sun, an independent non-executive Director, and Mr. Ng Tit, an executive Director, are the other two members of the Remuneration Committee.

The primary functions of the Remuneration Committee are to evaluate the performance and make recommendations on the remuneration package of Directors and senior management, as well as the retirement scheme and the performance assessment system and bonus and commission policies of the Company.

The remuneration of Directors is based on their skills, knowledge and, performance of the Company, industry benchmarks, and prevailing market conditions. No Director or senior executive will be involved in any discussion in connection with his or her own remuneration. The Remuneration Committee may also consult with the chairman on its proposals relating to the remuneration of other executives and Directors and has access to professional advice if required. The main objective of the remuneration policy is to ensure that the Company is able to attract, retain, and motivate a high caliber team which is essential to the success of the Company.

During the year ended 31 December 2016, the Remuneration Committee convened two meetings:

Name of Directors	Meeting attendance/ number of meetings	Attendance rate (%)
Mr. Yue Nien Martin Tang *(Chairman)*	2/2	100%
Mr. Patrick Sun	2/2	100%
Mr. Ng Tit	2/2	100%

During the year under review, the Remuneration Committee has reviewed the remuneration policy and structure of the executive Directors and senior management of the Company, and offered advice on the same to the Board.

Pursuant to Code provision B.1.5 of the CG Code, the remuneration of members of the senior management by band for the year ended 31 December 2016 are set out below:

Remuneration band	Number of individuals
RMB0.9 million to RMB8.3 million	5

NOMINATION COMMITTEE

The Board established the Nomination Committee on 26 March 2011, with written terms of reference in compliance with the Listing Rules. It is chaired by Mr. Ng Tit, an Executive Director, and comprises two other members, namely Mr. Patrick Sun and Mr. Yue Nien Martin Tang, both of whom are independent non-executive Directors.

The primary functions of the Nomination Committee is to make recommendations to the Board regarding candidates to fill vacancies on the Board.

The duties of the Nomination Committee also include reviewing the structure, number and composition of the Board; submitting proposals to the Board on the appointment of the chief executive officer; reviewing the independence of the independent non-executive Directors and submitting proposals to the Board. The authority and duties of the nomination committee are clearly sets out in its terms of reference.

During the year ended 31 December 2016, the Nomination Committee convened two meeting:

Name of Directors	Meeting attendance/ number of meetings	Attendance rate (%)
Mr. Ng Tit *(Chairman)*	2/2	100%
Mr. Patrick Sun	2/2	100%
Mr. Yue Nien Martin Tang	2/2	100%

During the year under review, the Nomination Committee has reviewed the structure, size and diversity (including the skills, knowledge, experience, gender, cultural and educational background, ethnicity and length of services) of the Board, conducted performance evaluations to assess whether the non-executive Directors have spent enough time in fulfilling their duties, assessed the independence of independent non-executive Directors, and kept under review the leadership needs of the organization, both executive and non-executive, with a view to ensuring the continued ability of the organization to compete effectively in the marketplace.

Before appointments are made by the Board, the Nomination Committee will evaluate the balance of skills, knowledge and experience on the Board, and, in the light of this evaluation prepare a description of the role and capabilities required for a particular appointment. In identifying suitable candidates, the Nomination Committee will (where applicable and appropriate):

1. Use open advertising or the services of external advisers to facilitate the search;
2. Consider candidates from a wide range of backgrounds; and
3. Consider candidates on merit and against objective criteria, taking into account the amount of time required to be devoted to the position.

ACCOUNTABILITY

The Directors acknowledge their responsibility to present a balanced, clear and understandable set of consolidated financial statements in each of the annual and interim reports. If the Directors were aware of material uncertainties relating to events or conditions that might cast significant doubt upon the Company's ability to continue as a going concern, such uncertainties would be clearly and prominently set out and discussed in detail in this Corporate Governance Report.

INTERNAL AUDIT

The Internal Audit ("IA") of the Group is designed to help the Group protect its assets and information. The presence of IA empowers the Group to implement best business practices in challenging business environments. The Group's IA covers a number of in-house procedures and policies including, among others, the relevant financial, operational and compliance controls and risk management procedures. IA carries out systematic independent reviews of all business units and subsidiaries in the Group on an ongoing basis. The frequency of review of individual business unit or subsidiary is determined after an assessment of the risks involved. The audit committee endorses the internal audit plan annually. IA has unrestricted access to all parts of the business, and direct access to any level of management including the chairman, or the chairman of the audit committee, as it considers necessary. The audit result is discussed and agreed with the management of the Group subsequent to each review. A summary of major audit findings together with the actions to be taken by the Group's management for rectifying the control weaknesses is also submitted to the audit committee. The implementation of the remedial actions will then be followed up and the implementation progress will be reported to the audit committee each time it meets.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for maintaining an adequate system of risk management and internal control and reviewing its effectiveness. The risk management and internal control system is designed to facilitate the effectiveness and efficiency of operations, safeguard assets against unauthorized use and disposition, ensure the maintenance of proper accounting records and the truth and fairness of the financial statements, and ensure compliance with relevant legislation and regulations. It provides reasonable, but not absolute, assurance against material misstatement or loss and management rather than elimination of risks associated with its business activities. During the year 2016, the Board, through the Audit Committee, reviewed the effectiveness of the Group's risk management and internal control system covering all material controls and risk management functions. The review is conducted annually in accordance with the requirement of the Code. In accordance with the Code requirements, the Audit Committee also reviewed and was satisfied with the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget for the year ended 31 December 2016. In addition, IA conducts regular and independent reviews of the effectiveness of the Group's risk management and internal control system. The Audit Committee reviews the findings and opinion of IA on the effectiveness of the Group's risk management and internal control system and reports to the Board on such reviews. To ensure the highest standard of integrity in our businesses, the Group has adopted a "Code of Conduct" defining the ethical standards expected of all employees. Training courses on the "Code of Conduct" are held regularly for all employees.

The Board is not aware of any significant internal control weaknesses nor significant breach of limits or risk management policies.

RISK FACTORS

The Group's businesses, financial conditions, results of operations or growth prospects may be affected by risks and uncertainties directly or indirectly pertaining to the Group's businesses. The risk factors set out below are those that could result in the Group's businesses, financial conditions, results of operations or growth prospects differing materially from expected or historical results. Such factors are by no means exhaustive or comprehensive, and there may be other risks in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future. In addition, this Annual Report does not constitute a recommendation or advice to invest in the shares of the Company and investors are advised to make their own judgment or consult their own investment advisors before making any investment in the shares of the Company.

Economic Environment and Conditions

Substantially all of our operations are located in China, and substantially all of our sales are made in China. Accordingly, our business, financial condition, results of operations and prospects are affected significantly by economic, political and legal developments in China.

Adverse changes in political, economic and other policies of the Chinese government could have a material adverse effect on the overall economic growth of China, which could reduce the demand for our products; and could otherwise materially and adversely affect our business, operations or competitive position.

Product Concentration

We are largely dependent on sales of our four core products, Miacalcic, Libod, Shusi and Zhuo'ao. If we are unable to maintain the sales volumes, pricing levels and profit margins of these three core products, our revenue and profitability could be adversely affected.

Market Environment

We operate in a highly competitive environment and we may not be able to compete effectively against current and future competitors. Our inability to compete effectively could result in decrease of sales, reduction of price and loss of market share, any of which could have a material adverse effect on our results of operations and profit margins.

Provincial Tendering

In each province where we market our products, we are required to participate in a government-sponsored competitive bidding process every year or every few years. During the provincial tendering process, we and our competitors submit pricing and other product information to local pricing bureaus for selection, which is based on the bid price, clinical effectiveness and quality of each product and the reputation of the bidder. For each product category, a local pricing bureau will permit a limited number of products for sale in the relevant province or local district.

We may fail to win bids in a provincial tendering process due to various factors, including reduced demand for the relevant product, uncompetitive bidding price or local protectionism. We may also win bids at low prices that will limit our profit margins. There can be no assurance that our bids will enable us to win the tendering process and maintain our market share without compromising our profitability. In addition, we may lose in the tendering process because the relevant product is perceived to be less clinically effective than competing products or our services or other aspects of our operations are perceived to be less competitive.

New Product

Our long-term competitiveness depends on our ability to enhance our existing products and to develop and commercialize new pharmaceutical products through our research and development activities. The development process of pharmaceutical products in general, is time-consuming and costly, and there can be no assurance that our research and development activities will enable us to successfully develop new pharmaceutical products.

INDEPENDENT AUDITORS' REMUNERATION

During the year ended 31 December 2016, the remunerations paid or payable to the Group's auditors, Crowe Horwath (HK) CPA Limited, in respect of their audit and non-audit services are as follows:

	For the year ended 31 December 2016 RMB'000
Audit service	1,643
Under provision in prior year	69
Non-audit services	246

COMMUNICATION WITH SHAREHOLDERS

The Company believes that the annual general meeting is one of the principal channels of communication with its shareholders. It provides an opportunity for shareholders to ask questions about the Group's performance. Separate resolutions are proposed for each substantially separate issue at the annual general meeting. In accordance with the Listing Rules, voting by poll is mandatory at all general meetings except where the Chairman, in good faith, decides to allow a resolution which relates purely to a procedure or administrative matter to be voted on by a show of hands. The poll results are posted on the websites of "HKEx news" and the Group respectively on the same day of the general meeting.

During the year ended 31 December 2016, an annual general meeting of the Company was held on 19 May 2016 and the attendance record of the Directors is set out below:

	Meeting attendance/ number of meetings
Executive Directors	
Mr. Ng Tit	1/1
Ms. Chin Yu	1/1
Mr. Wu Weizhong (Note 1)	0/1
Non-executive Directors	
Dr. Qian Wei (Note 1)	0/1
Mr. Ge Jianqiu (Note 2)	–
Independent Non-executive Directors	
Mr. Patrick Sun	1/1
Mr. Yue Nien Martin Tang	1/1
Dr. Lap-Chee Tsui	1/1

Note:

1. Due to other business commitments, Mr. Wu Weizhong and Dr. Qian Wei, were unable to attend the annual general meeting of the Company held on 19 May 2016.

2. Mr. Ge Jianqiu was appointed on 31 May 2016 and therefore had not attended the annual general meeting.

FAIR DISCLOSURE

The Company uses its best endeavors to distribute material information about the Group to all interested parties as widely as possible. Information about the Group can be found on the Company's website including descriptions of each business and the interim and annual reports of the Company.

FINANCIAL REPORTING

The Directors of the Company acknowledge their responsibility for preparing the financial statements which give a true and fair view of the Group's affairs and of its results and cash flows for the year 2016 in accordance with Hong Kong Financial Reporting Standards, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules. The Directors of the Company endeavor to ensure a balanced, clear and understandable assessment of the Group's performance, position and prospects in financial reporting. Accordingly, appropriate accounting policies are selected and applied consistently; judgments and estimates made are prudent and reasonable. The adoption of new or amended accounting standards that became effective during the year has not had a significant impact on the Group's results of operations and financial position except for those disclosed in note 2(c) to the financial statements on page 82 of this report. The responsibilities of the external auditors with respect to the audit of financial statements are set out in the Independent Auditor's Report on pages 67 to 72 of this report.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they 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.

COMPANY SECRETARY

The Company appointed Mr. Chiu Yu Kang, our Chief Financial Officer, as the company secretary.

In compliance with Rule 3.29 of the Listing Rules, Mr. Chiu, has undertaken no less than 15 hours of relevant professional training during the year ended 31 December 2016.

CONSTITUTIONAL DOCUMENTS

There was no change to the Company's memorandum and articles of association during the year.

SHAREHOLDERS' RIGHTS

Convening Extraordinary General Meeting and Putting Forward Proposals at Shareholders' Meetings

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law (2012 Revision). However, shareholders are requested to follow article 58 of the amended and restated articles of association of the Company. Pursuant to article 58 of the amended and restated articles of association of the Company, general meetings shall be convened on the written requisition of any one or more members of the Company to the Directors or secretary of the Company deposited at the principal place of business of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. Such meeting shall be held within two months after the deposit of such requisition. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting, the requisitionist(s) themselves may convene the general meeting in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

If a member, who is entitled to attend and vote at the relevant general meeting, wishes to nominate a person (not being the nominating member) to stand for election as a Director, he or she should lodge at the principal place of business of the Company in Hong Kong or at the registered office of the Company notice in writing of the intention to propose a person for election as a Director and notice in writing by that person of his or her willingness to be so elected and including such person's biographical details and written consent to the publication of his/her personal data. The minimum length of the period, during which such notice(s) are given, shall be at least seven days and that (if the notice(s) are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior the date of such general meeting.

Enquiries to the Board

Enquiries may be put to the Board through the Company's principal place of business in Hong Kong at Unit 2305-06, 23/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong (Email: ir@ntpharma.com).

The Directors have pleasure in presenting the annual report of the Company together with the audited consolidated financial statements of the Group for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The Group is mainly engaged in investment, research and development, manufacturing and sales of pharmaceutical products, as well as the provision of pharmaceutical marketing and promotion services in China and more than 20 foreign countries.

FINANCIAL RESULTS

The profit of the Group for the year ended 31 December 2016 and the financial position of the Company and its subsidiaries as at that date are set out in the financial statements on pages 73 to 163 of this report.

BUSINESS REVIEW

The review of the business of the Group, including a description of principal risks and uncertainties and an indication of likely future development in the Group's businesses, for the year ended 31 December 2016 as required by Schedule 5 to the Hong Kong Companies Ordinance is contained in the Business Review (pages 13 to 17), Operating Results (pages 18 to 22), Prospect and Outlook of the Group (page 16) sections under Management Discussion and Analysis, Risk Factors section (pages 53 to 54) under Corporate Governance Report as well as note 31 to the consolidated financial statements. These discussions form part of this report.

FINANCIAL SUMMARY

A summary of the Group's results, assets and liabilities for the last five financial years is set out on page 5 of this report. This summary does not form part of the audited consolidated financial statements.

DIVIDENDS

The directors recommend the payment of a final dividend of HK2.5 cents per share, representing a total dividend distribution of approximately HK$39.0 million (2015: HK$15.6 million). The final dividend will be payable on 3 July 2017. The proposed dividend has not reflected as dividends payable in the financial statements for the year ended 31 December 2016, but will be reflected as appropriations of retained profits for the year ending 31 December 2017.

TRANSFER TO RESERVES

Profit attributable to equity shareholders of RMB116.2 million (2015: profit attributable to equity shareholders of RMB87.7 million) has been transferred to reserves, and other movements in reserves during the year are set out in the consolidated statement of changes in equity.

FIXED ASSETS

Details of the movements of fixed assets during the year are set out in note 13 to the financial statements.

BORROWINGS AND PLEDGED ASSETS

Particulars of the Group's borrowings and pledged assets are set out in notes 24 and 21 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 30(c) to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2016, the aggregate amount of revenue and purchases attributable to the Group's five largest customers and suppliers represented 66.5% and 94.7% of the Group's total revenue and purchases respectively.

During the year under review, the largest customer accounted for approximately 39.8% of the total revenue and the largest supplier accounted for approximately 67.4% of the total purchases of the Group.

As far as the Company is aware, neither the Directors, their associates, nor those substantial shareholders who are interested in more than 5% of the shares or underlying shares of the Company had any interest in the five largest customers and suppliers of the Group.

The Group maintains a good relationship with its customers. A customer complaint handling mechanism is in place to receive, analyse and study complaints and make recommendations on remedies with the aim of improving service quality.

The Group is in good relationship with its suppliers and conducts a fair and strict appraisal of its suppliers on an annual basis.

DIRECTORS

The Directors who held office during the year ended 31 December 2016 and up to the date of this report are:

Executive Directors

Mr. NG Tit *(Chairman and Chief Executive Officer)*
Ms. CHIN Yu
Mr. WU Weizhong

Non-executive Directors

Dr. QIAN Wei
Mr. GE Jianqiu *(Appointed on 31 May 2016)*

Independent Non-executive Directors

Mr. Patrick SUN
Mr. Yue Nien Martin TANG
Dr. Lap-Chee TSUI

Mr. Ng Tit, Ms. Chin Yu, Dr. Qian Wei and Mr. Ge Jianqiu will retire from office as Directors by rotation at the forthcoming annual general meeting. All of them, being eligible have offered themselves for re-election pursuant to the articles of association of the Company.

Biographical details of the Directors of the Company are set out on pages 42 to 45 of this report. The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to the Independence Guidelines under the Listing Rules and the Company still considers such Directors to be independent.

PRE-IPO SHARE OPTION SCHEME

The Company adopted a share option scheme ("Pre-IPO Share Option Scheme") on 7 April 2011. Under the Pre-IPO Share Option Scheme, the Company granted 50,027,881 options before the listing of the Company. Each option gives the holder the right to subscribe for one ordinary share in the Company. Up to 31 December 2016, no further option has been granted pursuant to the Pre-IPO Share Option Scheme. A summary of the principal terms and conditions of the Pre-IPO Share Option Scheme is set out in the section headed "Pre-IPO Share Option Scheme" in Appendix VIII of the Prospectus of the Company. No options were lapsed during the year ended 31 December 2016.

As at 31 December 2016, options to subscribe for an aggregate of 3,815,740 shares of the Company were outstanding and these options relate to the options granted to the following grantees.

Employees of the Company Working under Continuous Contracts other than the Directors

				Number of share options				
	Date of grant	Option period	Exercise price	Balance as at 1/1/2016	Exercised during the year	Lapsed/ cancelled during the year	Balance as at 31/12/2016	Approximate percentage to the issued share capital
Employees	18/9/2009	18/9/2009–18/9/2019	US$0.20	1,999,074	–	–	1,999,074 (Note 1)	0.13%
	28/1/2010	28/1/2010–28/1/2020	US$0.20	1,576,666	–	–	1,516,666 (Note 2)	0.10%
	1/9/2010	1/9/2010–1/9/2020	US$0.20	300,000	–	–	300,000 (Note 3)	0.02%

Notes:

1. The options are vested in three tranches in the proportion of 1/3, 1/3 and 1/3 on 18/9/2010, 18/9/2011 and 18/9/2012, respectively.

2. The options are vested in three tranches in the proportion of 1/3, 1/3 and 1/3 on 28/1/2011, 28/1/2012 and 28/1/2013, respectively.

3. The options are vested in three tranches in the proportion of 1/3, 1/3 and 1/3 on 1/9/2011, 1/9/2012 and 1/9/2013, respectively.

NEW SHARE OPTION SCHEME

The Company adopted a new share option scheme (the "New Share Option Scheme") on 22 September 2014. Under the New Share Option Scheme, the Company granted 6,300,000 options to certain senior management staff of the Company on 10 November 2014, and granted 41,500,000 options to certain individuals on 15 January 2015, respectively. Each option gives the holder the right to subscribe for one ordinary share in the Company. Movements of share options are set out in note 28(a), (b) and (c) to the financial statements.

A summary of the principal terms of the New Share Option Scheme is set out in Appendix I of the circular of the Company dated 4 September 2014. No options were lapsed as at 31 December 2016 and 250,000 options were exercised.

As at 31 December 2016, options to subscribe for an aggregate of 44,050,000 shares of the Company were outstanding.

SHARE AWARD SCHEME

With effect from 6 March 2014, the share award scheme (the "Share Award Scheme") of the Company, which was adopted on 11 January 2012, was terminated. No share had been granted nor held by the trustee under the Share Award Scheme since its adoption.

The Company adopted the new share award scheme (the "New Share Award Scheme") on 4 September 2015. The purposes of the New Share Award Scheme are to recognise the contribution made by certain employees of the Group and to provide eligible employees with incentives in order to retain them for the continual operation and development of the Group and attract suitable personnel for the growth and further development of the Group.

As at 31 December 2016, the trustee of the Share Award Scheme held a total of 9,981,000 (2015: 7,051,500) shares and no shares was granted under the Share Award Scheme.

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in place during the year ended 31 December 2016.

DIRECTOR'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this report, during the year under review, neither the Company nor any of its subsidiaries were party to any arrangement which would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate. Save as disclosed in this report, none of the Directors or any of their spouses or children under the age of 18 was granted any right to subscribe for the shares or debentures of the Company or any other corporate body or had exercised any such right.

DIRECTORS' SERVICE CONTRACTS

The executive Directors, Mr. Ng Tit and Ms. Chin Yu, has each entered into a service agreement with the Company for an initial term of three years commencing from 26 March 2011 and 1 February 2015, respectively, which shall continue unless terminated by either the Company or the Director giving at least three months' written notice to the other party. Mr. Ge Jianqiu has entered into an appointment letter with the Company for a term of three years commencing from 31 May 2016, subject to termination in certain circumstances as stipulated in the appointment letter and retirement by rotation and re-election at the annual general meeting in accordance with the memorandum and articles of association of the Company. Each of the non-executive Directors and the independent non-executive Directors has entered into a service agreement with the Company for a term of three years commencing from 26 March 2014.

None of the Directors being proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND SENIOR OFFICERS' LIABILITY INSURANCE AND INDEMNITY/PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate liability insurance to indemnify the Directors and senior officers for their liabilities arising out of corporate activities. For the year ended 31 December 2016, no claim has been made against the Directors and senior officers.

REMUNERATION POLICY

The Group's remuneration policy is to compensate its employees based on their performance, qualifications and the Group's operational results.

The emoluments of the Directors and senior management are determined by the Remuneration Committee with reference to the Group's operational results, their individual performance and prevailing market conditions.

The Company was not aware of any arrangement under which a Director has waived or agreed to waive any emoluments. Details of the emoluments of the Directors are set out in note 9 to the financial statements.

COMPLIANCE OF THE NON-COMPETITION UNDERTAKING

As disclosed in the Prospectus, Mr. Ng Tit, Ms. Chin Yu and Golden Base Investment Limited ("Golden Base") (together, the "Controlling Shareholders") have entered into a non-competition undertaking agreement dated 4 April 2011 in favor of the Company (the "Non-competition Undertaking"), pursuant to which each of them has undertaken to the Company that he/she/it will not, and will procure that his/her/its associates (except any members of the Group) will not, during the restricted period, directly or indirectly, either on his/her/its own account or in conjunction with or on behalf of any person, firm or company, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, partner, agent or otherwise) any business in PRC or elsewhere in the world which is or may be in competition with our business, and any other business which any member of the Group may undertake from time to time after the listing of the Company's shares.

Each of the Controlling Shareholders had confirmed his/her/its compliance with the Non-Competition Undertaking for the year.

The independent non-executive Directors have reviewed the Controlling Shareholders' compliance with the Non-Competition Undertaking. The independent non-executive Directors confirmed, to the best of their knowledge, that the Controlling Shareholders did not breach the terms of the Non-Competition Undertaking.

COMPETING BUSINESS

Save and except for interests in the Group, none of the Directors and controlling shareholders of the Company and their respective associates (as defined under the Listing Rules) had any interest in any business as at 31 December 2016 which, directly or indirectly, competes or is likely to compete with the Group's business.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 31 December 2016, the interests and short positions of the Directors and Chief Executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the HKSE under the Model Code contained in Appendix 10 to the Listing Rules, were as follows:

Long Positions in the Ordinary Shares of the Company

Name of Director	Number of shares of the Company				Approximate percentage of interest in the Company
	Personal interests	Family interests	Corporate interests	Other interests	
Ng Tit	500,000 (Note 1)	4,000,000 (Note 1)	590,941,500 (Note 2)	–	38.21%
Chin Yu	4,500,000 (Note 1)	–	590,941,500 (Note 2)	–	38.21%
Wu Weizhong	2,800,046	–	–	–	0.18%

Notes:

(1) Mr. Ng Tit and his spouse, Ms. Chin Yu jointly own 500,000 shares of the Company. Ms. Chin Yu is also interested in 4,000,000 share options of the Company.

(2) An aggregate of 590,941,500 shares is beneficially owned by Golden Base Investment Limited ("Golden Base"). Mr. Ng Tit and Ms. Chin Yu are the controlling shareholders of Golden Base.

Long Positions in the Underlying Shares of the Company

Save as disclosed above, as at 31 December 2016, none of the Directors nor the Chief Executives of the Company or their associates (including their spouses and children under 18 years of age) had any interest or short positions in the shares, underlying shares or debentures of the Company or its associated corporations, recorded in the register required to be kept under Section 352 of the SFO or required to be notified to the Company and the HKSE under the Model Code contained in Appendix 10 to the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares of the Company

As at 31 December 2016, the interests and short positions of the substantial shareholders of the Company (other than the Directors and Chief Executives of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO were as follows:

Name	Number of shares (long positions) Beneficial owner	Interests of controlled corporation	Approximate percentage of interest in the Company
Golden Base	590,941,500	–	37.92%
Shanghai Jiao Da Onlly Co., Ltd.	175,829,000	182,090,000 (Note 1)	22.97%

Note:

(1) 182,090,000 Shares is beneficially owned by Onlly International Investment (HK) Limited, which is in turn wholly-owned by Shanghai Jiao Da Onlly Co., Ltd..

Save as disclosed above, as at 31 December 2016, the Company had not been notified by any other parties (other than the Directors and Chief Executives of the Company) who had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

No transactions, arrangement or contract of significance in relation to the Group's business (as defined in the Listing Rules) to which the Company, its subsidiaries, its holding companies or any of its fellow subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2016.

CONTRACT OF SIGNIFICANCE

Save as disclosed, there was no contract that is significant in relation to the Company's business between the Company or any of its subsidiaries, and a controlling shareholder of the Company or any of its subsidiaries.

CHANGES IN THE BOARD AND THE DIRECTORS' INFORMATION

There was no change in the Board and the information of Directors since the date of the Company's 2016 interim report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2016.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association which would oblige the Company to offer new shares on a pro-rata basis to the existing shareholders.

CONTINUING CONNECTED TRANSACTIONS

The related party transactions as disclosed in note 35 to the consolidated financial statements also constituted continuing connected transactions under the Listing Rules but are exempted from the reporting, annual review, announcement and independent shareholders' approval requirements pursuant to the Listing Rules. The Company has complied with the disclosure requirements of the Listing Rules in respect of such continuing connected transactions.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is available to the Company and to the best knowledge of the Board, the Company has maintained sufficient public float as required under the Listing Rules as at the date of this report.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to ensuring high standards of corporate governance and has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules and certain recommended best practices. The Company has complied with all the applicable code provisions in the CG Code throughout the year ended 31 December 2016 except for the deviation from code provision A.2.1 of the CG Code, which stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Mr. Ng Tit assumes both the roles of Chairman and Chief Executive Officer of the Company. Nevertheless, the division of responsibilities between the two roles are clearly defined. On the whole, the role of Chairman is that of monitoring the duties and performance of the Board, whereas the role of Chief Executive Officer is that of managing the Company's business. The Board believes that at the current stage of development of the Company, vesting the roles of both Chairman and Chief Executive Officer in the same person provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies.

The Board currently comprises three Executive Directors, two non-executive Directors and three independent non-executive Directors, with the independent non-executive Directors representing approximately 37.5% of the Board, which is higher than one third of the Board. Such percentage of independent non-executive Directors on the Board can ensure their views carry significant weight and reflect the independence of the Board.

NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

After the end of the reporting period, the Directors recommended a dividend as further disclosed in note 30(b) to the consolidated financial statements.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code contained in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. On specific enquiries made, all Directors have confirmed that they have complied with the standards as stipulated in the Model Code throughout the year ended 31 December 2016.

CONFIRMATION OF INDEPENDENCE FROM INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual written confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors. The Company considers each of the independent non-executive Directors to be independent.

AUDITORS

The consolidated financial statements for the three years ended 31 December 2014, 2015 and 2016 were audited by Crowe Horwath (HK) CPA Limited, who will retire and being eligible, offered themselves for re-appointment. A resolution for the reappointment of Crowe Horwath (HK) CPA Limited as auditors of the Company will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

Ng Tit
Chairman

Hong Kong, 21 March 2017

BOARD OF DIRECTORS

Executive Directors	Mr. NG Tit *(Chairman and Chief Executive Officer)* Ms. CHIN Yu Mr. WU Weizhong
Non-executive Director	Dr. QIAN Wei Mr. GE Jianqiu
Independent Non-executive Directors	Mr. Patrick SUN Mr. Yue Nien Martin TANG Dr. Lap-Chee TSUI

BOARD COMMITTEES

Audit Committee	Mr. Patrick SUN *(Chairman)* Mr. Yue Nien Martin TANG Dr. Lap-Chee TSUI
Remuneration Committee	Mr. Yue Nien Martin TANG *(Chairman)* Mr. Patrick SUN Mr. NG Tit
Nomination Committee	Mr. NG Tit *(Chairman)* Mr. Patrick SUN Mr. Yue Nien Martin TANG

CORPORATE INFORMATION

COMPANY SECRETARY
Mr. Chiu Yu Kang

AUDITORS
Crowe Horwath (HK) CPA Limited
Certified Public Accountants

LEGAL ADVISORS AS TO HONG KONG LAW
Li & Partners

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Unit 2305-06, 23/F
China Resources Buildings
26 Harbour Road, Wanchai
Hong Kong

PRINCIPAL PLACE OF BUSINESS AND HEADQUARTERS IN CHINA
11/F, Building 2, Bund Finance Centre
600 Zhongshan Dong Er Road, Huangpu District,
Shanghai, PRC

REGISTERED OFFICE
Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East, Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

PRINCIPAL BANKERS
Bank of China (Hong Kong) Limited
China Construction Bank (Asia) Corporation Limited
China Merchants Bank Co., Limited
Shanghai Pudong Development Bank Co., Limited

INVESTOR RELATIONS
Tel: (852) 2808 1606
Fax: (852) 2508 9459
Email: ir@ntpharma.com

COMPANY'S WEBSITE
http://www.ntpharma.com

STOCK CODE
1011

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
CHINA NT PHARMA GROUP COMPANY LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China NT Pharma Group Company Limited ("the Company") and its subsidiaries ("the Group") set out on pages 73 to 163, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") 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.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN BASIS

We draw attention to note 1 to the consolidated financial statements, which indicates that the Group had net current liabilities of approximately RMB382,985,000 as of 31 December 2016. This condition, along with other matters as set forth in note 1, indicates that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Based on a cash flow forecast prepared by management of the Group covering a period of not less than 12 months from the date of approval for the consolidated financial statements, management of the Group is of the view that the Group will have sufficient working capital to meet its financial obligations as and when they fall due and accordingly, the consolidated financial statements have been prepared on a going concern basis. Our opinion is not modified in respect of this matter.

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. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

KEY AUDIT MATTERS (CONTINUED)

The key audit matter	How the matter was addressed in our audit
(a) Recoverability of intangible assets (refer to Notes 2(j) and (l)(ii), 3(a) and (d), 15(a) and 15(f) to consolidated financial statements) At 31 December 2016, the Group has a significant amount of intangible assets of approximately RMB1,156.7 million (2015: approximately RMB133.4 million), representing approximately 45% of the Group's total assets, including approximately RMB1,030 million arising from the current year's acquisition of exclusive intellectual property rights, marketing and distribution rights associated with the trademarks and brand names for the commercialisation of Miacalcic branded injectable drug products which are used for treatment of bone pains caused by osteolysis and lower bone mass, osteoporosis, Paget's disease, hypercalcemia and reflex sympathetic dystrophy syndrome ("Miacalcic Injection"), for an indefinite period of time of use in the People's Republic of China and other designated countries as further detailed in Note 15(a) to the consolidated financial statements. Management of the Group considered that Miacalcic Injection, as a well-known international orthopedic brand for a long time, has an indefinite useful life after taking into of the strength and durability of the brand in treating bone pains, and is not amortised but is tested annually for impairment. There is a risk for the recoverability of the Group's intangible assets that the performance of the respective cash generating units ("CGUs"), to which the relevant intangible assets are allocated, may result in impairment to the carrying value of those assets. This could be due to weaker than forecast demand, product obsolescence, changes in governmental regulations or other factors. The assessment of recoverable amounts of the CGUs, to which these acquired intangible assets are allocated, is determined on the basis of value-in-use calculations conducted by independent professional valuers with experiences in valuing similar assets. Due to the inherent uncertainty and complexity, significant judgements and estimates involved in forecasting future cash flows, based on the assumptions which reflect management's view of future business prospects in the estimated economic useful lives, and in determining appropriate discount rates, which are the basis of the assessment of recoverability, this is the key judgemental area that our audit is concentrated on. The Group's policy on impairment of intangible assets and the uncertainties on the accounting estimates and judgements are disclosed in Note 2(l)(ii), Note 3(a) and 3(d) to the consolidated financial statements, respectively.	Our audit procedures in this area included: – Assessing the external valuers' independence, competence, capabilities and objectivity. – Performing certain procedures to identify indicators for impairment of intangible assets. These included reviewing the future business plans and forecast performance, reviewing management meeting minutes, reviewing governmental policies and approvals for the relevant pharmaceutical products in relevant countries in particular in Mainland China where the intangible assets are principally allocated to the identified CGUs, and enquiring management as to whether they are aware of any indicators of impairment; – Checking that valuation methodology used and allocation of cash flows between cash generating units is consistent year on year; – Agreeing the cash flows projections in the valuation models to detailed forecasts prepared by management and assessing the appropriateness of the key assumptions, primarily estimated future economic useful lives, revenue and cost growth rates used including whether they are reasonable in light of historic growth rates, long-term growth rates in the models not exceeding industry published data determined by reference to published growth rates of comparable companies and/or published information; – Challenging, with the assistance from our internal valuation specialists, the key assumptions used in the valuation models including discount rates, growth rates and cashflow projections; and – Evaluating management's sensitivity analysis and performing our own sensitivity analysis on the key assumptions used. We also assessed the Group's disclosures in respect of management's impairment review on the intangible assets and the sensitivity of the outcome of the impairment review to changes in the key assumptions that reflected the risks inherent in the valuation.

KEY AUDIT MATTERS (CONTINUED)

The key audit matter	How the matter was addressed in our audit
(b) Recoverability of trade receivables (refer to Notes 2(l)(i), 3(h), 20 and 31(a) to the consolidated financial statements) At 31 December 2016, trade and bills receivables were approximately RMB461 million (net of provision for impairment) without collateral as security for settlement. The Group had credit concentration risk as 47% (2015: 40%) and 87% (2015: 57%) of the total trade and bills receivables due from the Group's largest customer and top five largest customers, respectively. Determining impairment provisions against the trade and bills receivables is a judgemental area which involves significant judgemental estimates by management of the probability of default by the customers whose abilities to settle their trade debts may deteriorate after the year end.	We assessed the adequacy of provision for impairment and reasonableness of the assumptions used by management in making provision for impairment against trade and bills receivables. This included testing the accuracy of the ageing analysis of the trade receivables, on a sample basis, to the relevant documents and assessment of: – the Group's debt recovery actions taken to collect the overdue debts; – past settlement history of the customers and cash received after year end and up to the audit opinion date, on a sample basis, of customer debts; – ageing analysis for trade and bills receivables by customers and update on the creditworthiness of the customers; and – any disputes with customers by comparing, on a sample basis, the discrepancies to the debtor confirmations directly obtained from the customers and review of correspondences with the customers. We also assessed the disclosure on the provision for trade and bill receivables in the consolidated financial statements.
(c) Inventory provisioning (refer to Notes 3(g) and 19 to the consolidated financial statements) The inventories held at 31 December 2016 of approximately RMB167 million cover a wide range of pharmaceutical products for which the demand and ability of the Group to sell these inventories in the future may be adversely affected by many factors, such as changes in customers and consumer preferences, competitor activities including pricing and the introduction of new products, and the coming expiry dates of the inventories. The risk is that the Group is required to destroy all the unsold pharmaceutical products after the expiry dates and there may not be adequate provisions for write-down against obsolete and slowing moving inventories in the event they may not be sold and may expire after the year end. The Group's inventory provisioning process requires significant judgemental estimates made by management.	We have: – performed review of the ageing analysis of the inventory reports to identify expired or due to expire inventory items and slow-moving items of the inventories; – assessed the demand for the Group's inventories by reference to the sales patterns and trends of the Group's pharmaceutical products before and after the year end, reviewed the signed sales contracts and confirmed sales orders from the customers; and – reviewed the calculation of net realizable value of inventories, on a sample basis, with reference to the selling prices achieved on sales near and after the year end, and checked that the inventories are stated at the lower of their costs and net realizable value. We also assessed the Group's disclosures in respect of inventory and provision for write-down in the consolidated financial statements.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all 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 were required to report the fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors 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 Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

AUDITOR'S RESPONSIBILITY 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. This 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.

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

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

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

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

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

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

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

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.

Crowe Horwath (HK) CPA Limited
Certified Public Accountants
Hong Kong, 21 March 2017

Leung Chun Wa
Practising Certificate Number P04963

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2016
(Expressed in Renminbi)

	Note	2016 RMB'000	2015 RMB'000
Revenue	4	915,119	847,726
Cost of sales		(421,490)	(396,219)
Gross profit		493,629	451,507
Other income	5	10,061	32,209
Other net loss	6	(13,018)	(232)
Impairment of trade receivables	7(c)	(20,222)	(29,072)
Reversal of impairment of trade receivables	7(c)	27,273	8,403
Impairment of other receivables	7(c)	(541)	(20,828)
Reversal of impairment of other receivables	7(c)	–	15,714
Loss on redemption of unsecured debenture	7(c)	–	(1,868)
Selling and distribution expenses		(201,447)	(228,899)
Administrative expenses		(110,069)	(90,977)
Profit from operations		185,666	135,957
Finance costs	7(a)	(29,032)	(27,252)
Share of loss of an associate	18	(31)	(8,000)
Profit before taxation	7	156,603	100,705
Income tax expense	8(a)	(40,843)	(13,011)
Profit for the year		115,760	87,694
Attributable to:			
Equity holders of the Company		116,181	87,694
Non-controlling interests		(421)	–
Profit for the year		115,760	87,694
Earnings per share	11		
Basic		7.46 cents	6.19 cents
Diluted		7.42 cents	6.14 cents

The notes on pages 80 to 163 form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016
(Expressed in Renminbi)

	2016 RMB'000	2015 RMB'000
Profit for the year	115,760	87,694
Other comprehensive income for the year		
Item that will not be reclassified to profit or loss:		
Revaluation surplus on transfer of owner-occupied property to investment property	18,032	–
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of entities within the Group outside the People's Republic of China (the "PRC")	18,365	2,665
Total comprehensive income for the year	152,157	90,359
Attributable to:		
Equity holders of the Company	152,578	90,359
Non-controlling interests	(421)	–
Total comprehensive income for the year	152,157	90,359

The notes on pages 80 to 163 form part of these financial statements.

At 31 December 2016
(Expressed in Renminbi)

	Note	2016 RMB'000	2015 RMB'000
Non-current assets			
Fixed assets			
– Property, plant and equipment	13	266,625	300,501
– Interests in leasehold land held for own use under operating leases	13	42,975	43,964
– Investment property	14	42,131	–
		351,731	344,465
Intangible assets	15	1,156,700	133,425
Goodwill	16	–	–
Interest in an associate, net	18	11,969	–
Deferred tax assets	27(b)	57,745	87,745
		1,578,145	565,635
Current assets			
Inventories	19	167,062	174,834
Trade and other receivables	20	594,908	306,460
Pledged bank deposits	21	133,000	23,389
Cash at banks and in hand	22	89,624	327,995
		984,594	832,678
Current liabilities			
Trade and other payables	23	449,027	215,696
Bank and other borrowings	24	892,449	141,170
Unsecured debenture	26	–	120,000
Current taxation	27(a)	26,103	18,724
		1,367,579	495,590
Net current (liabilities)/assets		(382,985)	337,088
Total assets		2,562,739	1,398,313

	Note	2016 RMB'000	2015 RMB'000
Total assets less current liabilities		1,195,160	902,723
Non-current liabilities			
Considerations payable	25	156,138	–
Deferred tax liabilities	27(b)	–	–
		156,138	–
NET ASSETS		1,039,022	902,723
CAPITAL AND RESERVES	30		
Share capital		1	1
Reserves		1,027,082	890,362
Total equity attributable to equity holders of the Company		1,027,083	890,363
Non-controlling interests	17(iv)	11,939	12,360
TOTAL EQUITY		1,039,022	902,723

Approved and authorised for issue by the board of directors on 21 March 2017 and signed on its behalf by:

Ng Tit
Chairman and Chief Executive Officer

Chin Yu
Director

The notes on pages 80 to 163 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016
(Expressed in Renminbi)

	Attributable to equity holders of the Company											
	Share capital RMB'000 (Note 30(c))	Share premium RMB'000 (Note 30(d)(i)	Exchange reserve RMB'000 (Note 30(d)(ii)	Statutory reserve RMB'000 (Note 30(d)(iii))	Merger reserve RMB'000 (Note 30(d)(iv))	Other reserve RMB'000 (Note 30(d)(v))	Capital reserve RMB'000 (Note 30(d)(vi))	Property revaluation reserve RMB'000 (Note 30(d)(vii))	Accumulated losses RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
Balance at 1 January 2015	1	933,872	40,934	88,206	8,256	338,509	9,635	–	(1,206,434)	212,979	–	212,979
Changes in equity for 2015:	–											
Profit for the year	–	–	–	–	–	–	–	–	87,694	87,694	–	87,694
Other comprehensive income												
Exchange differences on translation of financial statements of entities within the Group outside the PRC	–	–	2,665	–	–	–	–	–	–	2,665	–	2,665
Total comprehensive income	–	–	2,665	–	–	–	–	–	87,694	90,359	–	90,359
Issue of shares, net of issuing expenses (note 30(c)(iii), (iv))	–	553,248	–	–	–	–	–	–	–	553,248	–	553,248
Equity-settled share-based transactions	–	–	–	–	–	–	7,441	–	–	7,441	–	7,441
Capital contribution from non-controlling interests	–	–	–	–	–	–	37,640	–	–	37,640	12,360	50,000
Shares purchase under share award scheme (note 28(d))	–	–	–	–	–	–	(11,304)	–	–	(11,304)	–	(11,304)
Forfeiture of vested share options	–	–	–	–	–	–	(5,148)		5,148	–	–	–
Balance at 31 December 2015 and 1 January 2016	1	1,487,120	43,599	88,206	8,256	338,509	38,264	–	(1,113,592)	890,363	12,360	902,723
Changes in equity for 2016:												
Profit/(loss) for the year	–	–	–	–	–	–	–	–	116,181	116,181	(421)	115,760
Other comprehensive income												
Revaluation surplus on transfer of owner-occupied property to investment property	–	–	–	–	–	–	–	18,032	–	18,032	–	18,032
Exchange differences on translation of financial statements of entities within the Group outside the PRC	–	–	18,365	–	–	–	–	–	–	18,365	–	18,365
Total comprehensive income	–	–	18,365	–	–	–	–	18,032	116,181	152,578	(421)	152,157
Dividend paid	–							–	(13,249)	(13,249)	–	(13,249)
Equity-settled share-based transactions	–	–	–	–	–	–	2,625	–	–	2,625	–	2,625
Issue of new shares upon exercise of share options	–	441					(171)	–	–	270	–	270
Shares purchase under share award scheme (note 28(d))	–	–	–	–	–	–	(5,504)	–	–	(5,504)	–	(5,504)
Balance at 31 December 2016	1	1,487,561	61,964	88,206	8,256	338,509	35,214	18,032	(1,010,660)	1,027,083	11,939	1,039,022

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016
(Expressed in Renminbi)

	Note	2016 RMB'000	2015 RMB'000
Operating activities			
Profit before taxation		156,603	100,705
Adjustments for:			
Depreciation	7(c)	17,204	13,555
Amortisation of lease prepayments	7(c)	477	323
Amortisation of intangible assets	7(c)	5,325	2,050
Write-down of inventories	19(b)	2,032	432
Impairment of trade receivables	20(b)	20,222	29,072
Reversal of impairment of trade receivables	20(b)	(27,273)	(8,403)
Impairment of other receivables	20(d)	541	20,828
Reversal of impairment of other receivables	20(d)	–	(15,714)
Finance costs	7(a)	29,032	27,252
Interest income	5	(4,061)	(5,683)
Interest income on held-to-maturity investment	5	–	(14)
Net loss on disposal of property, plant and equipment	6	1,404	232
Equity-settled share-based payment expenses	7(b)	2,625	7,441
Loss on redemption of unsecured debenture	26(b)	–	1,868
Decrease in government grant received		–	(22,216)
Share of loss of an associate	18	31	8,000
Loss on disposal of intangible assets	6	7,493	–
Loss on disposal of a subsidiary	6	3,504	–
Changes in working capital:			
Decrease/(increase) in inventories		5,740	(91,026)
(Increase)/decrease in trade and other receivables		(280,591)	71,893
Increase/(decrease) in trade and other payables (including bills payable)		80,460	(391,013)
Decrease in pledged bank deposits for issuing trade bills payable		3,389	154,563
Cash generated from/(used in) operations		24,157	(95,855)
PRC Income Tax paid		(3,464)	(1,543)
Net cash generated from/(used in) operating activities		20,693	(97,398)

The notes on pages 80 to 163 form part of these financial statements.

	Note	2016 RMB'000	2015 RMB'000
Investing activities			
Net cash outflow from acquisition of a subsidiary	33	–	(73,252)
Payment for consideration of acquisition of a subsidiary in prior year		(9,513)	–
Payment for purchase of property, plant and equipment		(11,953)	(37,996)
Payment for purchase of intangible assets		(712,250)	(3,992)
Proceeds from disposal of property, plant and equipment		–	1,374
Interest received		4,061	5,697
Proceeds from redemption of short term investment		–	3,000
(Increase)/decrease in pledged bank deposits		(113,000)	33,000
Capital contribution to an associate	18	(12,000)	(8,000)
Net cash inflow on disposal of a subsidiary	34	435	–
Net cash used in investing activities		(854,220)	(80,169)
Financing activities			
Proceeds from new bank borrowings		1,070,391	260,000
Repayment of bank borrowings		(319,112)	(319,091)
Interest paid		(24,763)	(15,400)
Net proceeds from issuance of shares		–	553,248
Proceeds from issuance of shares upon exercise of share options	30	270	–
Redemption of unsecured debentures	26(b)	(120,000)	(320,000)
Repayment of interest of the unsecured debenture		(4,269)	(39,075)
Payment for share purchase under share award scheme	28	(5,504)	(11,304)
Capital contribution to a subsidiary by non-controlling interests	18	–	50,000
Dividend paid		(13,249)	–
Net cash generated from financing activities		583,764	158,378
Net decrease in cash and cash equivalents		(249,763)	(19,189)
Cash and cash equivalents at 1 January		327,995	346,062
Effect of foreign exchange rate changes		11,392	1,122
Cash and cash equivalents at 31 December	22	89,624	327,995

The notes on pages 80 to 163 form part of these financial statements.

1. PRINCIPAL ACTIVITIES OF REPORTING ENTITY

The Company was incorporated in the Cayman Islands on 1 March 2010 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 23 of 1961, as consolidated and revised) of the Cayman Islands. The Company and its subsidiaries (the "Group") are principally engaged in research and development, manufacturing, sales and distribution of pharmaceutical products and the provision of marketing and promotion services to suppliers in the People's Republic of China (the "PRC" or "Mainland China").

The consolidated financial statements are presented in Renminbi ("RMB"), the currency of the primary economic environment in the PRC where the majority of the entities within the Group operate (i.e. the Group's functional currency).

Going concern basis

At 31 December 2016, the Group's current liabilities exceeded current assets by approximately RMB382,985,000 which included, as disclosed in note 24 below, approximately RMB394,853,000 in respect of the non-current portions of long-term borrowings that contained a demand clause for immediate repayment at the discretion of the financial institutions under the underlying loan agreements. During the year ended 31 December 2016 and up to the date of approval for the consolidated financial statements, there had been no breaches on any of covenants of the relevant loan agreements. Notwithstanding the demand clause for immediate repayment in the loan agreements, the Company considered that the financial institutions will not exercise their discretionary rights to demand immediate repayment of these non-current portions of these long-term borrowings in the next twelve months from the date of approval of the consolidated financial statements and before their maturities. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and, therefore, may not be able to realize its assets and discharge its liabilities in the normal course of business in the next twelve months after the date of approval for the consolidated financial statements.

Notwithstanding the aforesaid conditions, the consolidated financial statements have been prepared on the assumption that the Group will be able to operate as a going concern in the foreseeable future, after taking into consideration of (a) unused and available credit facilities of approximately RMB149 million, (b) new bank loans of approximately RMB20 million subsequently obtained from banks up to the date of approval for the consolidated financial statements, (c) additional new credit facilities and/or financial arrangements which are currently under serious and advanced stage of discussions between the Group and certain financial institutions, and (d) continuing financial support from a substantial shareholder of the Company who has agreed to provide adequate funds to the Group to enable it to meet its debts as and when they fall due in the foreseeable future.

Management of the Company has prepared a cash flow forecast of the Group for a period covering not less than twelve months from date of approval for the consolidated financial statements. Based on the cash flow forecast and after having taken into account of the Group's available credit facilities and the above measures taken to date, management of the Group is of the view that the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the next twelve months from the date of approval for the consolidated financial statements after having taken into account of the Group's projected cash flows, current financial resources, existing and new credit facilities, the financial support from a substantial shareholder of the Company and the future capital expenditure requirements. Accordingly, the Company has prepared the consolidated financial statements for the year 31 December 2016 on a going concern basis.

1. PRINCIPAL ACTIVITIES OF REPORTING ENTITY (CONTINUED)

Should the Group be unable to continue to operate as a going concern, adjustments would have been made to reclassify all non-current assets and liabilities as current assets and liabilities, write down the value of assets to their recoverable amounts and to provide for further liabilities which may arise. The consolidated financial statements have not incorporated any of these adjustments.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual 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. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2016 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in an associate.

The financial statements are presented in RMB and rounded to the nearest thousand unit of RMB (ie. RMB'000), unless otherwise stated. The measurement basis used in the preparation of the financial statements is the historical cost basis, except that investment property is carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

(Expressed in Renminbi unless otherwise indicated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 – 2014 Cycle

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Subsidiaries and non-controlling interests (continued)

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity holders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity holders of the Company. Total comprehensive income of subsidiaries is attributed to the equity holders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (note 2(l)(ii)), unless this investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Associates (continued)

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations to made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

(f)(i) Business combinations

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

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

– deferred tax assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employees Benefits* respectively:

– liabilities or equity instruments related to the share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and

– assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f)(i) Business combinations (continued)

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

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

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f)(ii) Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or groups of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

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

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to the financial assets and financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

(g) Construction in progress

Construction in progress represents property, plant and equipment under construction and machinery and equipment under installation and testing. Construction in progress is stated in the consolidated statement of financial position at cost less impairment losses (note 2(l)(ii)). The cost includes cost of construction, cost of purchased plant and equipment and other direct costs plus borrowing costs which include interest charges and exchange differences arising from foreign currency borrowings used to finance these projects during the construction period, to the extent that these are regarded as an adjustment to borrowing costs (note 2(w)).

Construction in progress is not depreciated until such time as the assets are completed and substantially ready for their intended use.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Property, plant and equipment

Property, plant and equipment are stated in the statement of financial position at cost less accumulated depreciation and impairment losses (note 2(l)(ii)).

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

– Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion.	
– Plant and machinery	5 – 20 years
– Leasehold improvements	Over the term of lease
– Furniture, fixtures and office equipment	3 – 5 years
– Motor vehicles	3 – 5 years

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(i) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by the end of owner-occupation, any excess of fair value of that item over the carrying amount at the date of change is recognised in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognised.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Intangible assets (other than goodwill)

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite useful lives as set out in note (iv) to (ix) below.

(i) Brand rights with indefinite useful life

With effect on 7 July 2016 as disclosed in Note 15(a) to the consolidated financial statements, the Group has acquired the exclusive intellectual property rights, marketing and distribution rights associated with trademarks and brand names for commercialisation of Miacalcic branded injectable pharmaceutical drugs which are used for treatment of bone pains caused by osteolysis and lower bone mass, osteoporosis, Paget's disease, hypercalcemia and reflex sympathetic dystrophy syndrome in all dosage forms (the "Miacalcic Injection") for an indefinite period of time for use in the Mainland China and certain other designated countries. Miacalcic Injection is a well-known international orthopedic brand. Miacalcic Injection is considered to have an indefinite useful life, given the strength and durability of the brand in treating the bone pains and level of marketing support. The risk of market-related factors causing a reduction in its life is considered to be relatively low. Up to the date of approval for the consolidated financial statements, the Group is not aware of any material legal, regulatory, contractual, competitive, economic or other factors that could limit its useful life. Accordingly, Miacalcic Injection is not amortised and is tested annually for impairment in accordance with note 2(l)(ii).

(ii) Club memberships

Club memberships represent the rights to use the club facilities for an indefinite period of time and are stated in the consolidated statement of financial position at cost less impairment losses (note 2(l)(ii)).

(iii) Good Supply Practices ("GSP") licences

GSP licences that are acquired by the Group with indefinite useful lives are stated in the consolidated statement of financial position at cost less impairment losses (note 2(l)(ii)).

The following intangible assets with finite useful lives are stated at cost less accumulated amortisation and impairment losses (note 2(l)(ii)). Both the period and basis of amortisation of all intangible assets with finite useful lives are reviewed annually.

(iv) Research and development

– Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised as an expense in the period in which it is incurred. Expenditure on development activities (relating to the design and testing of new or improved products) is capitalised under the category of "product development in progress" if the product or process is technically and commercially feasible, the Group has sufficient resources and the intention to complete the development, and the cost can be reliably measured. Upon the commencement of the commercial production of a product, the expenditure on development activities is transferred to "deferred development costs" and amortised on a straight-line basis over the period of its expected benefit. Research and development costs comprise costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Intangible assets (other than goodwill) (continued)

(iv) Research and development (continued)

– Deferred development costs that are acquired by the Group are stated in the consolidated statement of financial position at cost less accumulated amortisation and impairment losses. The value in use model is used for the impairment assessment by the management of the Group.

(v) Intellectual property rights

Intellectual property rights (including the acquired deferred development costs, note 2(iv) above) are carried at cost less accumulated amortisation and impairment losses (note 2(l)(ii)). Amortisation is charged to profit or loss on a straight line basis over a period of 3 years to 18.33 years.

(vi) Trademarks

Trademarks with finite lives that are acquired by the Group are stated in the consolidated statement of financial position at cost less accumulated amortisation and impairment losses (note 2(l)(ii)). Amortisation of trademarks with finite lives is charged to profit or loss on a straight line basis over a period of 10 years.

(vii) New medicine protection rights

New medicine protection rights that are acquired by the Group are stated in the consolidated statement of financial position at cost less accumulated amortisation and impairment losses (note 2(l)(ii)). Amortisation of new medicine protection rights is charged to profit or loss on a straight line basis over the rights protection period.

(viii) Exclusive agency rights

Exclusive agency rights that are acquired by the Group are stated in the consolidated statement of financial position at cost less accumulated amortisation and impairment losses (note 2(l)(ii)). Amortisation of exclusive agency rights is charged to profit or loss on a straight line basis over the agency period ranging from 4 to 10 years.

(ix) Computer software

Computer software that is acquired by the Group is stated in the consolidated statement of financial position at cost less accumulated amortisation and impairment losses (note 2(l)(ii)). Computer software is amortised over its estimated useful life of 5 to 10 years.

(k) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Leased assets (continued)

(i) Assets acquired under finance lease

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets is included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 2(h). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(l). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

(ii) Operating lease charges

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

(l) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, the impairment loss is determined and recognised as follows:

- For investments in associates accounted for under equity method in the consolidated financial statements, the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(l)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(l)(ii).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment of assets (continued)

(i) Impairment of investments in equity securities and other receivables (continued)

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset, where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses recognised in respect of trade and other receivables, whose recovery is considered doubtful but not remote, are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade and other receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;
– pre-paid interests in leasehold land classified as being held under an operating lease;
– intangible assets;
– goodwill; and
– investments in subsidiaries in the Company's statement of financial position

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use, (if determinable).

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (notes 2(l)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(n) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (note 2(l)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(o) Borrowings

Borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(p) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/ credited to profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(iii) Share award scheme

The Company operates a share award scheme for the purpose of providing incentives and rewards to eligible participants. An employee share trust is established and administered by an independent trustee and is funded by the Group's cash contributions. The considerations paid including any related transaction costs by the Company to purchase shares of the Company for the Scheme are deducted from equity as an employee share trust. The administrator of the employee share trust purchases the Company's shares in the open market as award shares to employees upon vesting. Upon vesting of the award shares, the corresponding amount in the shares held under share award scheme will be transferred to the employee share trust.

(iv) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Income tax

Income tax expense comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax assets can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination) and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Income tax (continued)

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

(i) in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

(ii) in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either

– the same taxable entity; or

– different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(t) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(u) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Revenue recognition (continued)

(ii) Service income

Service income is recognised when the relevant services are rendered.

(iii) Sub-licensing fee income

Sub-licensing fee income is recognised on an accruals basis and in accordance with the terms of the relevant agreement.

(iv) Government grant/subsidy income

Government grant/subsidy income is recognised in the consolidation statement of financial position initially when there is reasonable assurance that it will be received and that the Group will comply with the conditions attached to it. Government grant/subsidy income that compensates the Group for expenses incurred is recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Government grant/subsidy income that compensates the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method.

(v) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

The results of foreign operations are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Renminbi at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation with a functional currency other than Renminbi, the cumulative amount of the exchange differences relating to that operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(w) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Borrowing costs (continued)

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(x) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third-party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of 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).

(viii) The entity, or any member of a group of which it is a part, provides management personnel services to the Group or the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3. ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the financial statements. The principal accounting policies are set forth in note 2. Notes 15 and 28 contain information about the assumptions and their risk factors relating to impairment of intangible assets and the valuation of share options granted, respectively. Other key sources of estimation uncertainty in the preparation of the financial statements are as follows:

(a) Impairment of non-current assets

If circumstances indicate that the carrying value of an asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in profit or loss. The carrying amounts of assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount.

The recoverable amount is the greater of the fair value less costs of disposal and value in use. In determining the value in use, expected cash flows to be generated by the asset are discounted to their present value at the pre-tax discount rates that reflect the specific risks of the related non-current assets. Estimation of future cash flows requires significant judgement relating to the future level of sales volume, sales revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions relating to projections of sales volumes, sales revenue and amount of operating costs.

3. ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) Impairment of non-current assets (continued)

At 31 December 2016, as disclosed in note 15(f) below, management of the Group conducted impairment assessment test, using the following assumptions, on cash generating units ("CGUs") to which the Group's intangible assets: brand rights of Miacalcic Injection, intellectual property rights of Xi Di Ke and Songzhi Wan were allocated:

– Miacalcic Injection: pre-tax discount rate at 23.85% and expected growth rate of 4.8% for the forecast period beyond 9 years.
– Xi Di Ke: pre-tax discount rate at 23.72% and expected growth rate of 3% beyond 5 years.
– Songzhi Wan: pre-tax discount rate at 23.68% and expected growth rate of 3% beyond 5 years.

The above discount rates were determined based on the weighted average cost of capital of the Company which also reflected the specific risks of the respective CGUs and the above growth rates were not to exceed the average long-term growth rate for the relevant industry growth rate for the business of the respective CGUs. Based on the impairment assessment tests performed, the recoverable amounts of the relevant CGUs, to which Miacalcic Injection, Xi Di Ke and Songzhi Wan were allocated respectively, exceeded their respective carrying amounts and as such, no impairment on the carrying amounts of Miacalcic Injection, Xi Di Ke and Songzhi Wan were considered necessary at 31 December 2016.

For the purpose of sensitivity analysis on the potential possible downside effects on the impairment assessment test on carrying amounts of Miacalcic Injection, Xi Di Ke and Songzhi Wan, had each of their above pre-tax discount rates been increased by 1% points or each of their above growth rates decreased by 3% points or each of their above pre-tax discount rates increased by 1% and each of their above growth rates decreased by 3% in the forecast period, no impairment was required in these scenarios on their respective carrying amounts at 31 December 2016.

(b) Depreciation and amortisation of property, plant and equipment and interest in leasehold land held for own use under operating lease

Property, plant and equipment are depreciated or amortised on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. Interest in leasehold land held for own use under operating lease is amortised over the lease term on a straight-line basis. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation and amortisation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account the anticipated technological changes. The depreciation and amortisation expense for future periods is adjusted if there are significant changes from previous estimates.

3. ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(c) Useful lives and amortisation of intangible assets

The intangible assets with definite useful lives are amortised on a straight-line basis over the estimated useful lives. The management determines the estimated useful life and basis for amortisation taking into account factors including but not limited to, contractual terms of respective contracts, the expected usage of the assets by the Group based on past experience, technical obsolescence arising from changes or improvements in production or from a change in the market demand for the products of the assets. The estimation of the useful life and basis for amortisation is a matter of judgment based on the experience of the Group. Management reviews the economic useful life and basis for amortisation of each of intangible assets annually and, if expectations are significantly different from previous estimates of economic useful life, the amortisation rate for future periods will be adjusted accordingly.

Had different amortisation rates been used to calculate the amortisation of the intangible assets, the Group's result of operations and financial position could be materially different.

(d) Indefinite useful life for brand rights of Miacalcic Injection

Since 7 July 2016, as disclosed in note 15(a) to the consolidated financial statements, the Group has acquired the exclusive intellectual property rights, marketing and distribution rights associated with trademarks and brand names for commercialisation of Miacalcic Injection which are used for treatment of bone pains caused by osteolysis and lower bone mass, osteoporosis, Paget's disease, hypercalcemia and reflex sympathetic dystrophy syndrome in all dosage forms for an indefinite period of time for use in the Mainland China and certain other designated countries. Miacalcic Injection is a well-known international orthopedic brand for a long time. Management of the Group considered that Miacalcic Injection has an indefinite useful life, given the strength and durability of the brand in treating the bone pains and level of marketing support. The risk of market-related factors causing a reduction in its life is considered to be relatively low. Up to the date of approval for the consolidated financial statements, the Group is not aware of any material legal, regulatory, contractual, competitive, economic or other factors that could limit its economic useful life. Accordingly, Miacalcic Injection is not amortised. Miacalcic Injection is tested annually for impairment which is further detailed in note 15(f).

(e) Deferred taxation on investment property

For the purpose of measuring deferred tax liabilities arising from investment property that is measured using the fair value model, the directors of the Company have reviewed the Group's investment property and concluded that the Group's investment property is recovered entirely through sale. As a result, the Group has not recognised any deferred taxes on changes in fair value of investment property as the Group is not subject to any income taxes on disposal of its investment property situated in Hong Kong.

3. ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(f) Fair value of investment property

At the end of the reporting period, the Group's investment property is carried at a fair value of approximately RMB42,131,000 (equivalent to HK$47,100,000) based on the valuation performed by independent qualified professional valuers. The valuation is arrived at by reference to market evidence of recent transaction prices for similar properties and/or on the basis of discounted cash flow projections based on estimates of future rental income from property using current market rentals and yields as inputs. In relying on the valuation, management has exercised their judgement and is satisfied that the method of valuation is reflective of the current market conditions. Favourable or unfavorable changes to these assumptions would result in changes in the fair value of the Group's investment property and corresponding adjustments to the amount of gain or loss reported in profit or loss.

(g) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs to completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of a similar nature.

Net realisable value could change significantly as a result of changes in customer preferences and competitor actions in response to market conditions. Management reassesses these estimates at the end of each reporting period.

(h) Impairment of trade and other receivables

The Group evaluates whether there is any objective evidence that trade and other receivables are impaired as a result of the inability of the customers to make the required payments. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

For trade and other receivables carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at an initial recognition of these assets), where the effect of discounting is material. The Group first assesses whether objective evidence of impairment exists for financial assets that are individually significant. The assessment is then made collectively for financial assets carried at amortised cost which are not individually significant but share similar credit risk characteristics, and have not been individually assessed as impaired. Future cash flows of financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective asset group, and ageing profile of the collective asset group.

3. ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(h) Impairment of trade and other receivables (continued)

The Group estimates the impairment allowance for trade and other receivables by assessing the recoverability based on past write-off experiences, credit history, past settlement records of debtors and prevailing market conditions. This requires the use of estimates and judgements. Allowance are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, such difference will affect the carrying amounts of trade and other receivables and thus the impairment loss in the period in which such estimate is changed. The Group re-assesses the impairment allowance at the end of each reporting period.

As 31 December 2016, included in the trade and bills receivables (net of allowance for bad and doubtful debtors) were approximately RMB376,807,000 receivable from two large state-owned pharmaceutical distributors in the PRC, which have sound financial position and good historical payment records, and management of the Group did not expect that there were material risks of non-payment from them.

All the aged and overdue trade receivables of RMB566,332,000 (2015: RMB568,703,000) related to the vaccine business, which was discontinued in 2015, had been fully provided for at both reporting period ends.

(i) Deferred tax assets

When assessing whether there will be sufficient future taxable profits available against which the deductible temporary differences can be utilised, the Group recognises deferred tax assets to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised, using tax rates that would apply in the period when the asset would be utilised. In determining the amount of deferred tax assets, the Group exercises judgements about the estimated timing and amount of future taxable profits, and of the tax rates applicable in the future according to the existing tax policies and other relevant regulations. Differences between such estimates and the actual timing and amount of future taxable profits and the actual applicable tax rates affect the amount of deferred tax assets that should be recognised.

(j) Functional currency

The Company is carrying out its operating activities and making management decisions in Hong Kong and has significant degree of autonomy from its foreign subsidiaries in the way its business is managed. In the opinion of the directors of the Company, the functional currency of the Company is Hong Kong dollars.

(k) Income taxes and deferred taxation

The Group is subject to corporate income taxes in the PRC and Hong Kong. Significant judgements are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the year in which such determination is made.

4. REVENUE

The principal activities of the Group are research and development, manufacturing, sales and distribution of pharmaceutical products and provision of marketing and promotion services to suppliers.

	2016 RMB'000	2015 RMB'000
Sales of pharmaceutical products	638,343	625,266
Service income	230,949	222,460
Sub-licensing fee income (note 15(a)(ii))	45,827	–
	915,119	847,726

Sales of pharmaceutical products are derived from selling pharmaceutical products through the Group's three reportable segments as discussed in note 12, whereas service income represents fees received/receivable from the provision of marketing and promotion services by the Group.

5. OTHER INCOME

	2016 RMB'000	2015 RMB'000
Bank interest income	4,061	5,683
Government grant and subsidy income	2,731	26,512
Interest income on held-to-maturity investment	–	14
Sundry income	3,269	–
	10,061	32,209

Government grant and subsidy income were received from the local government authorities in the PRC. There are no conditions attached to the grant and subsidies received by the Group.

6. OTHER NET LOSS

	2016 RMB'000	2015 RMB'000
Net loss on disposal of property, plant and equipment	1,404	232
Loss on disposal of intangible assets	7,493	–
Loss on disposal of a subsidiary (note 34)	3,504	–
Net exchange loss	617	–
	13,018	232

7. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	2016 RMB'000	2015 RMB'000
Interest on bank and other borrowings	23,467	14,277
Interest on unsecured debentures	4,269	13,714
Bank charges	1,296	635
Total finance costs	29,032	28,626
Less: Amount capitalised in the cost of qualifying assets	–	(1,374)
	29,032	27,252

During the last year ended 2015, the borrowing costs had been capitalised at a rate of 8.5% per annum.

(b) Staff costs

	2016 RMB'000	2015 RMB'000
Contributions to defined contribution retirement plans	8,520	8,245
Salaries, wages and other benefits	53,460	50,408
Equity-settled share-based payment expenses	2,625	7,441
	64,605	66,094

Pursuant to the relevant labour rules and regulations in the PRC, the Group's subsidiaries in the PRC participate in defined contribution retirement schemes (the "Schemes") organised by the relevant local authorities whereby the PRC subsidiaries are required to make contributions to the Schemes at rates which range from 15% to 21% (2015: 13.5% to 22%) of the eligible employees' salaries during the year. The relevant local government authorities are responsible for the entire pension obligations payable to retired employees.

The Group also operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% (2015: 5%) of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000 (2015: HK$30,000). Contributions to the MPF scheme vest immediately.

7. PROFIT BEFORE TAXATION (CONTINUED)

(b) Staff costs (continued)

The Group has no other material obligation for payment of pension benefits beyond the annual contributions described above.

(c) Other items

	Note	2016 RMB'000	2015 RMB'000
Depreciation of property, plant and equipment	13	17,204	13,555
Amortisation of lease prepayments	13	477	323
Amortisation of intangible assets	15	5,325	2,050
Impairment loss of trade receivables	20(b)	20,222	29,072
Impairment loss of other receivables	20(d)	541	20,828
Loss on redemption of unsecured debenture	26	–	1,868
Loss on disposal of property, plant and equipment		1,404	232
Loss on disposal of intangible assets		7,493	–
Auditors' remuneration:			
– audit services		1,643	1,369
– under provision in prior year		69	20
– non-audit services		246	–
Operating lease charges in respect of properties		7,890	11,830
Reversal of impairment of trade receivables	20(b)	(27,273)	(8,403)
Reversal of impairment of other receivables	20(d)	–	(15,714)
Research and development costs		6,911	4,477

8. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Income tax in the consolidated income statement represents:

	2016 RMB'000	2015 RMB'000
Current tax – PRC Income Tax		
Provision for the year	10,430	5,035
Under provision in respect of prior years	413	254
	10,843	5,289
Deferred tax		
Origination and reversal of temporary differences (note 27(b))	30,000	7,722
Income tax expense	40,843	13,011

8. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (CONTINUED)

(b) Reconciliation between actual income tax expense and profit before taxation at applicable tax rates:

	2016 RMB'000	2015 RMB'000
Profit before taxation	156,603	100,705
Notional tax on profit before taxation, calculated at the tax rates applicable in the jurisdictions concerned (notes (i) and (ii))	29,829	23,719
Tax effect of non-deductible expenses	6,975	1,850
Tax effect of non-taxable income	(9,393)	–
Tax effect of unused tax losses not recognised	25,576	(15,996)
Tax effect of other temporary differences recognised	(12,557)	3,184
Under provision in respect of prior years	413	254
Actual income tax expense	40,843	13,011

Notes:

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and BVI.

(ii) The Company's subsidiaries in the Hong Kong Special Administrative Region are subject to Hong Kong Profits Tax at tax rate of 16.5% (2015: 16.5%). No income tax provision is made for the Hong Kong subsidiaries for the years ended 31 December 2016 and 2015, as these subsidiaries either derived no income subject to Hong Kong Profits Tax or sustained tax losses for Hong Kong Profits Tax purposes.

The Company's subsidiaries in PRC are subject to a statutory income tax rate of 25% (2015: 25%), except for a subsidiary which is qualified for High and New Technology Enterprise and accordingly, it is entitled to enjoy a preferential tax rate of 15% (2015: 15%).

9. DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

Year ended 31 December 2016

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Equity-settled share-based payment expenses *(note)*	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors						
Ng Tit	–	5,727	5,283	16	–	11,026
Chin Yu*	–	–	–	–	615	615
Wu Weizhong**	–	1,136	–	94	35	1,265
Non-executive directors						
Qian Wei	–	–	–	–	–	–
Ge Jianqiu#	222	–	–	–	–	222
Wang Fan	–	–	–	–	–	–
Independent non-executive directors						
Patrick Sun	222	–	–	–	–	222
Yue Nien Martin Tang	222	–	–	–	–	222
Lap-Chee Tsui	222	–	–	–	–	222
Total	888	6,863	5,283	110	650	13,794

9. DIRECTORS' EMOLUMENTS (CONTINUED)

Year ended 31 December 2015

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Equity-settled share-based payment expenses *(note)*	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors						
Ng Tit	–	4,830	1,670	–	–	6,500
Chin Yu*	–	–	–	–	1,234	1,234
Wu Weizhong**	–	942	–	89	1,694	2,725
Non-executive directors						
Chin Yu*	–	–	–	–	–	–
Qian Wei	–	–	–	–	–	–
Wang Fan	48	–	–	–	–	48
Independent non-executive directors						
Patrick Sun	201	–	–	–	–	201
Yue Nien Martin Tang	201	–	–	–	–	201
Lap-Chee Tsui	201	–	–	–	–	201
Total	651	5,772	1,670	89	2,928	11,110

* Ms. Chin Yu was re-designated from non-executive director to executive director on 1 February 2015.

** Mr. Wu Weizhong was appointed as executive director on 20 March 2015.

Mr. Ge Jianqiu was appointed as non-executive director on 31 May 2016.

Note: These represent the estimated value of share options granted to the directors on the date of grant. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 2(r)(ii).

During the years ended 31 December 2016 and 2015, no amount was paid or payable by the Group to the directors or any of the five highest paid individuals set out in note 10 below as an inducement to join or upon joining the Group or as compensation for loss of office.

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest paid emoluments, two (2015: two) are directors whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the other three (2015: three) individuals are as follows:

	2016 RMB'000	2015 RMB'000
Salaries and other emoluments	3,414	5,650
Contributions to retirement benefits schemes	163	73
Equity-settled share-based payment expenses	292	639
	3,869	6,362

The emoluments of the other three (2015: three) individuals with the highest emoluments are within the following bands:

	2016 Number of individuals	2015 Number of individuals
HK$1,000,001 to HK$1,500,000	1	–
HK$1,500,001 to HK$2,000,000	2	1
HK$2,000,001 to HK$2,500,000	–	–
HK$2,500,001 to HK$3,000,000	–	1
HK$3,000,001 to HK$3,500,000	–	1

11. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to the equity holders of the Company for the year ended 31 December 2016 of RMB116,181,000 (2015: earnings of RMB87,694,000) and the weighted average number of ordinary shares of the Company in issue during the year.

Weighted average number of ordinary shares (basic)

	2016 Number of individuals '000	2015 Number of individuals '000
Issued ordinary shares at 1 January	1,557,998	1,081,957
Effect of issue of shares under placing	–	334,592
Effect of share options exercised	60	–
At 31 December	1,558,058	1,416,549

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company and the weighted average number of ordinary shares in issue after adjusting for the potential dilutive effect caused by the share options granted under the share option schemes (note 28) assuming they were exercised.

	2016 Number of individuals '000	2015 Number of individuals '000
Weighted average number of ordinary shares as at 31 December	1,558,058	1,416,549
Effect of deemed issue of ordinary shares under the Company's share options granted	8,488	11,114
At 31 December	1,566,546	1,427,663

12. SEGMENT REPORTING

The Group manages its businesses by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments:

– Proprietary products production and sales: revenue from production and sales of NT branded products and generic drugs.

– Miacalcic: revenue from sale of Miacalcic Injection branded pharmaceutical products for treatment of bone pains caused by osteolysis and lower bone mass, osteoporosis, Paget's disease, hypercalcemia and reflex sympathetic dystrophy syndrome and sub-licensing of intellectual property rights, marketing and distribution rights of Miacalcic Injection.

– Third-party pharmaceutical promotion and sales: revenue from selling and marketing third-party manufactured pharmaceutical products to customers and providing marketing and promotional services.

In 2015, the third-party vaccine and other pharmaceuticals segment had been ceased and discontinued. This segment had insignificant contribution to the revenue, results, assets and liabilities of the Group in 2015.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocation resources between segments, the Group's most senior executive management, who are also the executive directors of the Company, monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

– Segment assets include all tangible and intangible assets and other current and non-current assets with the exception of unallocated corporate assets. Segment liabilities include trade and other payables and bank and other borrowings attributable to each reporting segment, with the exception of unallocated corporate liabilities.

– Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

Segment results represent profit or loss attributable to the segment without allocation of certain administrative costs and directors' remuneration. Taxation is not allocated to reportable segments. This is measure reported to the Group's most senior executive management for the purpose of resources allocation and performance assessment.

12. SEGMENT REPORTING (CONTINUED)

(a) Segment results (continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2016 and 2015 is set out below.

	Proprietary products production and sales		Miacalcic		Third-party pharmaceutical promotion and sales		Total	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Reportable segment revenue from external customers	305,637	217,303	45,827	–	563,655	630,423	915,119	847,726
Reportable segment gross profit	208,574	131,851	45,827	–	239,228	319,656	493,629	451,507
Reportable segment results	60,485	71,001	45,365	–	119,031	*Note (i)* 83,249	224,881	154,250
Other income:								
– Government grant and subsidy income	–	–	–	–	2,731	–	2,731	–
– Sundry income, net	2,188	–	–	–	1,081	–	3,269	–
Other net loss:								
– Loss on disposal of a subsidiary	–	–	–	–	(3,504)	–	(3,504)	–
– Net loss on disposal of property, plant and equipment	(1,388)	–	–	–	(16)	–	(1,404)	–
– Loss on disposal of intangible assets	–	–	–	–	(7,493)	–	(7,493)	–
Depreciation and amortisation	(18,172)	(9,902)	–	–	(2,562)	(3,179)	(20,734)	(13,081)
Impairment loss of trade receivables	–	(22,173)	–	–	(20,222)	(6,899)	(20,222)	(29,072)
Reversal of impairment of trade receivables	3,420	–	–	–	23,853	8,403	27,273	8,403
Impairment loss of other receivables	–	–	–	–	(541)	(20,828)	(541)	(20,828)
Reversal of impairment of other receivables	–	–	–	–	–	15,714	–	15,714
Reportable segment assets	648,042	592,416	1,056,700	–	781,758	587,035	2,486,500	1,179,451
Additions to non-current segment assets during the year	9,073	149,847	1,030,648	–	12,453	1,466	1,052,174	151,313
Reportable segment liabilities	263,283	249,935	821,252	–	425,187	224,956	1,509,722	474,891
Reportable segment capital commitments	474	198	450,905	–	28,000	–	479,379	198

Note (i) The result of third-party vaccine and other pharmaceuticals of NIL (2015: RMB2,135,000) was included in the reportable segment result of third-party pharmaceutical promotion and sales.

12. SEGMENT REPORTING (CONTINUED)

(b) Reconciliations of reportable segment revenue and profit or loss

	2016 RMB'000	2015 RMB'000
Revenue		
Reportable segment total revenue and consolidated revenue	915,119	847,726
Profit		
Reportable segment operating profit	224,881	154,250
Unallocated head office and corporate expenses	(42,659)	(48,402)
Loss on redemption of unsecured debenture	–	(1,868)
Other income – unallocated	4,061	32,209
Other net loss – unallocated	(617)	(232)
Finance costs	(29,032)	(27,252)
Share of loss of an associate	(31)	(8,000)
Consolidated profit before taxation	156,603	100,705
Assets		
Reportable segment assets	2,486,500	1,179,451
Unallocated head office and corporate assets	76,239	218,862
Consolidated total assets	2,562,739	1,398,313
Liabilities		
Reportable segment liabilities	1,509,722	474,891
Unallocated head office and corporate liabilities	13,995	20,699
Consolidated total liabilities	1,523,717	495,590

12. SEGMENT REPORTING (CONTINUED)

(c) Geographic information

The following table set out information about the geographical location of the Group's revenue from external customers and the Group's non-current assets. The geographical location of the Group's non-current assets is based on the physical location of the non-current assets and in the case of intangible assets, the location of the use of relevant intangible assets to which they are allocated.

	Revenue from external customers		Non-current assets*	
	2016	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000
PRC	**904,854**	847,726	**1,475,576**	453,855
Hong Kong	**–**	–	**44,824**	24,035
Other countries	**10,265**	–	**–**	–
	915,119	847,726	**1,520,400**	477,890

* Excluding deferred tax assets of RMB57,745,000 (2015: RMB87,745,000) which were related to operation in the PRC.

(d) Information from major customers

Revenue from major customers, which individually amounted to 10% or more of the total revenue, is set out below:

	2016	2015
	RMB'000	RMB'000
Third party pharmaceutical promotion and sales segment		
Customer A	**362,840**	N/A
Customer B	**230,953**	218,656
Customer C	**N/A**	246,589

N/A – not applicable

13. FIXED ASSETS

	Land and buildings held for use under finance lease RMB'000	Plant and machinery RMB'000	Leasehold improvements RMB'000	Furniture, fixture and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Sub-total RMB'000	Interests in leasehold land held for own use under operating leases RMB'000	Total RMB'000
Cost:									
At 1 January 2016	278,930	74,801	10,259	8,023	7,201	9,651	388,865	47,754	436,619
Exchange adjustments	1,929	–	94	41	124	–	2,188	–	2,188
Revaluation upon transfer to investment property	18,032	–	–	–	–	–	18,032	–	18,032
Transfer to investment property (note 14)	(49,243)	–	–	–	–	–	(49,243)	–	(49,243)
Additions	7,542	933	183	2,294	637	364	11,953	–	11,953
Transfer	6,051	1,958	–	–	–	(8,009)	–	–	–
Disposals	(1,374)	(101)	–	(280)	(432)	–	(2,187)	–	(2,187)
At 31 December 2016	261,867	77,591	10,536	10,078	7,530	2,006	369,608	47,754	417,362
Accumulated depreciation and amortisation:									
At 1 January 2016	44,734	23,491	10,152	5,157	4,830	–	88,364	3,790	92,154
Exchange adjustments	314	–	63	30	121	–	528	–	528
Transfer to investment property	(7,112)	–	–	–	–	–	(7,112)	–	(7,112)
Charge for the year	14,060	6,403	313	614	588	–	21,978	989	22,967
Written back on disposal	–	(91)	–	(252)	(432)	–	(775)	–	(775)
At 31 December 2016	51,996	29,803	10,528	5,549	5,107	–	102,983	4,779	107,762
Net book value:									
At 31 December 2016	209,871	47,788	8	4,529	2,423	2,006	266,625	42,975	309,600

13. FIXED ASSETS (CONTINUED)

	Land and buildings held for use under finance lease RMB'000	Plant and machinery RMB'000	Leasehold improvements RMB'000	Furniture, fixture and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Sub-total RMB'000	Interests in leasehold land held for own use under operating leases RMB'000	Total RMB'000
Cost:									
At 1 January 2015	176,559	47,496	10,178	6,585	6,522	93,079	340,419	41,780	382,199
Exchange adjustments	1,709	–	81	28	105	–	1,923	–	1,923
Purchase of assets through acquisition of a subsidiary (note 33)	10,703	–	–	–	–	–	10,703	5,974	16,677
Additions	1,773	4,294	–	191	1,434	30,304	37,996	–	37,996
Transfer	88,186	24,117	–	1,429	–	(113,732)	–	–	–
Disposals	–	(1,106)	–	(210)	(860)	–	(2,176)	–	(2,176)
At 31 December 2015	278,930	74,801	10,259	8,023	7,201	9,651	388,865	47,754	436,619
Accumulated depreciation and amortisation:									
At 1 January 2015	36,297	20,642	9,632	4,818	4,908	–	76,297	2,955	79,252
Exchange adjustments	278	–	47	25	106	–	456	–	456
Charge for the year	8,159	3,847	473	494	582	–	13,555	835	14,390
Written back on disposal	–	(998)	–	(180)	(766)	–	(1,944)	–	(1,944)
At 31 December 2015	44,734	23,491	10,152	5,157	4,830	–	88,364	3,790	92,154
Net book value:									
At 31 December 2015	234,196	51,310	107	2,866	2,371	9,651	300,501	43,964	344,465

(a) Interests in leasehold land held for own use under operating leases represent land use rights under medium term leases in the PRC. As at 31 December 2016, the remaining period of the land use rights ranged from 34 to 47 years (2015: 35 to 48 years).

(b) As at 31 December 2016, certain banking facilities of the Group were secured by certain property, plant and equipment of the Group with a net book value amounting of RMB89,792,000 (2015: office property held for own use with net book value of RMB24,035,000). Such property is located in PRC under medium-term land lease (note 24).

(c) During the year ended 31 December 2015, the Group capitalised borrowing costs amounting to RMB1,374,000 on qualifying assets. Borrowing costs were capitalised at the weighted average rate of 8.5% per annum.

(d) The amortisation charges of the lease prepayments during the years ended 31 December 2016 and 2015 are included in "administrative expenses" for RMB477,000 (2015: RMB323,000) in the consolidated income statement. The depreciation and amortisation charge were capitalised and included in prepayments for the new factory of Jiangsu NT Biopharma Co., Ltd. (泰凌生物制藥江蘇有限公司) amounted to RMB4,774,000 and RMB512,000, respectively (2015: RMBNil and RMB512,000, respectively) because the factory assets were not available for use up to 31 December 2016 and 2015 and the certificate of Good Manufacturing Practices for Pharmaceutical Products (the "GMP") was only granted on 2 March 2017 by the China Food and Drug Administration (the "CFDA").

13. FIXED ASSETS (CONTINUED)

(e) During the year ended 31 December 2016, an owner-occupied property with carrying amount approximately of RMB24,099,000 (equivalent to HK$26,941,000) was transferred to investment property upon the change of the intention of the usage of the property by the directors of the Company. Fair value of the owner-occupied property at the date of transfer amounted to approximately of RMB42,131,000 (equivalent to HK$47,100,000) resulting in a gain on revaluation approximately of RMB18,032,000 (equivalent to HK$20,159,000) credited to property revaluation reserve.

14. INVESTMENT PROPERTY

	RMB'000
AT FAIR VALUE	
At 1 January 2016	–
Transfer from property, plant and equipment (note 13)	42,131
At 31 December 2016	42,131

(a) As at 31 December 2016, the directors of the Company changed the use of the owner-occupied property to investment property to earn rental income and/or for capital appreciation. The difference between the carrying amount and fair value which amounted to approximately of RMB18,032,000 (equivalent to HK$20,159,000) is recognised in other comprehensive income.

(b) The Group's investment property is held under medium-term leases in Hong Kong and is measured under the fair value model.

(c) The fair value of the investment property of the Group approximately of RMB42,131,000 (equivalent to HK$47,100,000) at 31 December 2016 were arrived at on the basis of open market value with reference to recent market transactions in comparable properties by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL"), a firm of independent professional qualified valuers. JLL have, among their staff, Fellows of the Hong Kong Institute of Surveyors with experience in the location and category of properties being valued.

(d) The valuation of the Group's investment property is classified as Level 2 of the fair value hierarchy.

(e) As at 31 December 2016, the Group's investment property with carrying amount of RMB42,131,000 (2015: Nil) was pledged to a bank to secure banking facilities granted to the Group (note 24).

15. INTANGIBLE ASSETS

	Brand rights with indefinite useful life RMB'000	Intellectual property rights RMB'000	Trademarks RMB'000	New medicine protection rights RMB'000	GSP licence RMB'000	Club memberships RMB'000	Computer software RMB'000	Exclusive agency rights RMB'000	Total RMB'000
Cost:									
At 1 January 2015	–	34,718	7,283	9,330	7,030	1,096	6,133	50,000	115,590
Purchase of assets through acquisition of a subsidiary (note 33)	–	92,883	–	–	–	–	–	–	92,883
Additions	–	3,824	–	–	–	–	168	–	3,992
Exchange adjustments	–	–	–	–	–	76	–	–	76
At 31 December 2015 and 1 January 2016	–	131,425	7,283	9,330	7,030	1,172	6,301	50,000	212,541
Disposal	–	–	–	–	(7,030)	–	(510)	–	(7,540)
Additions (note 15(a))	1,030,648	–	–	–	–	–	124	–	1,030,772
Exchange adjustments	5,243	–	–	–	–	78	–	–	5,321
At 31 December 2016	1,035,891	131,425	7,283	9,330	–	1,250	5,915	50,000	1,241,094
Accumulated amortisation and impairment									
At 1 January 2015	–	7,224	6,554	9,330	–	–	4,791	49,167	77,066
Charge for the year	–	–	729	–	–	–	488	833	2,050
At 31 December 2015 and 1 January 2016	–	7,224	7,283	9,330	–	–	5,279	50,000	79,116
Charge for the year	–	5,066	–	–	–	–	259	–	5,325
Written off of disposal	–	–	–	–	–	–	(47)	–	(47)
At 31 December 2016	–	12,290	7,283	9,330	–	–	5,491	50,000	84,394
Net book value:									
At 31 December 2016	1,035,891	119,135	–	–	–	1,250	424	–	1,156,700
At 31 December 2015	–	124,201	–	–	7,030	1,172	1,022	–	133,425

15. INTANGIBLE ASSETS (CONTINUED)

(a) Brand rights with indefinite useful life

(i) On 18 May 2016, NT Pharma International Company Limited, a wholly owned subsidiary of the Company incorporated in Hong Kong ("NT Pharma HK"), as the purchaser, entered into (i) an asset purchase agreement (the "Asset Purchase Agreement"), (ii) a Licence Agreement (the "Licence Agreement") and (iii) a Supply Agreement (the "Supply Agreement") with Novartis AG and Novartis Pharma AG, being companies organized under the laws of Switzerland (collectively "Novartis").

Pursuant to the Asset Purchase Agreement, Novartis has agreed to transfer and NT Pharma HK has agreed to acquire (a) exclusive intellectual property rights, marketing and distribution rights associated with the trademarks and brand names for commercialisation of Miacalcic branded injectable pharmaceutical products for treatment of bone pains caused by osteolysis and lower bone mass, osteoporosis, Paget's disease, hypercalcemia and reflex sympathetic dystrophy syndrome in all dosage forms that are approved, marketed, distributed and/or sold by Novartis and its affiliates (the "Miacalcic Injection") and (b) exclusive intellectual property rights, marketing and distribution rights associated with the trademarks and brand names for the commercialisation of Miacalcic branded nasal spray pharmaceutical products in the form of nasal spray mainly for treatment of postmenopausal osteoporosis, that is approved, marketed, distributed and/or sold by Novartis and its affiliates (the "Miacalcic Nasal Spray"), for use in Mainland China and other designated countries. Miacalcic is a well-known international orthopedic brand for a long time.

Pursuant to the Licence Agreement, Novartis has granted exclusive licences for the respective intellectual property rights, marketing and distribution rights associated with the trademarks and brand names of Miacalcic Injection and Miacalcic Nasal Spray that were acquired or are to be acquired, respectively, by NT Pharma HK under the Asset Purchase Agreement for an indefinite period of time of use in Mainland China and other designated countries, after completion dates of their acquisitions.

The transactions under the Asset Purchase Agreement, the Licence Agreement, and the Supply Agreement were approved by the Company's shareholders at its extraordinary general meeting held on 7 July 2016. The purchase price for the exclusive intellectual property rights, marketing and distribution rights associated with the trademarks and brand names of Miacalcic Injection under the Asset Purchase Agreement and the Licence Agreement, which mainly include (a) the marketing authorisations and the Miacalcic import drug licences, (b) the transferred property (know-how, books and records, commercial information, marketing authorisation data and medical information (and any and all intellectual property rights in the forgoing)), (c) the transferred domain names, and (d) trademarks for commercialisation of Miacalcic Injection branded drugs, for an indefinite period of time for use in Mainland China and other designated countries was US$145 million (equivalent to approximately RMB1,006,965,000), after an arm's length of negotiations made between the Group and Novartis.

Pursuant to the Supply Agreement, Novartis shall manufacture and supply Miacalcic Injection branded products at the supply price effective on 7 July 2016 that are based upon consolidated total production costs of Novartis. Novartis may adjust the supply price on a unit-by-unit basis in accordance with the respective actual percentage increase or decrease in the consolidated total production costs, as applicable, calculated in the ordinary course of business consistent with past practice and consistent with the calculation of the supply price in the basis agreed with Novartis, provided that (a) there will be no upward adjustment in the first two years after 7 July 2016, and (b) the after-adjustment price applicable in the third and fourth year shall not exceed the relevant agreed ceiling price applicable in that period.

15. INTANGIBLE ASSETS (CONTINUED)

(a) Brand rights with indefinite useful life (continued)

(i) The acquisition of Miacalcic Injection at the consideration of US$145 million was completed on 7 July 2016. The other direct costs relating to the acquisition of Miacalcic Injection amounted to approximately RMB23,683,000 were also capitalized. The directors of the Company considered that Miacalcic Injection shall has an indefinite period of time of use in Mainland China and other designated countries based on the Asset Purchase Agreement and the Licence Agreement.

At 31 December 2016, the purchase of Miacalcic Nasal Spray for curing osteoporosis has not yet been completed under the Asset Purchase Agreement and the Licence Agreement, because certain pre-conditions (such as the receipt of update relevant marketing authorisation and import drug licences in certain countries) have not yet been completed by Novartis. The consideration for the proposed purchase of Miacalcic Nasal Spray has been capped at US$65 million (equivalent to approximately RMB451 million), under the Asset Purchase Agreement and the Licence Agreement, subject to the completion of certain pre-conditions such as fulfillment date, the date of the receipt of updated relevant marketing authorisation and import drug licences which have not yet been fully fulfilled by Novartis. The capital commitment in connection with the purchase of Miacalcic Nasal Spray has been disclosed as contracted but not provided for capital commitments as referred to in note 32 to the consolidated financial statements.

(ii) According to the Supply Agreement, during the Phase 1 Period (which means the period, on a country-by-country basis, from the acquisition completion date (i.e. 7 July 2016 for Miacalcic Injection) until the earlier of (a) the marketing authorisation date or with respect to the China Territory, date of obtaining the Import Drug Licence for Miacalcic Injection; and (b) two years from the acquisition date (i.e. 6 July 2018 for Miacalcic Injection) with respect to the period in which the Group (as purchaser of Miacalcic Injection) has not built up its own sales team and/or has not yet obtained the legitimate marketing authorisation rights to distribute, sell or invoice sales for the Miacalcic Injection branded drug products in each country of the territories as designated under the Asset Purchase Agreement and the Licence Agreement, all the intellectual property rights, marketing and distribution rights associated with trademarks and brand names for commercialisation of Miacalcic Injection branded drugs are licenced back to Novartis, which acts in its capacity as a principal, is allowed to use all these rights to sell the Miacalcic Injection branded drug products in those countries as designated under the Asset Purchase Agreement and the Licence Agreement and in consideration of this sub-licensing arrangement for the use of these rights of Miacalcic Injection, Novartis shall pay the Group a sub-licensing fee for its use of these rights of Miacalcic Injection in each of the territories as designated under the Asset Purchase Agreement and the Licence Agreement.

During the period from 7 July 2016 to 31 December 2016, the Group earned sub-licensing fee income of RMB45,827,000 from sub-licensing these intellectual property rights, marketing and distribution rights associated with trademarks and brand names relating to commercialization of Miacalcic Injection branded drugs.

15. INTANGIBLE ASSETS (CONTINUED)

(a) Brand rights with indefinite useful life (continued)

(iii) Miacalcic Injection is a well-known international orthopedic brand for a long time. Miacalcic Injection is considered to have an indefinite period of economic useful life in Mainland China and other designated countries under the Asset Purchase Agreement and the Licence Agreement, given the strength and durability of the brand in treating the bone pains and the level of marketing support. Up to the date of approval for the consolidated financial statements, the risk of market-related factors causing a reduction in its life is considered to be relatively low. At 31 December 2016 and up to the date of approval for the consolidated financial statements, the Group is not aware of any material legal, regulatory, contractual, competitive, economic or other factors that could limit its economic useful life. Accordingly, Miacalcic Injection is not amortised but is tested annually for impairment in accordance with the Group's accounting policy as set out in note 2(l)(ii). At 31 December 2016, the impairment test on Miacalcic Injection was performed as disclosed in note 15(f) below.

(b) Intellectual property rights

Intellectual property rights represent patents, know-how and trademarks in relation to Xi Di Ke and Songzhi Wan. Xi Di Ke is the commercial name of an uroacitides injection formula and a unique national class 1 new drug approved by the CFDA for the treatment of non-small cell lung cancer and breast cancer. An added indication of Xi Di Ke is for treating myelodysplastic syndrome ("MDS") which is in clinical trial phase II. At 31 December 2016, costs of Xi Di Ke amounted to approximately RMB38,542,000 (2015: RMB38,542,000) of which approximately RMB14,580,000 (2015: RMB14,580,000), RMB3,000,000 (2015: RMB3,000,000) and RMB20,962,000 (2015: RMB20,962,000) were respectively related to the patents for drug use in treating non-small cell cancer and breast cancer, know-hows for MDS and trademarks of Xi Di Ke that were acquired by the Group in 2013. The patents of Xi Di Ke will expire in October 2019. In 2015 and 2016, the Group submitted two applications for new patents of which the know-hows were developed on the existing patents for Xi Di Ke. Management of the Group is optimistic in obtaining the new patents for Xi Di Ke such that the legal protection period of the patents for Xi Di Ke will be extended further in the future. During the years ended 31 December 2016 and 2015, the GMP Certificate for commercialization of Xi Di Ke has not yet been granted by the CFDA and Xi Di Ke was not available for intended use at 31 December 2016 and 2015 and as such, amortisation for the cost of Xi Di Ke has not yet been commenced for both years. Subsequent to 31 December 2016, the GMP Certificate has been subsequently granted by the CFDA on 2 March 2017 from which date the costs of patents and trademarks for Xi Di Ke are amortised on a straight-line basis over their respective estimated remaining life of 3 years and 10 years, respectively, based on the experience of management of the Group. The capitalised acquisition costs of know-hows for MDS of Xi Di Ke, which is still in clinical trial phase II, are deferred and not subject to amortisation as regulatory approval for use is not yet obtained at both reporting period ends.

15. INTANGIBLE ASSETS (CONTINUED)

(b) Intellectual property rights (continued)

Songzhi Wan, with a cost of approximately RMB92,883,000 (2015: RMB92,883,000) acquired in 2015, is the only Chinese medicine capable of treating Hepatitis C approved by the CFDA, which was included in the National Major Scientific and Technical Breakthrough Program under the "10th Five-Year Plan" and the National High Technology Research and Development Program (863 Program) successively during the course of its development. During the phase I-II-III clinical trial of Songzhi Wan, its efficacy and safety had been carefully verified with modern medicine, for which it was finally approved with a National New Drug Certificate, and it has 20 years of patent protection from 30 April 2000. After the expiration of the National New Drug Certificate, the exclusive rights of the patents for Songzhi Wan, which is classified as a Type 2 of the Chinese medicine, can be further extended, at insignificant costs, by 14 years from 30 April 2020. The drug manufacturing permit for Songzhi Wan was obtained from the relevant governmental authorities on 1 January 2016 and during the year ended 31 December 2016, the commercial production for Songzhi Wan was commenced. The costs of Songzhi Wan are amortised on a straight-line basis over its useful life of 18.33 years and the amortisation charge of RMB5,066,000 (2015: Nil) was charged to the profit or loss for the year ended 31 December 2016.

The directors of the Company are of the opinion that the carrying amount of the intellectual property rights of Xi Di Ke and Songzhi Wan can be recovered, based on the impairment assessment test as further detailed in note (f) below, and as such, no impairment was considered necessary for each of them at both reporting period ends.

(c) GSP licence represented protection right of Good Supply Practice Licence issued by the CFDA held by NT Tongzhou Pharma (SH) Co., Ltd. with indefinite useful life. Management had assessed the recoverable amount of the GSP licence and determined that the GSP licence had not been impaired as at 31 December 2015.

During the year ended 31 December 2016, the carrying amount of the GSP licence was transferred to 上海鑫合醫藥有限公司 ("上海鑫合"), which was an associate at the time of transfer, at zero consideration as part of the arrangement under a conditional agreement dated 21 December 2015 for a contemplated disposal of the Group's interest in 上海鑫合 to an independent third party buyer for a proposed consideration of approximately US$5.5 million which was subsequently terminated by that buyer in 2016, and a loss of disposal of RMB7,030,000 was charged to profit or loss for the year (2015: Nil).

(d) Exclusive agency rights represent agency fees of RMB30 million and RMB20 million prepaid to suppliers to secure the PRC distribution rights of 10 years and 4 years for two pharmaceutical products, respectively. These exclusive agency rights were amortised on a straight-line basis over their respective useful lives, being the period of agency rights. By the end of 2012, the Group decided to terminate a herbal dermatological product as a consequence of surging raw materials cost and relinquished the exclusive agency right. A full impairment loss of RMB17,000,000 was provided accordingly for the remaining book value of the exclusive agency right, in the previous years.

15. INTANGIBLE ASSETS (CONTINUED)

(e) Club memberships represent the rights to use the club facilities over an indefinite period of time. Accordingly, no amortisation has been charged to profit or loss during the years ended 31 December 2016 and 2015. Management of the Group considered that there were no impairment indicators for the club memberships for which the expected fair value less cost of disposal exceeded the carrying amounts at 31 December 2016. At the end of both reporting periods, the carrying amounts of the club memberships were below their fair value less cost of disposal and accordingly, no impairment loss was considered necessary.

(f) Impairment assessment tests

As at 31 December 2016, the recoverable amount of the brand rights of Miacalcic Injection and intellectual property rights of Xi Di Ke and Songzhi Wan (2015: Xi Di Ki and Songzhi Wan) had been determined based on value-in-use calculations with reference to professional valuations performed by JLL (2015: Roma Appraisals Limited ("Roma")), an independent firm of professional and qualified valuers with qualification and experience in the assets being valued. The calculation used cash flow projections based on financial budgets approved by management of the Group covering a nine-year period for Miacalcic Injection and a five-year period for Xi Di Ke and Songzhi Wan. Cash flows beyond their respective projection periods are extrapolated using the following estimated long-term growth rates which were based on the relevant industry growth forecasts and did not exceed the average long-term growth rates for the businesses of the cash generating units ("CGUs") to which these intangible assets of Miacalcic Injection, Xi Di Ke and Songzhi Wan are allocated. JLL estimated the following pre-tax discount rates on basis of weighted average cost of capital of the relevant entities with the Group, which also included additional risk premiums to reflect the size premium risk and specific risk of the CGUs.

(Expressed in Renminbi unless otherwise indicated)

15. INTANGIBLE ASSETS (CONTINUED)

(f) Impairment assessment tests (continued)

2016	Pre-tax discount rate	Long-term growth rate
Miacalcic Injection	23.85%	4.8%*
Xi Di Ke	23.72%	3%#
Songzhi Wan	23.68%	3%#

2015	Pre-tax discount rate	Long-term growth rate
Xi Di Ke	24.23%	3%#
Songzhi Wan	20.15%	3%#

* beyond a projection period of nine years.

beyond a projection period of five years.

Based on the impairment assessment, the recoverable amounts of the CGUs, to which these intangible assets of Miacalcic Injection, Xi Di Ke and Songzhi Wan are allocated, exceeded their respective carrying amounts of these CGUs and accordingly, no impairment for each of Miacalcic Injection, Xi Di Ke and Songzhi Wan was required at 31 December 2016 and 2015.

Proforma sensitivity analysis on potential downside effects on the carrying amounts of CGUs, to which these intangible assets are allocated, arising from the following unexpected unfavourable changes on the assumptions for their respective discount rates or long-term growth rates applied in the above impairment assessments are summarised below:

	If discount rate +1%	If long-term growth rate –3%	If discount rate +1% and long-term growth rate -3%
Proforma impairment on carrying amounts of following intangible assets at 31 December 2016:			
– Miacalcic Injection	No	No	No
– Xi Di Ke	No	No	No
– Songzhi Wan	No	No	No

(Expressed in Renminbi unless otherwise indicated)

16. GOODWILL

The goodwill of RMB1,250,000 was derived from prior year business acquisitions of NT Tongzhou (BJ) Pharma Co., Ltd. and NT Tongzhou Pharma (SH) Co., Ltd. and was allocated to the vaccine promotion and sales business segment in previous years. In 2012, in light of the business decision to gradually exit from the vaccine business, the directors of the Company were of the opinion that no significant future benefits were expected to be generated from the asset. A full impairment of the goodwill was therefore made during the year ended 31 December 2012.

17. INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

			Proportion of ownership interest			
Name of company	Place of incorporation and business	Particulars of issued and paid up/registered capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
NT Pharma (Group) Co., Ltd. ("NT Group")	BVI	9 shares of US$1 each	100%	100%	–	Investment holding
Kimford Investment Limited ("Kimford")	BVI	1 share of US$1	100%	–	100%	Investment holding
Goldwise Resources Limited	BVI	1 share of US$1	100%	–	100%	Dormant
Tai Ning Pharmaceutical (Investment) Company Limited	BVI	1 share of US$1	100%	–	100%	Investment holding
Farbo Investment Limited	BVI	1 share of US$1	100%	–	100%	Investment holding
Humford Investment Limited	BVI	1 share of US$1	100%	–	100%	Investment holding
Green-Life Healthy Foods (Hong Kong) Company Limited	Hong Kong	1 share	100%	–	100%	Dormant
NTP (China) Investment Co., Limited	Hong Kong	15,000,000 shares	100%	–	100%	Investment holding
NT Pharma (HK) Limited	Hong Kong	2 shares	100%	–	100%	Trading of prescription medicines
NT Pharma (Overseas) Holdings Co., Ltd.	BVI	1 share of US$1	100%	–	100%	Investment holding
NT Pharma International Company Limited	Hong Kong	1 share	100%	–	100%	Provision of use right of licence
NT Pharma (SH) Co., Ltd. (泰凌醫藥貿易(上海)有限公司) (note (i))	PRC	US$2,000,000	100%	–	100%	Sales of prescription medicines

(Expressed in Renminbi unless otherwise indicated)

17. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place of incorporation and business	Particulars of issued and paid up/registered capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities
NT Tongzhou (BJ) Pharma Co., Ltd. (泰凌同舟(北京)醫藥有限公司) (note (i))	PRC	RMB10,000,000	100%	–	100%	Sales of prescription medicines and vaccines
Guangdong NT Pharma Co., Ltd. (廣東泰凌醫藥有限公司) (note (i))	PRC	RMB20,000,000	100%	–	100%	Sales of prescription medicines and vaccines
NT Tongzhou Pharma Consulting (SH) Co., Ltd. (泰凌同舟醫藥咨詢(上海)有限公司) (note (i))	PRC	US$3,370,000	100%	–	100%	Provision of logistics and consulting services
Hainan Tai Ling Medical Information Consulting Co., Ltd. (海南泰靈醫藥信息咨詢有限公司) (note (i))	PRC	RMB100,000,000	100%	–	100%	Sales of vaccines
NT Tongzhou Pharma (SH) Co., Ltd. (泰凌同舟醫藥(上海)有限公司) (note (i))	PRC	RMB50,000,000	100%	–	100%	Sales of prescription medicines and vaccines
Suzhou First Pharmaceutical Co., Ltd. ("Suzhou First Pharma") (蘇州第壹醫藥有限公司) (notes (i))	PRC	RMB181,625,000	100%	–	100%	Manufacturing of prescription medicines
NT Pharma (China) Co., Ltd. (泰凌醫藥(中國)有限公司) (note (i))	PRC	US$11,851,400	100%	–	100%	Dormant
NT Pharma (Jiangsu) Co., Ltd. (泰凌醫藥(江蘇)有限公司) (note (i))	PRC	RMB276,600,000	100%	–	100%	Sales of prescription medicines and vaccines
NT Pharma Information Consulting (SH) Co., Ltd. (泰凌醫藥信息咨詢(上海)有限公司) (note (i))	PRC	US$26,500,000	100%	–	100%	Provision of consulting services

(Expressed in Renminbi unless otherwise indicated)

17. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place of incorporation and business	Particulars of issued and paid up/registered capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
NT (Jiangsu) Biotechnology Co., Ltd. （泰凌（江蘇）生物科技有限公司） (note (i))	PRC	US$30,070,000	100%	–	100%	Investment holding
NTP (China) Investment Co., Ltd. （泰淩（中國）投資有限公司） (note (i))	PRC	US$30,000,000	100%	–	100%	Provision of consulting services
Jiangsu NT Biopharma Co., Ltd. （泰凌生物制藥江蘇有限公司） (note (i))	PRC	RMB112,359,550	89%	–	89%	Research and development of prescription medicines and vaccines
NT Pharma (Changsha) Co., Ltd （泰凌醫藥（長沙）有限公司） (notes (i),(ii))	PRC	RMB10,000,000	100%	–	100%	Manufacturing of prescription medicines
NT Pharma (Jiangsu) Investment Co., Ltd. （江蘇泰凌投資有限公司） (note (i))	PRC	RMB36,000,000	100%	–	100%	Investment holding
Suzhou Pharmaceutical Taizhou Co., Ltd. （蘇壹制藥泰州有限公司） (notes (i),(iii))	PRC	RMB50,000,000	100%	–	100%	Dormant

Notes:

(i) The English translation of the company names is for reference only. The official names of these entities are in Chinese.

(ii) Acquired on 16 October 2015.

(iii) Incorporated on 25 April 2016.

17. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Notes: (continued)

(iv) On 11 August 2015, the Group made an investment agreement with two independent third parties ("New Investors"), pursuant to which, the registered capital of Jiangsu NT Biopharma Co., Ltd (泰凌生物製藥江蘇有限公司) was increased from RMB100,000,000 to RMB112,359,550 and the New Investors contributed an aggregated sum of RMB50,000,000 in cash ("Invested Capital") for 11% equity interests in Jiangsu NT Biopharma Co., Ltd (泰凌生物製藥江蘇有限公司) in November 2015 which was credited as to approximately RMB37,640,000 in capital reserve and RMB12,360,000 in non-controlling interests in the equity.

According to the agreement, another wholly-owned indirect subsidiary of the Company shall transfer its intellectual property rights and trademarks of Xi Di Ke, with carrying amount of RMB31,318,000 (2015: RMB31,318,000) at 31 December 2016, to Jiangsu NT Biopharma Co., Ltd (泰凌生物製藥江蘇有限公司) at no consideration, and which transfer has not yet been completed as at 31 December 2016.

Based on the investment agreement, when the board of directors of Jiangsu NT Biopharma Co., Ltd (泰凌生物製藥江蘇有限公司) declares distribution of its profits, the New Investors shall be entitled, out of the declared profit of Jiangsu NT Biopharma Co., Ltd, (泰凌生物製藥江蘇有限公司), to a dividend at the higher of a preferred dividend calculated at 8% of the Invested Capital, or a dividend out of profit declared for distribution in accordance with their respective shareholdings in Jiangsu NT Biopharma Co., Ltd. (泰凌生物製藥江蘇有限公司). In addition, according to the terms of the agreement, the Group has undertaken to the New Investors that Jiangsu NT Biopharma Co., Ltd (泰凌生物製藥江蘇有限公司) shall submit application for an initial public offer listing in a recognized stock exchange in the PRC (the "IPO") before 31 December 2019 and obtain the approval from China Securities Regulatory Commission for the IPO before 31 December 2021 and failing which, the Group shall repurchase from the New Investors for their equity interests in Jiangsu NT Biopharma Co., Ltd (泰凌生物製藥江蘇有限公司) at the consideration to be determined at the higher of the fair value of their equity interests in Jiangsu NT Biopharma Co., Ltd (泰凌生物製藥江蘇有限公司) at the repurchase date and the Invested Capital plus a return calculated at the annual rate of 30% over the prevailing interest rates, to be announced by The Peoples' Bank of China from time to time, during the period up to the repurchase date. At 31 December 2016, the Company considered that the probability for exercising the repurchase option by the holders of the non-controlling interests of Jiangsu NT Biopharma Co., Ltd (泰凌生物製藥江蘇有限公司) to be low and accordingly, the fair value of the repurchase option was considered to be insignificant at the reporting period ends.

At 31 December 2016 and 2015, Jiangsu NT Biopharma Co., Ltd (泰凌生物製藥江蘇有限公司) has completed the construction of its new factory in the PRC which was not yet ready for its commercial production because the approval for the drug manufacturing permit had not yet been granted by the relevant competent government authorities. Jiangsu NT Biopharma Co., Ltd (泰凌生物製藥江蘇有限公司) has insignificant contribution to the Group's financial performance and cash flows for both years.

Subsequent to 31 December 2016 and on 2 March 2017, the GMP certificate for Xi Di Ke was granted by the CFDA.

Summarised financial information in respect of Jiangsu NT Biopharma Co., Ltd that has material non-controlling interest is set out below. The summarised financial information below represents amounts before intra-group elimination:

Jiangsu NT Biopharma Co., Ltd

	2016 RMB'000	2015 RMB'000
Non-current assets	139,495	112,360
Current assets	50,981	–
Current liabilities	(81,940)	–
Non-current liabilities	–	–
Net assets	108,536	112,360
Carrying amount of non-controlling interests	11,939	12,360
Revenue	–	–
Loss for the year	(3,831)	–

18. INTEREST IN AN ASSOCIATE

	2016 RMB'000	2015 RMB'000
At 1 January 2016		
Capital contribution	12,000	8,000
Share of post-acquisition loss	(31)	(8,000)
At 31 December 2016	11,969	–

(a) Details of Group's interest in associate at 31 December 2016, which is accounted for using equity method in the consolidated financial statements, are as follows:

			Proportion of ownership interest			
Name of company	Place of incorporation and business	Particulars of registered paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
泰州醫藥城盈泰醫藥有限公司（"盈泰醫藥"）	PRC	RMB100,000,000	40%	–	40%	Sales of prescription medicines and provision of consulting services

盈泰醫藥 is an unlisted corporate entity whose quoted market price is not available.

(b) On 18 September 2016, the Group entered into an investment agreement with an independent third party（泰州醫藥城盈商貿有限公司, New Investor), pursuant to which, the Group and New Investor agreed to establish a company, 泰州醫藥城盈泰醫藥有限公司, 盈泰醫藥）, which has registered capital of RMB100 million. The Group and the New Investor contributed RMB40 million and RMB60 million, respectively to 盈泰醫藥 in which the Group and New Investor own 40% and 60%, respectively. Since the Group has the power to appoint two directors out of five directors of the board of 盈泰醫藥, the Group can only exercise significant influence over its operating and financial activities and, accordingly, it is accounted for as an associate using the equity accounting method. The Group contributed RMB12 million to capital 盈泰醫藥 during the year, with the balance of RMB28 million to be disclosed as capital commitments as further detailed in note 32 to the financial statements.

18. INTEREST IN AN ASSOCIATE (CONTINUED)

(c) Summarised financial information of the associate, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, is disclosed below:

盈泰醫藥

	2016 RMB'000
Gross amounts of the associate's	
Non-current assets	–
Current assets	34,207
Non-current liabilities	–
Current liabilities	4,285
Total equity	29,922
Revenue	31,082
Loss for the year	77
Other comprehensive loss	–
Total comprehensive loss	77
Reconciliation to the Group's interest in the associate	
Gross amount of net assets of the associate	–
Group's share of net assets of the associate	–
Carrying amount in the consolidated financial statements	12,000
Aggregate amounts of the Group's share of the associate's	
Loss for the year	31
Other comprehensive loss	–
Total comprehensive loss	31

(d) On 31 October 2016, the Group's 40% interest in the associate, 上海鑫合, was disposed to an independent third party at a consideration of RMB40, after an arm's length of negotiations. The Group's interest in this associate had been reduced to zero as it had net liabilities positions at 31 December 2015 and at date of disposal.

19. INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2016 RMB'000	2015 RMB'000
Raw materials	18,837	13,567
Work in progress	4,309	585
Finished goods	143,916	160,682
	167,062	174,834

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2016 RMB'000	2015 RMB'000
Cost of inventories sold (note)	419,458	395,787
Write-down of inventory in normal course of business	2,032	432
	421,490	396,219

Note:

Cost of inventories sold includes RMB31,032,000 (2015: RMB33,214,000) relating to staff costs, depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately for each of these types of expenses in note 7(b) and (c) above, and raw materials of RMB1,853,000 (2015: RMB1,872,000).

20. TRADE AND OTHER RECEIVABLES

	2016 RMB'000	2015 RMB'000
Trade debtors and bills receivable	1,074,489	856,831
Less: Allowance for doubtful debts (note (b))	(612,957)	(620,008)
	461,532	236,823
Deposits, prepayments and other receivables (note (d))	133,376	69,637
	594,908	306,460

All of the trade and other receivables are expected to be recovered or recognised as expenses within one year.

20. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Ageing analysis

Ageing analysis of trade debtors and bills receivable (net of allowance for doubtful debts), based on the billing date of invoice, is as follows:

	2016 RMB'000	2015 RMB'000
Within 3 months	285,185	198,341
More than 3 months but within 6 months	73,295	6,707
More than 6 months but within 1 year	70,219	31,775
More than 1 year but within 2 years	32,833	–
	461,532	236,823

Ageing analysis of trade debtors and bills receivable (net of allowance for doubtful debts), based on payment due date, is as follows:

	2016 RMB'000	2015 RMB'000
Not past due	198,306	191,361
Less than 3 months past due	159,288	8,776
More than 3 months but less than 6 months past due	49,844	32,119
More than 6 months but less than 1 year past due	47,293	4,567
More than 1 year but less than 2 years past due	6,801	–
	461,532	236,823

Trade debtors are normally due within 60 to 180 days from the date of billing. All these trade debtors are related to non-vaccine business. Further details of the Group's credit policy are set out in note 31(a).

At 31 December 2016, included in the trade debtors and bills receivable (net of allowance for doubtful debts) were gross amounts of approximately RMB377,520,000 (2015: RMB98,647,000) receivable from two (2015: two) large state-owned pharmaceutical distributors in the PRC which have sound financial position and repayment records.

These non-vaccine receivables relate to a number of independent customers that have demonstrated a consistent track record of repayment with the Group. The Group does not hold any collateral over these non-vaccine related receivable balances. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been any significant change in their credit quality and the balances totalling approximately RMB461,532,000 (2015: RMB236,823,000) are still considered to be fully recoverable. The non-vaccine receivables that were past due but not impaired represent management's assessment of the recoverability of the individual balances based on information available and current circumstances.

20. TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Impairment of trade debtors

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	2016 RMB'000	2015 RMB'000
At 1 January	620,008	599,339
Impairment loss recognised during the year	20,222	29,072
Reversal of impairment	(27,273)	(8,403)
At 31 December	612,957	620,008
Analysis of allowance for impairment of trade debtors at 31 December:		
Vaccine*	566,332	568,703
Non-vaccine	46,625	51,305
	612,957	620,008

* The business of third-party vaccine and pharmaceuticals had been discontinued in 2015 and all the related trade receivables of RMB566,332,000 (2015: RMB568,703,000) had been fully impaired at both reporting period ends.

Impairment losses in respect of trade debtors and bills receivable was recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors and bills receivable directly (note 2(l)(i)).

As at 31 December 2016, the Group performed an individual credit evaluation on all vaccine debtors. These evaluations considered the debtor's background, financial strengths, repayment status during and after 2016, and other specific circumstances with the debtors. As a result of the evaluation exercise based on the information available and current circumstances at 31 December 2016, the Group recorded impairment provision of RMB566,332,000 (2015: RMB568,703,000) against the gross receivables balance from customers of the vaccine business which were overdue for more than one year and brought forward from previous years, and a reversal of impairment of RMB2,371,000 (2015: RMB8,403,000), which was settled in the current year, was credited to the consolidated income statement for the year ended 31 December 2016. In respect of non-vaccine business related trade receivables, allowance for doubtful debts of RMB46,625,000 (2015: RMB51,305,000) was recognised against the gross receivable balance of RMB508,157,000 (2015: RMB288,128,000) as at 31 December 2016, resulting in a reversal of impairment of non-vaccine trade receivables of RMB24,902,000 (2015:Nil) which was settled during the year ended 31 December 2016.

As at 31 December 2016, the Group's trade debtors and bills receivable of RMB612,957,000 (2015: RMB620,008,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowance for doubtful debts of RMB20,222,000 (2015: RMB29,072,000) was recognised and charged to the consolidated income statement for the year ended 31 December 2016.

20. TRADE AND OTHER RECEIVABLES (CONTINUED)

(c) Trade debtors and bills receivable that are not impaired

The ageing analysis of trade debtors and bills receivable that are neither individually nor collectively considered to be impaired are as follows:

	2016 RMB'000	2015 RMB'000
Neither past due nor impaired	198,306	191,361
Less than 3 months past due	81,489	6,406
More than 3 months but less than 6 months past due	49,717	5,211
More than 6 months past due	52,000	6,481
	183,206	18,098
	381,512	209,459

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default. Receivables that were past due but not impaired included balances of RMB183,206,000 (2015: RMB18,098,000) in respect of non-vaccine business.

(d) Deposits, prepayments and other receivables

	2016 RMB'000	2015 RMB'000
VAT recoverable	60,980	46,916
Other receivables, net of allowance for impairment loss (note (i) below)	10,118	9,705
Prepayments	21,636	6,147
Prepayments for purchase of goods (note (ii) below)	30,226	–
Advances paid to suppliers	5,277	5,066
Rental and other deposits	5,139	1,803
	133,376	69,637

20. TRADE AND OTHER RECEIVABLES (CONTINUED)

(d) Deposits, prepayments and other receivables (continued)

Notes:

(i) At the reporting period end, allowance for impairment loss on other receivables amounted to RMB36,818,000 (2015: RMB36,277,000) and impairment of RMB541,000 (2015: RMB20,828,000) was charged to profit or loss for the year. In last year, a reversal of previous years provision for impairment was credited to last year profit or loss as the amount was received.

(ii) In late December 2016, a supplier of pharmaceutical goods and the Group entered into a supplemental agreement pursuant to which the supplier agreed to grant a special trade discount for certain goods purchased by the Group, for which the costs of the purchased goods had been fully paid by the Group before entering into this agreement. The amount of approximately RMB30,226,000 (2015: Nil) receivable from the supplier under this agreement will be used for settling the purchase of the pharmaceutical goods from the supplier in the coming year. Management of the Group considered that this amount receivable from the supplier can be fully recoverable and no provision was considered necessary.

21. PLEDGED BANK DEPOSITS

Bank deposits of the Group of RMB133,000,000 (2015: RMB23,389,000) were pledged to banks to secure certain bank borrowings (note 24) and bank acceptance bills amounting to RMB40,000,000 (2015: RMB7,840,000) (note 23) as at 31 December 2016.

22. CASH AT BANKS AND IN HAND

	2016 RMB'000	2015 RMB'000
Cash at banks and in hand	89,624	327,995

As at 31 December 2016, the Group's cash and bank balances placed with banks in the PRC amounted to RMB72,480,000 (2015: RMB138,572,000). Remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

23. TRADE AND OTHER PAYABLES

	2016 RMB'000	2015 RMB'000
Trade creditors	24,628	15,338
Bills payable (note (a))	40,000	7,840
Total trade creditors and bills payable (note (b))	64,628	23,178
Receipts in advance from customers	7,914	9,859
Accrued promotional expenses	81,953	61,318
Accrued staff costs	2,191	9,677
Considerations payable (note 25)	188,156	35,285
Other payables and accruals	104,185	76,379
	449,027	215,696

All of the trade and other payables are expected to be settled within one year or are repayable on demand.

23. TRADE AND OTHER PAYABLES (CONTINUED)

Notes:

(a) As at 31 December 2016, bills payable of RMB40,000,000 was secured by the bank deposits of RMB20,000,000. At 31 December 2015, none of bills payable were secured by the bank deposits.

(b) Ageing analysis of trade creditors and bills payable based on the billing date of invoices is as follows:

	2016 RMB'000	2015 RMB'000
Within 3 months	56,738	18,031
More than 3 months but within 6 months	2,816	3,592
More than 6 months but within 1 year	2,011	135
More than 1 year	3,063	1,420
	64,628	23,178

24. BANK AND OTHER BORROWINGS

Details of bank and other borrowings are as follows:

	2016 RMB'000	2015 RMB'000
Bank borrowings	703,466	141,170
Other borrowings	188,983	–
	892,449	141,170
Secured	803,466	141,170
Unsecured	88,983	–
	892,449	141,170

24. BANK AND OTHER BORROWINGS (CONTINUED)

	2016 RMB'000	2015 RMB'000
Carrying amount payable:		
– Within one year	497,596	130,810
– After one but within two years	155,565	836
– After two but within five years	232,958	2,685
– Over five years	6,330	6,839
Total borrowings	892,449	141,170
Less: Current loans portion of borrowings due for repayment within one year	(497,596)	(130,810)
Non-current portion of borrowings subject to immediate demand repayment clause	(394,853)	(10,360)
Non-current borrowings	–	–

(i) Certain of the Group's bank borrowings facilities are subject to the fulfillment of covenants as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become payable immediately. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 31(b). During the year end at 31 December 2016, and up to date of approval for the consolidated financial statements, there had been no breach of covenants.

(ii) As at 31 December 2016, the Group had banking and other borrowings of RMB1,041,487,000 (2015: RMB310,000,000), which were utilised to the extent of RMB892,449,000 (2015: RMB141,170,000). The banking and other borrowings facilities were secured by certain assets of the Group as set out below:

	2016 RMB'000	2015 RMB'000
Fixed assets	89,792	24,035
Investment property	42,131	–
Pledged bank deposits	113,000	–
	244,923	24,035

(iii) At 31 December 2016, other borrowing of RMB88,983,000 (2015: Nil) was guaranteed by two executive directors of the Company, Mr. Ng Tit and Ms. Chin Yu, and corporate guarantees provided by the Company and a subsidiary. The fair value for these guarantees were considered to be insignificant as the probability for the default was remote.

25. CONSIDERATIONS PAYABLE

These represented the balances payable for the acquisition of the intellectual property rights and distribution rights relating to Miacalcic Injection and Songzhi Wan.

Details of considerations payable are as follows:

	2016 RMB'000	2015 RMB'000
Miacalcic Injection (note 15(a))	318,522	–
Songzhi Wan (note 33)	25,772	35,285
Total considerations payable	344,294	35,285
Less: Portion classified under current liabilities (note 23)	(188,156)	(35,285)
Non-current portion	156,138	–

26. UNSECURED DEBENTURE

(a) In May 2014, the Group's PRC subsidiary, Suzhou First Pharma issued a RMB120,000,000 non-publicly traded debenture, which was regulated and approved by the Shanghai Stock Exchange, to a qualified institutional investor. The debenture of RMB120,000,000 with a maturity period of two years from 23 May 2014 to 22 May 2016. The debenture carried a fixed annual interest rate of 8.5% per annum and was fully repaid on 19 May 2016.

(b) In February 2013, the Group's PRC subsidiary, NT Pharma (Jiangsu) Co., Ltd., issued a RMB300,000,000 local SME Private Debt, which was regulated and approved by Shanghai Stock Exchange. The coupon interest rate of the debt is 9.5% per annum. The debt had a maturity period of three years with the debt holder having an option to redeem the debt at face value after two years. The debt was guaranteed by a company controlled by a municipal government in the PRC and was fully repaid on 28 January 2015.

The movements of the liability and derivatives components of the unsecured debenture during the year are set out below:

	Embedded derivatives at fair value through profit or loss RMB'000	Liability component at amortised cost basis RMB'000	Total RMB'000
At 1 January 2015	3,310	320,671	323,981
Repayment of interest	–	(28,500)	(28,500)
Interest charged to profit or loss	–	2,651	2,651
Loss on redemption	–	1,868	1,868
Redemption	(3,310)	(296,690)	(300,000)
At 31 December 2015	–	–	–

27. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2016 RMB'000	2015 RMB'000
Provision for Hong Kong Profits Tax	2,417	2,417
Provision for PRC income tax	23,686	16,307
	26,103	18,724

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Revaluation of assets arising from acquisition of business RMB'000	Provisions for asset impairment RMB'000	Total RMB'000
At 1 January 2015	(616)	96,083	95,467
Credited/(charged) to profit or loss	616	(8,338)	(7,722)
At 31 December 2015	–	87,745	87,745
At 1 January 2016	–	87,745	87,745
Charged to profit or loss (note below)	–	(30,000)	(30,000)
At 31 December 2016	–	57,745	57,745

Note: The effects of reversal of the temporary differences for deferred tax assets of approximately RMB30,000,000 (2015:RMB8,338,000) arose mainly from internal restructuring of the business of relevant subsidiaries within the Group which contributed to a decrease in expected future taxable profits of these subsidiaries against which the deductible temporary differences, which were previously recognised as deferred tax assets, in respect of the provision for impairment of trade receivables will be utilised in the future.

At the end of the both reporting periods, the recognised deferred tax assets were related mainly to the temporary differences arising form provision for impairment of the trade and other receivables made in the previous years.

27. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(b) Deferred tax assets and liabilities recognised: (continued)

Reconciliation to the consolidated statement of financial position

	2016 RMB'000	2015 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	57,745	87,745
Net deferred tax liabilities recognised in the consolidated statement of financial position	–	–
	57,745	87,745

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 2(s), the Group did not recognise deferred tax assets in respect of unused tax losses of certain subsidiaries amounting to RMB1,423,198,000 (2015: RMB1,290,716,000) and other temporary differences amounting to RMB516,298,000 (2015: RMB520,776,000) as at 31 December 2016. The directors consider it is not probable that future taxable profits will be available to utilise these deferred tax assets. The tax losses will expire in following years:

	2016 RMB'000	2015 RMB'000
2016	–	14,561
2017	572,719	572,719
2018	480,016	480,016
2019	45,007	105,975
2020	67,112	117,445
2021	147,043	–
	1,311,897	1,290,716

(d) Deferred tax liabilities not recognised

No deferred tax liabilities in respect of undistributed profits of PRC subsidiaries have been provided as the Group controls the dividend policy of these subsidiaries and has no plans to distribute profits that are subject to PRC dividend withholding tax in the foreseeable future.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC.

As at 31 December 2016, the aggregate amounts of undistributed profits of the Group's PRC subsidiaries in respect of which the Group did not provide for dividend withholding tax were approximately RMB195,822,000 (2015: RMB163,571,000).

28. EQUITY-SETTLED SHARE-BASED TRANSACTIONS

Share option schemes

NT Pharma Holdings Company Limited ("NT Holdings") operated a share option scheme which was adopted on 18 September 2009 ("2009 Share Option Scheme"). Under the scheme, certain employees of the Group may be granted share options to acquire the shares in NT Holdings. The options vest after one to three years from the date of grant and are exercisable within ten years after the date of grant. Each option gives the holder the right to subscribe for one ordinary share in NT Holdings.

On 7 April 2011, the directors of NT Holdings terminated the 2009 Share Option Scheme and the directors of the Company adopted the Pre-IPO Share Option Scheme under which each option gives the holder the right to subscribe for one ordinary share in the Company. Under the Pre-IPO Share Option Scheme, each grantee of options under the 2009 Share Option Scheme exchanged his/her options under the 2009 Share Option Scheme for options under the Pre-IPO Share Option Scheme on a 2 for 1 basis. The exercise price payable by the grantees for each option granted under the Pre-IPO Share Option Scheme is double the exercise price payable by the grantees for their respective options granted under the 2009 Share Option Scheme (save for those options which have an exercise price of 70% of the price at which the Company offered its shares for subscription in the public offering on 20 April 2011 (the "Offer Price")). All other terms of the Pre-IPO Share Option Scheme are identical to the 2009 Share Option Scheme. The exchange of the share options was considered a modification to the 2009 Share Option Scheme. As the modification did not result in a material change in the value of the outstanding options at the date of modification, the modification had no impact on the profit or loss of the Group for the year ended 31 December 2011.

The Company adopted a share award scheme (the "Share Award Scheme") on 11 January 2012 which was subsequently terminated on 6 March 2014.

A new share option scheme was approved and adopted by the shareholders of the Company pursuant to an ordinary resolution passed on 22 September 2014 ("2014 Share Option Scheme"). The 2014 Share Option Scheme was set up for the purpose to provide rewards and incentives to eligible participants for their contribution to the Group. The exercise price is to be determined by the Board and shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of grant of such a share option; (ii) the average closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding to the day of offer of such a share option; and (c) the nominal value of the Shares. A nominal consideration of HK$1 is payable on acceptance of the share option within 21 days from the date of making such offer.

The maximum number of shares in respect of which options may be granted under the 2014 Share Option Scheme and any other share option schemes of the Company may not exceed 10% of the issued share capital of the Company at the date of approval of the 2014 Share Option Scheme. The options under the 2014 Share Option Scheme vest after one to three years from the date of grant are exercisable for a period of ten years following the date of grant.

During the year ended 31 December 2016, no share option (2015: 18,200,000) was granted to employees and consultants (as quasi-employees) under the 2014 Share Option Scheme. Each share option entitles the holder to subscribe for one share of US$0.00000008 of the Company at an exercise price of HK$Nil (2015: HK$1.23).

(Expressed in Renminbi unless otherwise indicated)

28. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

Share option schemes (continued)

(a) The terms and conditions of the grants (after modification)

Date	Number of options	Vesting conditions	Exercise period
Options granted to directors:			
– 1 March 2010	2,400,000	Exercisable in 3 equal tranches from 1 March each year from 2011 to 2013	On or prior to 28 February 2020
– 1 July 2010	3,227,325	Exercisable in 3 equal tranches from 1 July each year from 2011 to 2013	On or prior to 30 June 2020
– 15 January 2015	8,000,000	Vesting of the options is conditional upon the performance of the participant. Options granted are vested in 3 equal tranches from 1 January each year from 2016 to 2018	On or prior to 14 January 2025
	13,627,325		
Options granted to employees:			
– 18 September 2009	29,003,915	Exercisable in 3 equal tranches from 18 September each year from 2010 to 2012	On or prior to 17 September 2019
– 28 January 2010	11,373,966	Exercisable in 3 equal tranches from 28 January 2010 to 2012	On or prior to 27 January 2020
– 1 March 2010	100,000	Exercisable in 3 equal tranches from 1 March each year from 2010 to 2012	On or prior to 28 February 2020
– 1 July 2010	1,522,675	Exercisable in 3 equal tranches from 1 July each year from 2010 to 2012	On or prior to 30 June 2020
– 1 September 2010	800,000	Exercisable in 3 equal tranches from 1 September each year from 2010 to 2012	On or prior to 31 August 2020
– 1 November 2010	1,000,000	Exercisable in 3 equal tranches from 1 November each year from 2010 to 2012	On or prior to 31 October 2020
– 17 December 2010	600,000	Exercisable in 3 equal tranches from 17 December each year from 2010 to 2012	On or prior to 16 December 2020
– 10 November 2014	487,500	Immediate from the date of grant	On or prior to 9 November 2024
– 10 November 2014	1,462,500	Exercisable in 3 equal tranches from 10 November each year from 2015 to 2017	On or prior to 9 November 2024
– 10 November 2014	850,000	Vesting of the options is conditional upon the performance of the participants. Options granted are vested in 3 equal tranches from 10 November each year from 2015 to 2017	On or prior to 9 November 2024
– 15 January 2015	1,200,000	Vesting of the option is conditional upon the performance of the participants	On or prior to 9 November 2024
	48,400,556		
Options granted to consultants: (as quasi-employees)			
–15 January 2015	9,000,000	Vesting of the option is conditional upon the performance of the participant	On or prior to 14 January 2025
	71,027,881		

(Expressed in Renminbi unless otherwise indicated)

28. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(b) The number and weighted average exercise prices of share options

	2016		2015	
	Weighted average exercise price	Weighted Number of options	Weighted average exercise price	Weighted Number of options
Outstanding at the beginning of the year	US$0.17	28,826,384	US$0.18	11,624,724
Exercised during the year	US$0.16	(250,000)	–	–
Forfeited during the year				
– Unvested	–	–	US$0.18	–
– Vested	–	–	US$0.18	(998,340)
Granted during the year	–	–	US$0.16	18,200,000
Outstanding at the end of the year	US$0.17	28,576,384	US$0.17	28,826,384
Exercisable at the end of the year	US$0.17	24,565,740	US$0.17	24,815,740

The share options outstanding at 31 December 2016 under the 2009 Share option Scheme and 2014 Share Option Scheme had exercise price of US$0.20 (2015: US$0.20) and ranged from US$0.16 to US$0.20 (2015: ranged from US$0.16 to US$0.20), respectively and weighted average remaining contractual life of 3 years (2015: 4 years) and 7.5 years (2015: 8.5 years), respectively.

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options. The estimate of the fair value of the share options granted is measured based on a Binomial lattice model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the Binomial lattice model.

Fair value of share options and assumptions	Options granted on 18 September 2009	Options granted on 28 January 2010	Options granted on 1 March 2010	Options granted on 1 July 2010	Options granted on 1 September 2010	Options granted on 1 November 2010	Options granted on 17 December 2010	Options granted on 10 November 2014	Options granted on 15 January 2015
Fair value at measurement date	US$0.14	US$0.16	US$0.14	US$0.22	US$0.22	US$0.16	US$0.18	HK$0.87	HK$0.67
Share price	US$0.24	US$0.28	US$0.24	US$0.34	US$0.34	US$0.34	US$0.34	HK$1.24	HK$1.20
Exercise price	US$0.20	US$0.20	US$0.20	US$0.20	US$0.20	US$0.20	HK$3.18 (70% of the Offer Price)	HK$1.25	HK$1.23
Expected volatility	58.46%	58.23%	58.00%	59.51%	58.94%	53.10%	57.19%	61.66%	74.90%
Option life	10 years	10 years	10 years	10 years	10 years	10 years	10 years	10 years	10 years
Expected dividend yield	0%	0%	0%	0%	0%	0%	0%	0%	0%
Risk-free interest rate	4.297%	4.378%	4.293%	4.072%	3.415%	3.241%	3.858%	1.83%	1.49%

28. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(c) Fair value of share options and assumptions (continued)

The expected volatility is based on the historical volatility of listed companies in similar industries (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share options granted.

The Group recognised the total expense of RMB2,625,000 (2015: RMB7,441,000) in the profit or loss during the year in relation of share options granted by the Company.

(d) Share award scheme

The Company's share award scheme was adopted on 4 September 2015 for the purchase of rewarding and directors and employees of the Company and its subsidiaries (the "eligible employees") with the shares of the Company. Pursuant to the share award scheme, existing shares of the Company will be purchased by the trustee from the market out of cash contributed by the Group and be held in trust for the eligible employees until such shares are vested with the eligible employees in accordance with the provisions of the share award scheme. The shares of the Company granted under the scheme and held by the trustee until vesting are referred to as the reward share units and each reward share unit shall represent one ordinary share of the Company.

As at 31 December 2016, the trustee held 9,981,000 shares (2015: 7,051,500 shares) of the Company at a total cost (including related transaction costs) of RMB16,808,000 (2015: RMB11,304,000), with purchase of 2,929,500 shares (2015: 7,071,500 shares) of the Company at cost of RMB5,504,000 (2015: RMB11,304,000) during the year. No shares had been awarded to eligible employees as at 31 December 2016 and 2015 under the share award scheme, which had been deducted from the equity.

29. FINANCIAL INSTRUMENTS BY CATEGORIES

	2016 RMB'000	2015 RMB'000
Financial assets		
Trade and other receivables	466,671	238,626
Pledged bank deposits	133,000	23,389
Cash and cash equivalents	89,624	327,995
	689,295	590,010
Financial liabilities		
At amortised cost:		
Trade and other payables (including considerations payable, note 25)	605,165	215,696
Bank and other borrowings	892,449	141,170
Liability component of unsecured debenture	–	120,000
	1,497,614	476,866

30. CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Share capital RMB'000 (Note 30(c))	Share premium RMB'000 (Note 30(d)(i))	Exchange reserve RMB'000 (Note 30(d)(ii))	Other reserve RMB'000 (Note 30(d)(v))	Capital reserve RMB'000 (Note 30(d)(vi))	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2015	1	933,872	(33,843)	383,379	9,635	(1,151,555)	141,489
Changes in equity for 2015:							
Loss for the year	–	–	–	–	–	(12,129)	(12,129)
Other comprehensive income							
Exchange differences on translation	–	–	40,127	–	–	–	40,127
Total comprehensive income	–	–	40,127	–	–	(12,129)	27,998
Issue of shares, net of issuing expenses (note 30(c)(iii), (iv))	–	553,248	–	–	–	–	553,248
Equity-settled share-based transactions	–	–	–	–	7,441	–	7,441
Shares purchase for share award scheme	–	–	–	–	(11,304)	–	(11,304)
Forfeiture of share options	–	–	–	–	(5,148)	5,148	–
Balance at 31 December 2015 and 1 January 2016	1	1,487,120	6,284	383,379	624	(1,158,536)	718,872
Changes in equity for 2016:							
Profit for the year	–	–	–	–	–	114,770	114,770
Other comprehensive income							
Exchange differences on translation	–	–	47,574	–	–	–	47,574
Total comprehensive income	–	–	47,574	–	–	114,770	162,344
Dividend paid	–	–	–	(13,249)	–	–	(13,249)
Share options exercised (note 30(c)(v))	–	441	–	–	(171)	–	270
Equity-settled share-based transactions	–	–	–	–	2,625	–	2,625
Shares purchase for share award scheme	–	–	–	–	(5,504)	–	(5,504)
Balance at 31 December 2016	1	1,487,561	53,858	370,130	(2,426)	(1,043,766)	865,358

30. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Dividend

A dividend after the end of the reporting period of HK$0.025 per ordinary share (2015: HK$0.01), totaling approximately HK$38,956,000 (2015: HK$15,580,000) was proposed. The dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(c) Share capital

A summary of movements in the Company's issued share capital during the years ended 31 December 2016 and 2015 are as follows:

	2016		2015	
	No of shares '000	RMB'000	No of shares '000	RMB'000
Ordinary shares, issued and fully paid:				
At 1 January	1,557,998	1	1,081,957	1
Issue of shares (note c (iii) & (iv))	–	–	476,041	–
Shares issued upon exercise of share options (note c (v))	250	–	–	–
	1,558,248	1	1,557,998	1

Notes:

(i) The Company was incorporated on 1 March 2010 with an authorised share capital of US$50,100 divided into 626,250,000,000 shares of US$0.00000008 each and one share was issued at par upon incorporation.

(ii) The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(iii) On 14 January 2015, the Company issued 216,391,300 shares with a nominal value of US$0.00000008, at a price of HK$1.050 per share. Net proceeds from share issue after deduction issuing expenses, amounted to RMB176,188,000.

(iv) On 1 July 2015, the Company issued 259,650,000 shares with a nominal value of US$0.00000008, at a price of HK$1.860 per share. Net proceeds from share issue after deduction issuing expenses, amounted to RMB377,060,000.

(v) During the year ended 31 December 2016, share options to subscribe for 250,000 shares were exercised, for which RMB0.14 was credited to share capital and the balance of RMB441,000 was credited to the share premium account.

30. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves

(i) Share premium

The share premium represents the difference between the nominal value of the shares of the Company and proceeds received from the issuance of shares of the Company. Under the Companies Law of the Cayman Islands, the share premium account of the Company is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company would be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of non-PRC entities. The reserve is dealt with in accordance with the accounting policy set out in note 2(v).

(iii) Statutory reserve

Pursuant to applicable PRC regulations, all PRC subsidiaries of the Group are required to appropriate 10% of their after-tax profit (after offsetting prior year losses) to the statutory reserve until such reserve reaches 50% of the registered capital of each relevant PRC subsidiary. The transfer to the statutory reserve must be made before distribution of dividends to shareholders. The statutory reserve fund can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase the registered capital of the subsidiary.

(iv) Merger reserve

The merger reserve represents the difference between the net assets of the subsidiaries acquired in 2005, which were under common control of the Controlling Shareholders, and the cash consideration paid.

(v) Other reserve

The Company's other reserve represented the contributed surplus that arose from the transfer of the entire equity interest in NT Group from NT Holdings to the Company and acquisition of non-controlling interests in Suzhou First Pharma.

The Group's other reserve arose from the capitalisation of the amount due to NT Holdings as a result of the reorganisation and represented the difference between the amount due to NT Holdings of RMB383,380,000 and the nominal value of the shares of the Company issued in exchange thereof.

(vi) Capital reserve

The capital reserve represents the portion of the grant date fair value of unexercised share options granted to employees of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments as set out in note 2(r)(ii).

(vii) Property revaluation reserve

Property revaluation reserve represented the difference between the carrying amount and the fair value of certain land and building at the date of transfer from leasehold land, property, plant and equipment to investment property.

30. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(e) Distributability of reserves

At 31 December 2016, the aggregate amount of reserves available for distribution to the equity holders of the Company was RMB813,925,000 (2015: RMB711,963,000), being the net amount of share premium, other reserve and accumulated losses.

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors capital with reference to its debt-to-assets ratio. The Group's strategy is to maintain the equity and debt in a balanced position and ensure there is adequate working capital to service its debt obligations. The Group's debt-to-assets ratio, being the Group's total interest-bearing borrowings over its total assets, at 31 December 2016 and 2015 was 34.8% and 18.7% respectively.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

31. FINANCIAL RISK MANAGEMENT

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables, and bank deposits. Management has a credit policy in place and the exposures to credit risk are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 60 to 180 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from non-vaccine and vaccine related trade and other receivables are set out in note 20.

At 31 December 2016, the Group had a certain concentration of credit risk as 47% (2015: 40%) of the total trade receivables were due from the Group's largest customer, and 87% (2015: 57%) of the total trade receivables were due from the Group's five largest customers.

The Group mitigates its exposure to credit risk by placing deposits with financial institutions with established credit rating. Given the high credit ratings of the banks, management does not expect any counterparty to fail to meet its obligations.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position.

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, if any, to ensure that it maintains sufficient reserves of cash and adequate committed line of funding from major financial institutions to meet its liquidity requirements in the short and long term.

All non-interest bearing financial liabilities of the Group are carried at amounts not materially different from their contractual undiscounted cash flow as these financial liabilities are with maturities within one year or repayable on demand at the end of the reporting period. Bank and other borrowings are repayable within 1~2 years from the end of reporting period.

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

The following table sets out the remaining contractual maturities at the end of reporting period of the Group's bank and other borrowings, bank accepted bills, trade and other payables, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on current prevailing rates at the end of reporting period) and the earliest date of the Group would be required to repay.

	2016				
	Scheduled undiscounted cash outflow				
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 3 years RMB'000	Total RMB'000	Carrying amount as at 31 December RMB'000
Bank and other borrowings (Note 24)	918,797	–	–	918,797	892,449
Trade and other payables (excluding current portion of considerations payable (Note 25))	260,871	–	–	260,871	260,871
Considerations payable (Note 25)	188,156	156,138	–	344,294	344,294
Total	1,367,824	156,138	–	1,523,962	1,497,614

	2015				
	Scheduled undiscounted cash outflow				
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 3 years RMB'000	Total RMB'000	Carrying amount as at 31 December RMB'000
Bank borrowings (Note 24)	144,774	–	–	144,774	141,170
Unsecured debentures (Note 26(a))	124,024	–	–	124,024	120,000
Trade and other payables (Note 23)	215,696	–	–	215,696	215,696
Total	484,494	–	–	484,494	476,866

Management believes that the Group's current cash on hand, expected cash flows from operations and available standby credit facilities from financial institutions will be sufficient to meet the Group's working capital requirements and repay its borrowings and obligations in the near future when they become due.

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank deposits, bank and other borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk. The Group does not use financial derivatives to hedge against the interest rate risk. The Group's interest rate profile as monitored by management is set out below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's net interest bearing liabilities (being interest-bearing financial liabilities less pledged bank deposits and cash at banks) at the end of the reporting period:

	2016		2015	
	Effective interest rate	Amount RMB'000	Effective interest rate	Amount RMB'000
Fixed rate instruments:				
Bank and other borrowings (Note 24)	4.30% to 8.00%	471,983	4.79%-7.20%	130,000
Unsecured debenture (Note 26(a))	–	–	8.50%	120,000
		471,983		250,000
Less: Pledged bank deposits (Note 21)	2.10%	(133,000)	2.10% to 3.00%	(23,389)
Cash at banks (Note 22)	–	–	0.30% to 3.30%	(176,563)
		338,983		50,048
Variable rate instruments:				
Bank borrowings (Note 24)	1.37% to 3.46%	420,466	3.47%	11,170
Less: Cash at banks (Note 22)	0.01% to 1.26%	(89,624)	0.01% to 1.15%	(151,426)
		330,842		(140,256)
Total net interest-bearing borrowings (assets)		669,825		(90,208)

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Interest rate risk (continued)

(ii) Sensitivity analysis

At 31 December 2016, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after taxation and increased/decreased in accumulated losses by approximately RMB5,024,000 (2015: decreased/increased profit after taxation and accumulated losses by approximately RMB1,410,000).

The sensitivity analysis above indicates the annualised impact on the Group's interest expense that would arise assuming that the change in interest rates had occurred at the end of reporting period and had been applied to floating rate instruments which expose the Group to cash flow interest rate risk at that date. The analysis does not take into account exposure to fair value interest rate risk arising from fixed rate instruments as the Group does not hold any fixed rate instruments which are measured at fair value. This analysis has been performed on the same basis for 2015.

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases that are denominated in a foreign currency i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States dollars ("USD"), Pounds Sterling ("GBP") and Hong Kong dollars ("HKD"). In addition, certain bank loans are also denominated in USD and HKD. At present, the Group has no hedging policy with respect to its foreign exchange exposure.

(i) Exposure to currency risk

The following table details the Group's and the Company's major exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of non-PRC group entities into the Group's presentation currency are excluded.

	Exposure to foreign currencies (expressed in Renminbi)			
	2016		2015	
	USD RMB'000	HKD RMB'000	USD RMB'000	HKD RMB'000
Trade and other receivables	26,266	1,888	–	749
Cash at banks and in hand	15,988	1,092	175	11,389
Trade and other payables (including consideration payable for Miacalcic Injection)	(322,860)	(2,856)	–	(1,595)
Bank and other borrowings	(298,361)	(211,088)	–	(11,170)
	(578,967)	(210,964)	175	(627)

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Currency risk (continued)

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit or loss after taxation and accumulated losses that would have arisen if foreign exchange rates to which the Group has significant exposure at the end of reporting period had changed at that date, assuming all other risk variables remained constant.

	2016			2015		
	Increase/ (decrease) in foreign exchange rates	(Decrease)/ increase in profit after taxation RMB'000	Increase/ (decrease) in accumulated losses RMB'000	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit after taxation RMB'000	(Decrease)/ increase in accumulated losses RMB'000
USD	5%	(24,172)	24,172	5%	6	6
	(5%)	24,172	(24,172)	(5%)	(6)	(6)
HKD	5%	(8,808)	8,808	5%	23	23
	(5%)	8,808	(8,808)	(5%)	(23)	(23)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the group entities' profit or loss after taxation measured in the respective functional currencies, translated into Renminbi at the exchange rates ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to remeasure those financial instruments held by the Group which expose the Group to currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of non-PRC incorporated subsidiaries into the Group's presentation currency. The analysis has been performed on the same basis for 2015.

The Company has no material foreign currency risk exposure.

32. COMMITMENTS

(a) Capital commitments outstanding at 31 December 2016 not provided for in the consolidated financial statements were as follows:

	2016 RMB'000	2015 RMB'000
Contracted but not provided for		
– intangible assets: Miacalcic Nasal Spray (Note 15(a)(i))	450,905	–
– property, plant and equipment	474	198
– investment in an associate (Note 18(b))	28,000	–
– intangible assets: computer software	2,300	–
	481,679	198

32. COMMITMENTS (CONTINUED)

(b) At 31 December 2016, the Group had total future minimum lease payments under non-cancellable operating leases payable as follows:

	2016 RMB'000	2015 RMB'000
Within 1 year	14,001	5,525
After 1 year but within 5 years	29,963	3,376
Over 5 years	313	–
	44,277	8,901

The Group is the lessee in respect of a number of properties held under operating leases. The leases typically run for an initial period of one to three years. None of the leases includes contingent rentals.

33. PURCHASE OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY – 2015

On 8 August 2015, the Group entered into two agreements with independent third parties from whom the Group shall acquire 65% and 35% equity interest in Hunan Kexing Jimeng Pharmaceutical Co., Ltd ("Kexing") at the consideration of RMB17,741,000 and RMB45,000,000, respectively. Pursuant to the two agreements, the Group shall also settle liabilities of Kexing of RMB45,796,000, which included a shareholder loan of RMB32,259,000 payable to one of the vendors and a debt of RMB13,537,000 payable to a bank. Kexing's main asset is the patent to a new drug called Songzhi Wan "松栀丸". The purpose of acquisition of Kexing was to enrich the Group's proprietary drug portfolio.

On 16 October 2015, the transfer of 65% equity interest in Kexing to the Group was completed and the Group settled the related consideration of RMB17,741,000. During the year, the Group had settled the specified liabilities of Kexing amounted to RMB45,796,000 stipulated under the agreements. At 31 December 2015, the transfer of 35% equity interest in Kexing was not yet completed. Subsequent to 31 December 2015 and on 6 January 2016, a further 17% equity interest in Kexing was transferred to the Group by a vendor to which the Group made a partial payment of RMB9,714,000 in September 2015. The acquisition had been accounted for as an acquisition of assets because, at the date of acquisition, the acquisition did not meet the definition of a business combination. Kexing has not yet commenced commercial production at the date of acquisition. Kexing had obtained the renewed valid drug manufacturing permit from the relevant authorities since 31 December 2015.

33. PURCHASE OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY – 2015 (CONTINUED)

The assets acquired and liabilities assumed at the date of acquisition were as follows:

	2015 RMB'000
Net assets acquired	
Property, plant and equipment	10,703
Land use rights	5,974
Intangible assets	92,883
Amount due to a shareholder, specified under one of the agreements	(32,259)
Debt payable to a bank, specified debt under one of the agreements	(13,537)
Other payables	(1,023)
	62,741
Total consideration:	
Cash consideration paid to vendors in 2015	27,456
Consideration payable to non-controlling interests at 31 December 2015 (Note 25)	35,285
	62,741

	2015 RMB'000
Analysis of net cash outflows for acquisition of a subsidiary:	
Cash consideration paid to vendors	27,456
Settlement of Kexing's liabilities	
Amount due to a former shareholder of Kexing	32,259
Debt payable to a bank	13,537
	73,252

The fair value of the property, plant and equipment, land use rights and intangible assets of Kexing were RMB15,584,000, RMB8,700,000 and RMB111,451,000, respectively, at 16 October 2015 with reference to the valuation report dated 16 March 2016 issued by an independent professional valuer, Roma Appraisals Limited. The directors of the Company considered that there was no material difference in the fair value for these assets between the valuation date and 31 December 2015.

34. DISPOSAL OF A SUBSIDIARY – 2016

During the year ended 31 December 2016, the Group disposed of the entire equity interest in Shanghai Tai Ling Enterprise Management Consulting Co., Ltd ("Tai Ling") for a cash consideration of RMB500,000 to two independent third parties.

The net assets of Tai Ling at the date of disposal were as follows:

	2016 RMB'000
Other receivables	3,939
Cash and bank balances	65
Other payables	–
Net assets disposed of	4,004
Consideration receivable	(500)
Loss on disposal of a subsidiary	(3,504)
Net cash outflow arising on disposal:	
Cash and bank balances disposed of	(65)
Consideration receivable	500
Net cash inflow on disposal of a subsidiary	435

Tai Ling had insignificant contribution to the Group's results and cash flows in the current and prior periods.

35. MATERIAL RELATED PARTY TRANSACTIONS

During the year ended 31 December 2016, except those disclosed elsewhere in the consolidated financial statements, transactions with the following parties were considered to be related party transactions in the normal ordinary course of business of the Group:

Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 9 and certain of the highest paid employees as disclosed in note 10, is as follows:

	2016 RMB'000	2015 RMB'000
Short-term employee benefits	20,888	13,273
Post-employment benefits	1,146	896
Equity-settled share-based payment expenses	1,062	4,304
	23,096	18,473

The above remuneration is included in "staff costs" (note 7(b)).

36. CONTINGENT LIABILITIES

At the end of both reporting periods, the Group has no material contingent liabilities.

37. COMPANY LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2016 RMB'000	2015 RMB'000
Non-current assets			
Interests in subsidiaries, net	17	693,606	537,247
Current assets			
Amounts due from subsidiaries		282,087	–
Other receivables		1,679	612
Cash at banks and in hand		1,529	182,657
		285,295	183,269
Current liabilities			
Other payables and accruals		2,496	1,644
Bank borrowings		111,047	–
		113,543	1,644
Net current assets		171,752	181,625
Total assets		978,901	720,516
NET ASSETS		865,358	718,872
CAPITAL AND RESERVES	30(a)		
Share capital		1	1
Reserves		865,357	718,871
TOTAL EQUITY		865,358	718,872

Approved and authorised for issue by the Board of Directors of the Company on 21 March 2017 and signed on its behalf by:

Ng Tit
Chairman and Chief Executive Officer

Chin Yu
Director

(Expressed in Renminbi unless otherwise indicated)

38. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

After the end of the reporting period, the Board of Directors of the Company recommended a dividend. Further details are disclosed in note 30(b).

39. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments and new standards which are not yet effective for the year ended 31 December 2016, and which have not been adopted in these financial statements.

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[4]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKAS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 7	Disclosure Initiative[2]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[2]

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

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

3 Effective for annual periods beginning on or after a date to be determined

4 Effective for annual periods beginning on or after 1 January 2019

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedging accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income (FVTOCI). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

39. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

HKFRS 9 Financial Instruments (continued)

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Based on the preliminary assessment, the Group expects that its financial assets currently measured at amortised cost will continue with their respective classification and measurements upon the adoption of HKFRS 9.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

The directors of the Company do not anticipate that the application of the HKFRS 9 hedge accounting requirements will have a material impact of the Group's consolidated financial statements.

39. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the HKFRS 15 introduces a 5-step approach to revenue recognition:

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

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amount of revenue recognised in the respective reporting periods.

HKFRS 16 Leases

As disclosed in note 2(k), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lease.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, leasees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term.

39. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

HKFRS 16 Leases (continued)

HKFRS 16 will primarily affect the Group's accounting as a lessee for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the consolidated income statement over the period of the lease. As disclosed in note 32(b), at 31 December 2016 the Group's future minimum lease payments under non-cancellable operating leases amounted to RMB44,277,000, the majority of which is payable either between 1 and 5 years after the reporting date or in more than 5 years. Some of the amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to HKFRS 10 Consolidated Financial Statements and HKAS 28 Investments in Associates or Joint Ventures deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specially, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

Amendments to HKFRS 2 Classification and Measurement of Share-based Payment Transactions

The amendments clarify the following:

1. In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payment.

2. Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority, i.e. the share-based payment arrangement has a "net settlement feature", such an arrangement should be classified as equity-settled in its entirely, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

39. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

Amendments to HKFRS 2 Classification and Measurement of Share-based Payment Transactions (continued)

3. A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:

   (i) the original liability is derecognised;

   (ii) the equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date; and

   (iii) any difference between the carrying amount of the liability at the modification date and amount recognised in equity should be recognised in profit or loss immediately.

   The directors of the Company do not anticipate that the application of the amendments in the future will have a significant impact on the Group's consolidated financial statements as the Group does not have any cash-settled share-based payment arrangements or any withholding tax arrangements with tax authorities in relation to share-based payments.

Amendments to HKAS 7 Disclosure Initiative

The amendments 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. Specially, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financial activities will be provided on application.

Amendments to HKAS 12 Recognition of Deferred Tax Assets for unrealised losses

The amendments provide guidance on how an entity determines, in accordance with HKAS 12 Income Taxes, whether to recognise a deferred tax asset in relation to unrealised tax losses of a debt instrument that is classified as an available-for-sale financial asset in accordance with HKAS 39 Financial Instruments: Recognition and Measurement under certain specific facts and circumstances.

The directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements,

PARTICULARS OF INVESTMENT PROPERTY

Address	Use	Lease term
Unit 1505, 15/F Bank of East Asia Harbour View Centre 56 Gloucester Road, Wanchai Hong Kong	Office	Medium-term lease

中国泰凌医药集团
CHINA NT PHARMA GROUP