LEE'S PHARM.
李氏大藥廠

Lee's Pharmaceutical Holdings Limited
李氏大藥廠控股有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 950)

* For identification purpose only

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CORPORATE INFORMATION

SHARE LISTING
Main Board of The Stock Exchange of Hong Kong Limited
Stock Code: 950

BOARD OF DIRECTORS
Executive Directors
Ms. Lee Siu Fong *(Chairman)*
Ms. Leelalertsuphakun Wanee *(Managing Director)*
Dr. Li Xiaoyi *(Chief Executive Officer)*

Non-executive Director
Dr. Marco Maria Brughera

Independent non-executive Directors
Dr. Chan Yau Ching, Bob
Mr. Lam Yat Cheong
Dr. Tsim Wah Keung, Karl

COMPANY SECRETARY
Mr. Chow Yiu Ming

AUDIT COMMITTEE
Dr. Chan Yau Ching, Bob *(Chairman)*
Mr. Lam Yat Cheong
Dr. Tsim Wah Keung, Karl

REMUNERATION COMMITTEE
Dr. Tsim Wah Keung, Karl *(Chairman)*
Ms. Leelalertsuphakun Wanee
Dr. Chan Yau Ching, Bob

AUDITOR
HLM CPA LIMITED
Certified Public Accountants

LEGAL ADVISERS
King & Wood Mallesons (Hong Kong law)
Beijing Wuhuan Law Firm (PRC law)

REGISTERED OFFICE
P.O. Box 309 GT, Ugland House
South Church Street, George Town
Grand Cayman, Cayman Islands

PLACE OF BUSINESS IN HONG KONG
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No. 2 Science Park West Avenue
Hong Kong Science Park, Shatin
Hong Kong

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE
Computershare Hong Kong Investor Services Limited
Rooms 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

AUTHORISED REPRESENTATIVES
Ms. Lee Siu Fong
Dr. Li Xiaoyi

COMPANY WEBSITE
www.leespharm.com

CORPORATE PROFILE

Lee's Pharmaceutical Holdings Limited (the "Company", together with its subsidiaries, the "Group", Hong Kong stock code: 950) is a research-driven and market-oriented biopharmaceutical company with over 20 years operation in the pharmaceutical industry in the People's Republic of China (the "PRC" or "China").

The Group is fully integrated with solid infrastructures in drug development, clinical development, regulatory, manufacturing, sales and marketing in China with global perspectives. The Group has established extensive partnerships with over 20 international companies and currently markets 15 proprietary and licensed-in pharmaceutical products in the PRC.

The Group focuses on several key disease areas such as cardiovascular, oncology, gynecology, urology, dermatology and ophthalmology. It has more than 30 products under different development stages stemming from both internal research and development as well as from the recent acquisition of licensing and distribution rights from various United States, European and Japanese companies.

The Group carries out its sales and distribution activities in Hong Kong and China through branch offices in Guangzhou, Shanghai and Beijing with network covering most of the provinces and cities in the PRC, marketing both self-developed products and licensed products from abroad. Zhaoke Pharmaceutical (Hefei) Company Limited is the manufacturing plant of the Group located in Hefei, Anhui Province of the PRC, comprising four GMP-compliant workshops for the production of topical gel, lyophilised powder for injection, small volume parenteral solutions and eye gel.

In November 2014, the Group has become a constituent stock of MSCI Global Small Cap China Index. In March 2015, the Group has also become a constituent stock of the Hang Seng Broad Consumption Index, Hang Seng Mainland Consumer Goods Index, Hang Seng Global Composite Index, Hang Seng Composite Index, Hang Seng Composite Industry Index – Consumer Goods and Hang Seng Composite SmallCap Index.

The mission of the Company is to become a successful biopharmaceutical group in Asia providing innovative products to fight diseases and improve health and quality of life.

Currently, the Group has the following products in the market:

	Country of origin	Market PRC	Market Hong Kong	Medical application
Proprietary products:				
*Livaracine®	PRC	✓		Heart and other cardiovascular diseases
Yallaferon®	PRC	✓		Viral-infected venereal diseases
*Slounase®	PRC	✓		Reduction of bleeding
*Eyprotor®	PRC	✓		Cornea ulcer
License-in products:				
*Carnitene®	Italy	✓		Cardiac diseases
Ferplex®	Spain	✓		Treatment of Sideropenic Anaemias
*Zanidip®	Italy	✓	✓	Hypertension
Aloxi®	France		✓	Prevention of nausea and vomiting associated with emetogenic cancer chemotherapy
Dafnegin®	Italy	✓		Candidiasis
Veloderm®	Italy	✓		Burns and wounds healing
Gaslon N®	Japan	✓		Gastric Ulcer and Gastritis
Hyalofamme®	Italy	✓		Vaginal dryness of various origin
UNIDROX®	Italy		✓	Treatment of urinary tract infections and respiratory tract infections
Levocarnitine oral solution	Italy	✓		Primary and secondary carnitine deficiency
Remodulin®	USA	✓		Treatment of pulmonary arterial hypertension and to diminish symptoms associated with exercise

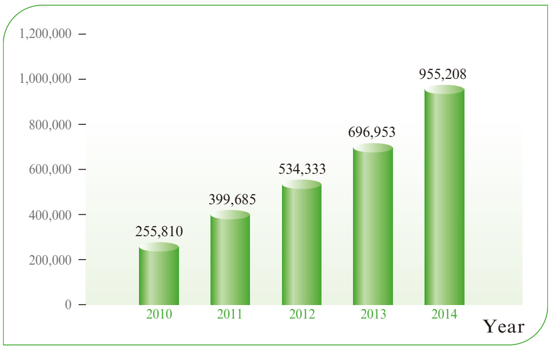
* *In the National Drug Reimbursement List of the PRC*

FINANCIAL HIGHLIGHTS

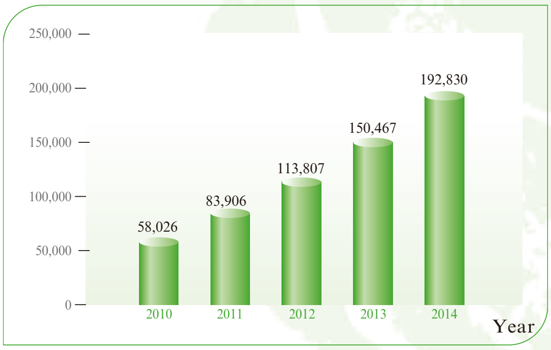
	2014 HK$'000	2013 HK$'000	Change
Turnover	**955,208**	696,953	+37.1%
Profit attributable to equity shareholders of the Company	**192,830**	150,467	+28.2%
Total equity attributable to equity shareholders of the Company	**934,341**	786,005	+18.9%
	HK cents	HK cents	
Earnings per share			
Basic	**35.52**	28.41	+25.0%
Diluted	**34.47**	27.05	+27.4%
Dividend per share			
Interim	**2.7**	2.3	
Final	**6.6**	5.2	
Total	**9.3**	7.5	+20.0%
Dividend payout ratio	**26.2%**	26.4%	

FINANCIAL HIGHLIGHTS

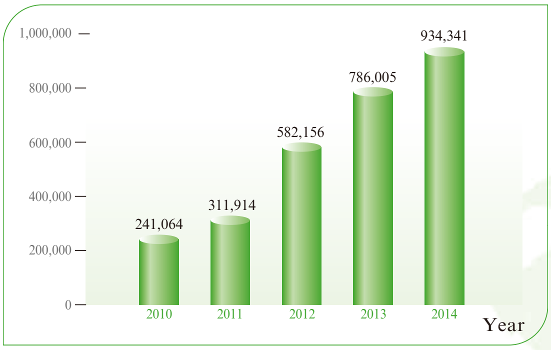
Turnover (HK$'000)



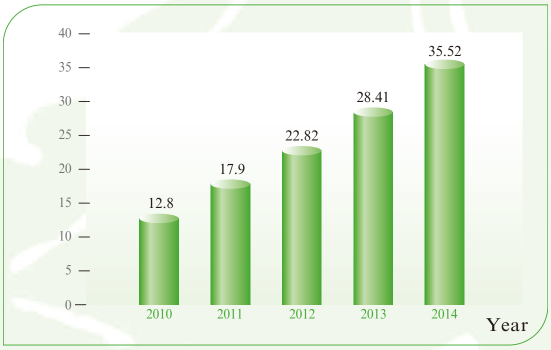
Profit Attributable To Equity Shareholders Of The Company (HK$'000)



Total Equity Attributable To Equity Shareholders Of The Company (HK$'000)



Basic Earnings Per Share (HK cents)



FIVE-YEAR FINANCIAL SUMMARY

RESULTS

	For the year ended 31 December				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**955,208**	696,953	534,333	399,685	255,810
Cost of sales	**(284,685)**	(193,700)	(153,498)	(107,852)	(77,320)
Gross profit	**670,523**	503,253	380,835	291,833	178,490
Other revenue	**17,572**	10,731	12,385	12,322	5,770
Decrease in fair value of derivative financial instruments	**(10,092)**	–	–	–	–
Selling and distribution expenses	**(309,202)**	(222,850)	(179,512)	(156,437)	(79,193)
Research and development expenses	**(37,964)**	(32,262)	(16,304)	(11,835)	(5,590)
Administrative expenses	**(99,345)**	(78,511)	(63,042)	(37,090)	(29,299)
Profit from operations	**231,492**	180,361	134,362	98,793	70,178
Share of results of an associate	**(668)**	(2,418)	–	(273)	(1,159)
Finance costs	**(2,671)**	(1,853)	(1,192)	(768)	(1,058)
Profit before taxation	**228,153**	176,090	133,170	97,752	67,961
Taxation	**(41,368)**	(27,087)	(20,104)	(13,728)	(10,039)
Profit for the year	**186,785**	149,003	113,066	84,024	57,922
Attributable to:					
Equity shareholders of the Company	**192,830**	150,467	113,807	83,906	58,026
Non-controlling interests	**(6,045)**	(1,464)	(741)	118	(104)
Profit for the year	**186,785**	149,003	113,066	84,024	57,922

FINANCIAL POSITION

	As at 31 December				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**639,392**	523,884	284,687	154,179	105,343
Current assets	**729,988**	641,771	511,844	255,897	206,370
Current liabilities	**(308,179)**	(272,157)	(172,689)	(83,497)	(61,021)
Net current assets	**421,809**	369,614	339,155	172,400	145,349
Non-current liabilities	**(62,334)**	(41,440)	(30,563)	(14,248)	(9,344)
Net assets	**998,867**	852,058	593,279	312,331	241,348
Total equity attributable to equity shareholders of the Company	**934,341**	786,005	582,156	311,914	241,064
Non-controlling interests	**64,526**	66,053	11,123	417	284
Total equity	**998,867**	852,058	593,279	312,331	241,348

CHAIRMAN'S STATEMENT

Dear honourable shareholders,

On behalf of the board ("Board") of directors ("Directors") of Lee's Pharmaceutical Holdings Limited ("Lee's Pharm" or the "Company", together with its subsidiaries referred to as the "Group"), I am pleased to present the annual report of the Company for the year ended 31 December 2014.

Year 2014 was an unsettled year as China's economy has entered into a new phase of development that slower growth becomes the new norm. Nevertheless, with resolute and resilient of everyone in the Group, the Group stood up to the challenges and recorded its eighth consecutive year of double digits growth in sales and profit. For the year ended 31 December 2014, turnover increased 37.1% to HK$955,208,000, whereas profit attributable to shareholders increased 28.2% to HK$192,830,000 compared to the level of Year 2013.

Our consistent financial performance continues to gain recognition from the investment community. During the year under review and up to date, the Company was selected as a constituent stock in certain benchmark indices such as the Morgan Stanley Capital International ("MSCI") Global Small Cap China Index and Hang Seng Composite Index.

Sales momentum of the Group remained strong despite a challenging market environment. With the efforts of our established marketing team as well as our direct sales force, the market shares of our major products continued to improve. Our flagship product *Carnitene®* carried on its blistering pace of growth, overtaking its competitors and becoming the market leader in 2014. Other products also delivered outstanding performance in sales growth with products such as *Ferplex®* and *Zanidip®* making a breakthrough with strong growths of 64.9% and 69.3%, respectively, compared to Year 2013.

Year 2014 was the first year that the Group's production in Hefei's new facility was carried out under China's new GMP standards after successful certification by the China Food and Drug Administration ("CFDA"). The highly automatic production process has started to show its advantage in productivity and capacity enhancement. The newly implemented quality assurance system under the new GMP standards also boosts the risk-proof capability for products. The new GSP compliant warehouse of Zhaoke Lianfa in our Nansha site has also commenced operations after obtaining a satisfactory opinion from the audit by CFDA. These new infrastructures will provide enabling environments for the sustainable growth and competitiveness of the Group.

Year 2014 was a monumental year for the Group's drug research and development. According to "INSIGHT-China Pharma Data", the Group had three IND of new chemical entity (NCE) submitted by Zhaoke Pharmaceutical (Hefei) Company Limited, a wholly-owned subsidiary of the Group, to the China Food and Drug Administration's Center for Drug

Evaluation (CDE) in the year under review, ranked second among other 4,000 pharmaceutical industry players in mainland China for the Year 2014. In addition, the Group's proprietary drug Anfibatide was selected as the "Major New Drugs Innovation and Development Scheme" designation by the Commission of Health and Family Planning of China. This prestige award not only entails grant support from the government for clinical development of the product, but also provides fast track designation for regulatory review for the product.

During the year under review, the Group has successfully obtained an Import Drug License from the CFDA to import and market *Mictonorm®* (Propiverine Hydrochloride 30 mg Capsules) in China. *Mictonorm®* will be launched in the second half of 2015 and will provide a treatment option for the patients who suffer unstable bladder conditions and urinary incontinence. Besides *Mictonorm®*, near term opportunity also include in-licensed drug Trazodone. After successful completion of the required registration study, application for Import Drug License for Trazodone was submitted in August 2014. Approval is expected in 2015, providing new catalyst for revenue growth.

Drug development activities that are pivotal to future sustainable growth of the Group remained as the focus for the Group during 2014. Our in-house developed, proprietary combination gel for acne had completed the preparation for its phase I/II clinical trials and successfully obtained the ethic committee approval from the principle investigator's institute. This proprietary formulation provides a new treatment option for acne that could improve significantly the patient compliance. Anfibatide, a proprietary drug discovered by the Group, has also successfully completed its phase IIa clinical study for non STEMI patient. A phase IIb clinical study for treatment of STEMI patient is underway and is expected to complete in 2015. It is the Group's intention to devote full resources to accelerate the development of this first-in-class new anti-platelet agent and to bring this promising agent to the market as soon as possible.

At the end of 2014, the Group's received approval to conduct phase IIb study for Istaroxime, a proprietary product for acute heart failure. This proof-of-concept study in an area of significant unmet medical need is being carried out in both Italy and China. With its unique mechanism of action, Istaroxime offers new treatment option that could improve prognosis of this deadly disease.

Partnership establishment is our main theme in the Year 2014. During the year under review, the Group has successfully concluded 7 new licensing agreements for the development and marketing of pharmaceuticals in various aspects with partners in the European countries, United States, mainland China and Taiwan respectively. These partnerships reflect the Group's efforts to deploy resources in new areas of drus development, expanding the breadth of its products portfolio while improving its risk mitigated ability.

CHAIRMAN'S STATEMENT

The cooperation with ScinoPharm of Taiwan announced the Group's intention to become a player in first-generic arena. The subsequent agreement with local company in China reinforced our determination.

The partnership with Sorrento of the United States for development of anti-PD-L1 monoclonal antibody is the Group's attempt to enter into biologics drug development in cancer immunotherapy. PD-1 or PD-L1 monoclonal antibodies are called checkpoint inhibitors that unlock cancer patient's own immune system to combat cancer. It is an area of most excitement and promise in cancer treatment today.

Together with mature product such as *INOMax*® and Neridronate Acid, we believe that our expanding and ever diverse partnership network will allow the Group to broaden its pipeline and to deliver stronger growth in the future.

During the year under review, CVie Therapeutics Company Limited ("CVie") had paid great efforts to market and promote the use of its first licensed-in product, *Remodulin*®, in mainland China for pulmonary hypertension patients. More than 120 critically ill patients have been able to access to and benefit from *Remodulin*® treatment in the Year 2014.

Powder Pharmaceuticals Incorporated ("PPI"), an associate of the Group, continued to market and promote *Zingo*® in the United States market. Moreover, with the formation of strategic partnership with EyeSense AG, PPI has started to develop a proprietary continual glucose monitor for diabetes patients in China and other Asian countries.

Looking ahead, the market conditions for pharmaceuticals are expected to be increasingly challenging and less predicable. We will remain diligence and vigilance in our effort to expand market penetration and to maintain the growth momentum. With the Group's strength in sales force and unique approach in drug development that leverages on a vigorous partnership strategy, we are positive that we can overcome the challenge and deliver satisfactory results for our shareholders in the years to come.

Last but not least, I want to express my heartfelt thanks to the board, management and every member of staff for their ongoing dedication and hard work, and our customers, banks, suppliers, shareholders and partners for their continuing support.

Lee Siu Fong
Chairman

Hong Kong, 26 March 2015

BUSINESS REVIEW

Year 2014 was a flourishing year for the Group. Despite the official data showed that China's economy grew at its slowest pace in 24 years, pharmaceutical spending in China continued to outpace economic growth as the deepening of the medical and healthcare reforms in China has enabled a greater number of people to access affordable healthcare, unleashing demand for medicines. Equipped with sales and marketing team dedicated to promotion through disseminating scientific information as well as a unique approach in drug development leveraging on strategic partnerships, we are well-positioned to take advantage of the market opportunities in the field. During the year under review, not only our turnover and net profit growth took another leap forward reaching new height since the Group listed in 2002, we also strengthened the foundation for sustained future growth by expanding the breadth of the Group's drug development realm and enhancing manufacturing capability.

Turnover and Profit

Turnover for the year attained another peak of HK$955,208,000 which represented a significant increase of 37.1% compared with last year. While our flagship product *Carnitene*® continued to be the major contributor to revenue growth with an increase of 38.5%, we also witnessed the potential of revenue base-broadening from other major products such as *Ferplex*®, *Livaracine*®, *Yallaferon*®, which showed strong year-on-year sales growth of 64.9%, 39.6% and 31.1%, respectively. The sales of our newer product *Zanidip*®, a product to benchmark the performance of our direct sales force, has also recorded a remarkable growth of 69.3%. Another established product *Slounase*® continued to rebuild its growth momentum in the second half of the year and completed a turnaround with a sales increase of 12.2% in the year.

Gross profit ratio for the year dipped by 2 percentage points to 70.2% during the year, which reflected the cost associated to the transition of the new GMP standard manufacturing facility in Hefei during the year as well as the result of increasing revenues from licensed-in products that normally have higher cost of goods. Selling expenses to turnover ratio stabilised at 32.4% or 0.4 percentage point higher than that of last year despite more aggressive marketing and promotion campaign was made to better disseminate scientific information and support physician education. Research and development is pivotal for the Group to achieve long-term sustainable growth, during the year, we continued to invest a considerable amount of money into research and development for the new drug development. Research and development expense increased to HK$37,964,000 from HK$32,262,000 of the previous year. As a result, net profit attributable to equity shareholders of the Company was HK$192,830,000, which represented an increase of 28.2% over last year. The difference was attributable to an one-time provision on currency exchange instrument. However, at the operating profit level, the growth was more in line with revenue growth at 33.9%. Consequently, the net profit margin for the Year 2014 was 1.4 percentage points lower than Year 2013 at 20.2%.

Quality System, Production and Manufacturing Facilities

Hefei manufacturing facility with total floor area of 4,600 square meters which is built in accordance with China Food and Drug Administration ("CFDA") new GMP standards has been gradually entered into the optimal phase of production during the year. By leveraging these fully automated production system for four dosage forms, namely small volume for injection, lyophilised powder for injection, recombinant interferon topical gel and eye gel, our production capacity has been enhanced significantly while the quality risk for the products has been substantially reduced.

The construction works of the Nansha manufacturing site that includes two factory buildings with total floor area of over 57,000 square meters have been substantially completed during the year. Among which the warehouse which is built in accordance with CFDA new GSP standards has been brought into operation in the fourth quarter of 2014 and the importation and logistic of the Group's licensed-in products, which accounted for 60% of the Group's total revenue in 2014, have since been consolidated. The cost savings from the improved efficiency and effectiveness should become more apparent in the near future.

Production line for solid dose formulation will be the first production facility to be erected in Nansha manufacturing site and its planning and design works have already been commenced. The facility is expected to be in test run by end of 2015. This new facility will provide new dimension in the Group's drug development and the new capability will substantially boost the Group's product offering range in oral formulations, an area of significant market potential. Following the solid dose facility, the biologics facility is the next item on the drawing board. Biologics have become the drugs of future as seven out of top ten worldwide selling drugs are biologics today. The facility is the key component of the Group's effort to develop PD-L1 monoclonal antibody, a biologic for the treatment of cancer.

Powder Pharmaceuticals Incorporated ("PPI"), an associate of the Group, has obtained the PIC/S GMP certificate from the Department of Health of Hong Kong SAR, making *Zingo*® the first injection product in Hong Kong with such GMP certification. The financial performance has since been improved after the ramping up of shipment volume of *Zingo*® to our distribution partner in the United States.

Drug Development

Year 2014 was a monumental year for the Group's drug research and development. According to "INSIGHT-China Pharma Data", the Group had three IND of new chemical entity (NCE) submitted by Zhaoke Pharmaceutical (Hefei) Company Limited, a wholly-owned subsidiary of the Group, to the China Food and Drug Administration's Center for Drug Evaluation (CDE) in the year under review, ranked second among other 4,000 pharmaceutical industry players in mainland China for the Year 2014. The three IND submitted during the year under review were new chemical entity targeting chemo-induced alopecia, dry eye syndrome and vaginal infection, respectively. These development efforts fall into the five focused areas of the Group, namely dermatology, ophthalmology, gynecology, cardiovascular and oncology.

In addition, the Group's proprietary drug Anfibatide was selected as the "Major New Drugs Innovation and Development Scheme" designation by the Commission of Health and Family Planning of China. This prestige award not only entails grant support from the government for clinical development of the product, but also provides fast track designation for regulatory review of the product.

In February 2014, the Investigational New Drug (IND) application for Adapalene and Clindamycin combination hydrochloride Gel, a proprietary product (China Patent No. 200810004156.1) developed by the Group's in-house R&D team for the treatment of moderate to severe acne, was approved by CFDA. The preparation for its Phase I/II clinical trials has been completed and the ethic committee approval from the principle investigator's institute has been obtained. The pharmacokinetic study has since been started and the first patient for the clinical study has just been enrolled. This proprietary formulation could significantly improve treatment compliance and provide treatment benefit for patients.

At the end of 2014, the Group received approval to conduct phase IIb study for Istaroxime, a proprietary product for acute heart failure. This proof-of-concept study in an area of significant unmet medical need is being carried out in both Italy and China. The Italian arm has just completed its targeted enrollment of 24 patients and data is currently under analysis. The experience as to adverse effects has been positive. The Group is gearing up the preparation for the Chinese arm study that is expected to start patient enrollment before the end of first half of 2015. With its unique mechanism of action, Istaroxime offers new treatment option that could improve prognosis of this deadly disease.

In November 2014, the Group has successfully completed the patient enrollment of a Phase IIa dose-escalating study of Anfibatide in China. This is a phase IIa multi-centers, double-blind, multi-dose, parallel group, placebo controlled clinical study (clinicaltrial.gov registration No.: NCT01585259), led by the Peking University First Hospital. The study aims to evaluate the safety, efficacy and tolerability of Anfibatide in non-ST-segment elevation myocardial infarction (NSTEMI) patients who will undergo PCI treatment after coronary angiography and provide theoretical information for Phase IIa and Phase III clinical trials of Anfibatide. Preliminary safety data shows that Anfibatide is a safe anti-platelet agent with minimum bleeding issue that warrants further study. The results of the study are presently under analysis and the preliminary data shows a very benign safety profile for the drug and some encouraging signals of the drug efficacy. As a result, the Group has decided to accelerate the development of the drug by initiating a Phase IIb clinical study for STEMI patients as soon as possible. The preparation for such phase IIb study is nearly completed and the first patient enrollment is targeted by May of 2015.

Besides acute ischemia myocardial syndrome, the Group is actively pursuing other indications such as Thrombotic Thrombocytopenic Purpura (TTP) for Anfibatide. Study by our collaborator in University of Pennsylvania (USA) has shown that Anfibatide is effective in treating TTP in animal model. The Group has since made application to the US FDA for orphan drug designation for Anfibatide. Decision from US FDA is expected during the next couple of months. Although it affects only a small population, TTP is a severe disease that does not have any cure and plasma exchange is the only remedy for alleviation of condition. Anfibatide could provide those patients an alternative that is less costly and help to improve the quality of life.

During the period under review, the Group has completed the phase III, registration-enabling clinical study of Prulifloxacin for the treatment of acute exacerbation of chronic bronchitis in Chinese patients. The study met its primary endpoint and demonstrated non-inferiority to Levofloxacin, the current most prescribed quinolone in China. However, as Prulifloxacin is the only quinolone devoid of QT prolongation, a sign of cardiotoxicity among the class, it could provide a safer treatment option. The Group will submit the application for Import Drug License for Prulifloxacin in April 2015.

Imported Products Registration

In November 2014, the Group has successfully obtained an Import Drug License (IDL No. H20140799) from the CFDA to import and market *Mictonorm*® (Propiverine Hydrochloride) 30 mg Capsules in China. *Mictonorm*® contains Propiverine Hydrochloride as its active ingredient. Propiverine belongs to the anticholinergic or antimuscarinic muscle relaxant class and is one of the most frequently prescribed drugs for the treatment of unstable bladder conditions and urinary incontinence. The launch of *Mictonorm*® in the second half of 2015 will further broaden the Group's revenue base.

International Partnerships

Partnership establishment is our main theme in the Year 2014. During the year under review, the Group has successfully concluded 7 new licensing agreements for the development and marketing of pharmaceuticals in various stage of development with partners in the European countries, United States, mainland China and Taiwan respectively. These partnerships reflect the Group's efforts to deploy resources in new areas of drug development, expanding the breadth of its products portfolio while improving its risk mitigated ability.

In February 2014, the Group entered into a license agreement with Dilafor AB, a Swedish drug development company, to manufacture, develop and commercialisse tafoxiparin for obstetrics and gynecological indications in China, Hong Kong, Macau and Taiwan. Pursuant to the terms of the agreement, the Group and Dilafor will jointly develop tafoxiparin for obstetrical and gynecological indications. The joint clinical development program of tafoxiparin will initially be focused on reducing labor times for patients who do not start labor spontaneously and are induced into labor, an indication where both the Group and Dilafor see a major medical need for the product in terms of improving outcomes for both mother and baby.

In April 2014, the Group entered into a License, Distribution and Supply Agreement to market Sodium Neridronate finished product in China, Hong Kong, Macau and Taiwan. The product is indicated for two orphan/rare diseases Osteogenesis Imperfecta and Complex Regional Pain Syndrome (also known as Algodystrophy). Neridronate is the only therapeutic agent approved in the world for the orphan diseases Osteogenesis Imperfecta (OI, Brittle bone disease) and Complex Regional Pain Syndrome (CRPS). Neridronate consistently showed superior safety profile in long-term use and is highly tolerated by adults and pediatric population. It is the only bisphosphonate indicated for use in neonates and children.

In May 2014, the Group and ScinoPharm Taiwan, a specialty Active Pharmaceutical Ingredient (API) company entered into two collaboration agreements to jointly develop and produce Fondaparinux, an anti-thrombotic agent and Travoprost and Bimatoprost, two prostaglandin derivative drugs for treating glaucoma. The cooperation with ScinoPharm of Taiwan announced the Group's intention to become a player in first-generic arena. Capitalising on the strengths and expertise of the two companies, the products are expected to offer competitive advantages upon entering into the Chinese high-end generic drug market. The competitive advantage of ScinoPharm in the development and manufacturing of API and the strength of the Group in the development, manufacturing and marketing of pharmaceuticals will complement one another and creating tremendous synergy. This partnership will enable the Group to be more aggressive in its drug development efforts, creating new territory for future growth.

In September 2014, the Group entered into a License, Distribution and Supply Agreement to market Cholecalciferol (or Vitamin D3) in China, Hong Kong, Macau and Taiwan. Deficiency of Vitamin D is a common condition especially in patients on dialysis, as the patients who are suffering impaired renal function may result in reduced production of Vitamin D. Management expect the availability of Cholecalciferol will strengthen the Group's exposure in dialysis area together with one of the Group's flagship product, Carnitene®, to help the improvement of quality of life of dialysis patients.

In October 2014, China Oncology Focus Limited, a 65% owned subsidiary of the Group, entered into an Exclusive Licensing Agreement with Sorrento Therapeutics, Inc. ("Sorrento") of US, a late-stage clinical oncology company developing new treatments for cancer and its associated pain, to develop and commercialise anti-PD-L1 monoclonal antibody (mAb) STI-A1014 in China, Hong Kong, Macau and Taiwan. The partnership with Sorrento for the development of anti-PD-L1 monoclonal antibody is the Group's attempt to enter into biologics drug development in immunotherapy for cancer, an area of most excitement and promise. Capitalising Sorrento's antibody technologies as well as its immunotherapy expertise, this partnership will enable the Group to address high unmet oncology needs in the Chinese market by bringing new effective immuno-oncology therapy thereto. Phase 1 clinical trial of the anti-PD-L1 antibody in China is expected to be initiated in 2016. In addition, the Company has invested US$3.6 million (approximately HK$27.9 million equivalent) by purchasing common stock in Sorrento and aimed to create long-term mutual beneficial business relationship with Sorrento. PD-L1 and PD-1 monoclonal antibodies are also called checkpoint inhibitors. They could unlock cancer patient's immune response to effectively combat cancer. The development of checkpoint inhibitors has created tremendous excitement in the cancer therapy field and first product has been approved by FDA and Japanese authority for the treatment of advanced malenoma.

MANAGEMENT DISCUSSION AND ANALYSIS

In November 2014, Powder Pharmaceuticals Incorporated ("PPI"), an associate of the Group, entered into a Strategic Partnership with EyeSense AG to develop and commercialise a novel continuous blood glucose monitoring system for diabetes patients in China and other Asian countries. EyeSense AG is a Switzerland based company which develops diagnostic systems focusing on glucose testing for diabetic patients. This partnership will enable the Group to create new territory in pharmaceutical device for future growth. Moreover, the Company has invested a minority stake in EyeSense AG and aimed to enhance the Group's development in the area of pharmaceutical product.

In November 2014, the Group entered into a Strategic Collaboration with Ikaria, Inc., for the Registration and Commercialisation of Ikaria's *INOmax®* Line Products in China, Hong Kong, Macau and Taiwan. Ikaria, Inc. is a critical care company focused on developing and commercialising innovative therapies designed to address the significant needs of critically ill patients. *INOmax®* (nitric oxide) is currently the only drug approved by the US FDA to treat hypoxic respiratory failure (HRF) associated with pulmonary hypertension in term and near-term infants greater than 34 weeks gestational age. *INOmax®* therapy package is currently sold in the North American Region directly to hospitals and the Group has committed to bring INOmax® therapy package into the Chinese market.

In December 2014, the Group entered into an agreement with a local company to acquired two clinical stage products, a class II and a class III (first generic) respectively. This effort reaffirms our commitment to enter the first generic market in China. Both products address significant unmet medical need and are near to mid-term opportunity with good market potential.

Sales and Marketing

Sales momentum of the Group remained strong despite a challenging market environment because of the Group's renewed effort in knowledge-based promotion and leverage on new media to support physician education and to disseminate scientific information for its products. This market strategy is best illustrated by the China-Europe Echocardiography CME Project, initiated and fully sponsored by the Company, in collaboration with the University of Padua in Italy and the Chinese Society of Echocardiography of the Chinese Medical Doctor Association. Using a web-based, interactive multimedia formula, the first-of-its-kind two-year project aims to provide continuing medical education (CME) for cardiologists in China. Specific topics have been approved by the National Health and Family Planning Commission of the PRC to award CME credits. Since its inauguration in October 2014, more than 1,800 medical practitioners/physicians have registered and gained access to the program. The project reinforces the Group's commitment to brand building and science-based promotion.

Cost-effectiveness continued to be the main theme of our sales and marketing strategies. Without increase in number of sales personnel, the direct sales team achieved a sales growth of more than 110% in 2014 through improvement in operational efficiency. Better tracking and monitoring system also helped to make the marketing activities, such as case study, conference and seminar, much more cost-effective.

Besides the six major products of the Group, the sales and marketing efforts also focused on the newer products such as oral carnitine and *Remodulin*®. During the year, our specialised team in pulmonary hypertension which operates through CVie Therapeutics continued to market and promote the use of *Remodulin*® in mainland China and achieved significant improvement on sales volume. The continuous growing of a highly specialised team with enormous knowledge of pulmonary hypertension has provided the best service to patients. We have more than 120 critically ill patients gained access to and benefit from Remodulin® treatment in this first year of product launch which was remarkable. As a life-saving drug, the Group is pleased to see *Remodulin*® help patients and address the unmet medical need in the clinical setting. The launch of oral carnitine complements well to the Group's carnitine franchise and provides catalyst for future growth. The Group is actively participating in new tenders for the product and expect to see a gradual uptake of sales in the future.

Corporate Development

The year also witnessed a series of achievements for excellence in the corporate development front. In November 2014, the Company was included into the Morgan Stanley Capital International ("MSCI") Global Small Cap China Index Constituent Stocks. Most recently, the Company has been selected by Hang Seng Indexes Company Limited as a constituent of the Hang Seng Broad Consumption Index ("HSBCI"), Hang Seng Mainland Consumer Goods Index ("HSMCGI"), Hang Seng Global Composite Index ("HSGCI") and Hang Seng Composite Index ("HSCI") Series including: Hang Seng Composite Index, Hang Seng Composite Industry Index – Consumer Goods and Hang Seng Composite SmallCap Index, with effect from 9 March 2015. The inclusion has symbolised our improving recognition in the capital market and also strengthened the Group's benchmarking position in the international capital markets.

FINANCIAL REVIEW

Turnover and Net Profit Attributable to the Shareholders

The Group's turnover increased year-on-year by HK$258,255,000 or 37.1%, from HK$696,953,000 in 2013 to HK$955,208,000 in 2014. The growth was mainly contributed by *Carnitene*®, *Livaracine*®, *Zanidip*®, *Yalloferon*® and *Ferplex*®. Net profit attributable to the shareholders reached HK$192,830,000 for the year 2014, an increase of 28.2% compared with last year.

Gross Profit Margin

Gross profit margin for the Year 2014 was 70.2%, declined by 2.0 percentage points compared with the gross profit margin of 72.2% for the Year 2013. The decrease was mainly due to the drop in the second quarter in which a temporary higher production cost was associated with transition to manufacturing in Hefei's new GMP compliant facility.

Selling and Distribution Expenses

Selling and distribution expenses to turnover ratio for the Year 2014 was 32.4%, represented an increase of 0.4 percentage points compared with 32.0% in last year.

Research and development expenses

Research and development expenses for the Year 2014 increased by HK$5,702,000 to HK$37,964,000. The Group uphold its steadfast commitment to and focus on long-term sustainable growth through continuous new drug development.

Decrease in fair value of derivative financial instruments

The loss on derivative financial instruments of HK$10,092,000 (2013: nil) was due to the net depreciation of forward-looking rates for the EUR and relative to the fixed US dollar conversion rate under the terms of certain short term derivative financial instruments made during the year.

Administrative Expenses

Administrative expenses for the Year 2014 increased by 26.5% compared with last year to HK$99,345,000 which was in line with the business expansion.

Other payable

Other payable balance as at 31 December 2014 as disclosed in the consolidated statement of financial position amounted to HK$182,865,000 (2013: HK$145,365,000), increased by HK$37,500,000 over last year. The increase was mainly attributable to increase in advance receipt of sales deposit from the customers.

Liquidity and Financial Resources

The Group's principal sources of working capital in the current year included cash flow from operating activities and bank borrowings.

As at 31 December 2014, the Group's current ratio (current assets divided by current liabilities) was 2.37 (2013: 2.36). As at 31 December 2014, the Group had net cash position of HK$340,643,000 (2013: net cash of HK$311,594,000) which represented cash and bank balances of HK$268,560,000 (2013: HK$202,625,000), time deposits of HK$124,352,000 (2013: HK$176,437,000), pledged bank deposits was nil (2013: HK$2,000,000), net of short term bank borrowings of HK$52,269,000 (2013: HK$69,468,000).

The calculation of Group's gearing ratio based on the net borrowings (after deducting cash and bank balances) to equity attributable to the shareholders of the Company was nil as at 31 December 2014 (2013: nil).

Taking into consideration the existing financial resources available to the Group, it is believed that the Group should have adequate financial resources to meet its operation and development requirements in the future.

Treasury Policies

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluations of the financial conditions of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

Foreign Exchange Exposure

Currently, the Group earns revenue and incurs costs in Renminbi, Hong Kong dollars, European Union euro, Japanese Yen and US dollars. The Directors believe that the Group does not have foreign exchange problems in meeting its foreign exchange requirements. The Group may use forward contracts to hedge against foreign currency fluctuations.

Charges on Group Assets

The pledged bank deposits of HK$2,000,000 in the Year 2013 represented a deposit pledged to a bank to secure banking facilities granted to the Group, which has been released from the charges in September 2014. The Group has no pledged bank deposit as at 31 December 2014.

The Group's obligations under finance leases in the Year 2013 were secured by the lessors' title to the motor vehicles with the aggregate carrying amount of HK$544,338 as at 31 December 2013 and had been fully released during the Year 2014. The Group has no obligations under finance leases as at 31 December 2014.

Contingent Liabilities

As at 31 December 2014, the Group had no material contingent liabilities.

Employee Information

As at 31 December 2014, the Group had 718 employees (2013: 594 employees) working in Hong Kong and in the PRC. Total employee remuneration, including directors remunerations, retirement benefit provision and mandatory provident fund contributions, for the year under review amounted to approximately HK$152,967,000 (2013: HK$103,960,000).

The Group's emolument policies are formulated on the performance of individual employees and on the basis of the trends of salaries in various regions, which will be reviewed regularly every year. Apart from provident fund scheme, retirement benefit scheme and medical insurance, employees share options are also awarded to employees according to the assessment of individual performance.

PROSPECTS

Looking ahead, 2015 could be an unsettled year for the pharmaceutical industry in China. It is billed as the most tender-heavy year in recent time as more than 20 provinces will have tenders opened during the year. Tender rules vary from province to province, putting product on constant price pressure. The reform in healthcare will also create near term uncertainty for hospital and industry alike. However, new tender will provide market access for not only existing products, but also more importantly, for newer products that otherwise will be eliminated from the channel. The continuing investment in the healthcare by the government will keep driving up the demand for good medicine as well. Thus, with an improvement in its key fundamentals such as a matured sales and marketing team and a diverse drug portfolio, the Group remains cautiously optimistic about the prospect in 2015 and beyond and will continue to stay focused to its growth strategy.

China is currently the third largest pharmaceutical market in the world behind the United States and Japan. However, as it continues its double-digit growth, it is expected to become the second largest pharmaceutical market by 2016. The Chinese Government continues to improve the healthcare infrastructure and community health services under the current Five-Year Plan (2011-2015) and this would drive further market growth in the coming years. The large and aging population in the region will also offer lots of growth potential in pharmaceutical expenditure, both in total and per-capita basis.

We are committed to develop innovative pharmaceutical products to fight diseases and improve health and quality of life. The newer drugs such as oral carnitine and *Remodulin*® are gaining traction in the market place. The opening of new tenders will serve as catalyst for sales growth. The anticipated launch of *Mictonorm*® in later 2015 will provide new momentum for the Group. Existing products could benefit from the excitement generated by the new launch campaign, fueling further product growth. In addition, currently the Group has 7 clinical programs ongoing, of which 2 programs for Category 1 drugs, with fast track review designations. Three of the programs are near term opportunity (three year) and they will enable the Group to seize the growth opportunities in the China pharmaceutical industry today and in the future.

Three of the Group's imported drugs, namely *Nicetile*®, *Dromos*® and Trazodone (*Trittico*®), are under final review by CFDA. The approvals for two of them are expected in 2015 which will then further strengthen and broaden our product line for future growth.

Both external and internal conditions for the industry are promising in the near future. Leveraging on its advantages of product pipeline building, manufacturing and sales and marketing strategies, the Group is well prepared for the development to a new height.

EXECUTIVE DIRECTORS

Lee Siu Fong

Chairman, aged 58

Ms. Lee Siu Fong ("Ms. Lee") joined the Group in April 1997 and has since been responsible for the Group's financial affairs. Ms. Lee is an entrepreneur and had since 1992 established and run several companies with primary responsibility in financial affairs. Ms. Lee is the sister of Ms. Leelalertsuphakun Wanee and Dr. Li Xiaoyi.

Leelalertsuphakun Wanee

Managing Director, Chief Marketing & Sales Officer & member of remuneration committee, aged 61

Ms. Leelalertsuphakun Wanee ("Ms. Leelalertsuphakun") joined the Group in April 1997. In September 2003, Ms. Leelalertsuphakun was appointed the Chief Marketing & Sales Officer and is responsible for the Group's sales and marketing activities. Ms. Leelalertsuphakun is the sister of Ms. Lee and Dr. Li Xiaoyi.

Li Xiaoyi

Chief Executive Officer & Chief Technical Officer, aged 52, PhD

Dr. Li Xiao Yi ("Dr. Li") holds a PhD of Pharmacology from the University of Illinois at Chicago and was a postdoctoral fellow with Warner-Lambert, a major pharmaceutical company. He is the founder of the Group and has been responsible for the daily operations and research and development of the Group since 1994. Dr. Li is the brother of Ms. Lee and Ms. Leelalertsuphakun.

NON-EXECUTIVE DIRECTORS

Marco Maria Brughera, *aged 59, PhD*

Dr. Marco Maria Brughera ("Dr. Brughera") joined the Group on 29 December 2014. He has more than 30 years of business and management experience within the pharmaceutical industry. He is currently the Global Head of the Sigma-Tau Rare Disease Business Unit., a position he has held since October 2012. He is also President of Sigma-Tau Pharmaceuticals Inc., President of Sigma-Tau Research Switzerland S.A. and Chief Executive Officer of Sigma-Tau Pharma Ltd. Before that, he has served as Global Head of Research and Development ("R&D") within Sigma-Tau. Previously he held leadership R&D positions with Farmitalia Carlo Erba S.p.A., Pharmacia Corporation, Pfizer, Inc. and Nerviano Medical Sciences S.r.1. both in Europe and the United States of America. From October 2013 he serves on the Board of Director of Soligenix, Inc., a company listed on the United States OTC Markets. From December 2011 through January 2014, Dr. Brughera served on the Board of Directors of Gentium S.p.A., a then publicly traded biopharmaceutical company on the United States Nasdaq exchange. Dr. Brughera earned his degree in veterinary medicine from the University of Milan and is a European Registered Toxicologist.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

INDEPENDENT NON-EXECUTIVE DIRECTORS

Chan Yau Ching, Bob

Chairman of audit committee & member of remuneration committee, aged 52, PhD, MBA, BBA, CFA, MHKSI

Dr. Chan Yau Ching, Bob ("Dr. Chan") joined the independent Board on 14 January 2002. Dr. Chan has extensive experience in corporate development and financial management of high-growth companies. Dr. Chan had been a finance professor, researcher and consultant. He had also served directorship at various listed and privately held companies in Hong Kong and in the United States. Currently Dr. Chan is Managing Director of KBR Capital Limited, a company engaged in advising clients on management and investment activities in China and Hong Kong. Dr. Chan does not have any relationship with any Director, substantial shareholder or controlling shareholder of the Company.

Lam Yat Cheong

Member of audit committee, aged 53, CPA (Practising), FCCA, BBA

Mr. Lam Yat Cheong ("Mr. Lam") joined the independent Board on 1 July 2004. Mr. Lam is a sole proprietor of an audit firm and has over 27 years of auditing and accounting experience. He is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Lam is also an independent non-executive director of Perfectech International Holdings Limited and Wuyi International Pharmaceutical Company Limited, both of the companies are listed in Hong Kong. Mr. Lam does not have any relationship with any Director, substantial shareholder or controlling shareholder of the Company.

Tsim Wah Keung, Karl

Chairman of remuneration committee and member of audit committee, aged 56, PhD, MPhil, BSc

Dr. Tsim Wah Keung, Karl ("Dr. Tsim"), joined the independent Board on 20 September 2004. Dr. Tsim currently serves as Chair Professor of Life Science at the Hong Kong University of Science and Technology. He holds a Bachelor of Science degree and a Master degree in Biochemistry from the Chinese University of Hong Kong, and a Doctorate in Molecular Neurobiology from the University of Cambridge. Dr. Tsim has published numerous articles in biological sciences and traditional Chinese medicines. He also serves in several local committee in advising the development of traditional Chinese medicine as health food products. Dr. Tsim does not have any relationship with any Director, substantial shareholder or controlling shareholder of the Company.

SENIOR MANAGEMENT

Chen Yueshen

Chief Operating Officer, aged 56

Mr. Chen Yueshen has been working for the Group for more than 17 years as the Director and Deputy General Manager of Zhaoke Pharmaceutical (Hefei) Company Limited ("Zhaoke"), a wholly-owned subsidiary of the Company. He is responsible for the daily operation of Zhaoke, including being responsible for the production and quality management of Zhaoke. He has extensive experience in quality management systems and GMP production. He has been appointed as Chief Operating Officer of the Group since 2012.

Jiao Zhongyu

Chief Officer of Enterprise Development Department of the Group, aged 45

Mr. Jiao Zhongyu is responsible for the government affair and legal affairs of the Group in the PRC. He was appointed as the legal adviser of PRC investment by the Group in 1999 in his capacity as a practising lawyer in PRC. He has been appointed as the director of Zhaoke since 2010 and has extensive experience in the government affair and legal affairs. In 2012, the Group established the Enterprise Development Department and he has been appointed as the Chief Officer thereof and responsible for the Group's strategic planning and development.

Chow Yiu Ming

Chief Financial Officer & Company Secretary, aged 41

Mr. Chow Yiu Ming holds a bachelor's degree of business administration from the University of Hong Kong, and he is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. He has more than 18 years of experience in finance and accounting. Prior to joining the Group in October 2014, he had held various senior positions with listed and private companies in Hong Kong.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

Zhang Guohui

Director of Research and Development Centre of the Group, aged 41, MBA, BSc

Mr. Zhang Guohui has been working in Zhaoke for more than 17 years. He is responsible for the research and development of new drugs, production control and GMP management. He has extensive experience in the research and development and registration of new drugs and technology project management. The Research and Development Centre of the Group was established in 2012, and he has served as the director and is responsible for new drug pre-clinical studies and clinical research, the additional development of launched products, drug registration affairs, science and technology project reporting and monitoring work of adverse drug reactions.

Li Dingwen

Director of Human Resources in China, aged 55, MBA, MIA

Mr. Li Dingwen joined the Group in December 2012 and is responsible for the Group's human resources management in the PRC. He has extensive experience in the management of human resources and in the operational management of pharmaceutical companies. Prior to joining the Group, he had been responsible for human resource management and operational management in various sizeable PRC pharmaceutical companies for more than 32 years.

Victor Tsui

Chief Manufacturing Officer, Licensed Professional Engineer, aged 48, P.E. MSc

Mr. Victor Tsui graduated from The Hong Kong Polytechnics University and University of Wisconsin with a master degree in Engineering. Before joining the Group, he worked for various pharmaceuticals companies in the United States for over 22 years and was responsible for production management. He joined the Group in 2009 as Chief Operating Officer of Powder Pharmaceuticals Incorporated ("PPI", an associated company of the Group). He has been appointed as Chief Manufacturing Officer of the Group since 2012 to oversee the Group's manufacturing operations. He has also been appointed as director of PPI since 22 March 2013.

Lau Lit-Fui

General Manager of Shanghai branch of Zhaoke, aged 52, PhD

Dr. Lau Lit-Fui holds the PhD from the University of Connecticut Health Center. Before joining the Group, he served as the associate director for the American GlaxoSmithKline R&D China, and had been responsible for the research and development of new drugs for over 20 years. He has extensive experience in management of the research and development of new drugs. He joined the Group in 2012 as the General Manager of Shanghai branch of Zhaoke and is responsible for the business development of East China region. He also has been appointed as the senior director of Development of CVie Therapeutics Company Limited, a subsidiary of the Group, and is responsible for the management of the research and development of drugs.

Yang Zhongqiang

Director of the Quality Control Department, aged 40

Mr. Yang Zhongqiang holds a master's degree in Pharmaceutical Engineering of Shandong University and has a practicing pharmacist certification. He has been working for the Group for more than 17 years, and has been working in the Department of Research and Development of New Drugs and Quality Department of Zhaoke. He has extensive experience in the research and development of new drug, project management and quality management. He has been appointed as the quality authorised person of Zhaoke since 2012 to oversee the company's drug quality management and protection works.

Tom Lin

President and Chief Operating Officer of CVie International Limited, aged 37, MD. PhD

Dr. Tom Lin graduated from the University of Sydney Medical School with a master degree of Medicine, specialising in multidisciplinary medicine & surgery, and PhD in Medicine, specialising in neurology and immunology, and subsequently completing his fellowship training and Specialist Certificate in Clinical Neurosciences from the University of Melbourne. Dr. Lin is currently participating Global CEO Program of Wharton School, IESE, CEIBS. Prior to joining the Group in December 2014, he was the General Manager & Medical Director of ASLAN Pharmaceuticals and Senior Medical Director of OBI Pharma.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited consolidated financial statements for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The Company acts as an investment holding company of the Group. The principal activities of the Group are the development of, manufacturing of and sale and marketing of pharmaceutical products.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 6 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year and the state of affairs of the Company and of the Group as at 31 December 2014 are set out in the financial statements on pages 49 to 162.

The board of Directors (the "Board") has resolved to recommend a final dividend for the year ended 31 December 2014 (the "Final Dividend") equivalent to HK$0.066 per share (2013: HK$0.052 per share) to the shareholders whose names appear on the register of members of the Company as at the close of business on 20 May 2015. Upon approval by shareholders, the final dividend will be paid on or about 11 June 2015.

Together with the interim dividend of HK$0.027 per share (2013: HK$0.023 per share) paid in October 2014, total distribution of dividend by the Company for the year ended 31 December 2014 will thus be HK$0.093 per share (2013: HK$0.075 per share).

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 48 to the financial statements.

ASSOCIATED COMPANY

Particulars of the Group's associated company are set out in note 20 to the financial statements.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 7 of the annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 16 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 33 to the financial statements.

SHARE OPTIONS

Details of movements in the share options of the Company and its subsidiaries during the year are set out in note 39 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CHARITABLE DONATIONS

During the year, the Group made charitable donations amounting to HK$632,000 (2013: HK$731,000).

RESERVES

Details of movements in the reserves of the Company during the year are set out in note 34 to the financial statements. Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 54.

DISTRIBUTABLE RESERVES

At 31 December 2014, the Company's reserve available for distribution, calculated in accordance with the Companies Law of the Cayman Islands, amounted to HK$377,131,000 (2013: HK$352,894,000). This includes the Company's share premium in the amount of HK$301,196,000 (2013: HK$292,326,000) at 31 December 2014, which may be distributable provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 22.89% in aggregate for the Group's total turnover for the year (2013: 17.98%).

Purchase from the Group's five largest suppliers accounted for approximately 85.52% in aggregate for the Group's total purchases for the year (2013: 87.67%). The largest supplier of the Group accounted for approximately 42.64% of the Group's total purchases (2013: 51.58%).

Apart from as disclosed under the paragraph headed "Connected Transactions and Continuing Connected Transactions" in this report, none of the Directors, their associates (as defined in the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange")) or any shareholder of the Company (who, to the knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers and suppliers during the year.

DIRECTORS

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

Executive Directors
Lee Siu Fong, *Chairman*
Leelalertsuphakun Wanee, *Managing Director*
Li Xiaoyi, *Chief Executive Officer*

Non-executive Director
Marco Maria Brughera

Independent non-executive Directors
Chan Yau Ching, Bob
Lam Yat Cheong
Tsim Wah Keung, Karl

In accordance with Article 95 and 112 of the Company's Articles of Association, Dr. Li Xiaoyi, Dr. Marco Maria Brughera, Dr. Chan Yau Ching, Bob and Dr. Tsim Wah Keung, Karl will retire at the forthcoming annual general meeting and, being eligible, have agreed to offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

No Director has a service contract which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

Each of Ms. Lee Siu Fong ("Ms. Lee") and Ms. Leelalertsuphakun Wanee ("Ms. Leelalertsuphakun") has entered into a service contract both dated 14 January 2002 with the Company under which each of them has been appointed to act as an executive Director on a continuous basis until terminated by either party by giving to the other party not less than three months' notice in writing. On 1 January 2014, the monthly salaries and allowance for Ms. Lee and Ms. Leelalertsuphakun have been revised to HK$190,425 and HK$262,031, respectively.

Dr. Li Xiaoyi ("Dr. Li") has service contract with the Company since 1 September 2003 and after that the contract has been renewed. On 1 January 2014, the monthly salaries and allowance has been revised to HK$361,940. Both the Company and Dr. Li shall be entitled to terminate the contract by giving three months' prior written notice. If both of the substantial shareholders, namely Ms. Lee and Ms. Leelalertsuphakun, and Dr. Li together, holding less than 30% of the issued share capital of the Company, Dr. Li shall in his absolute discretion terminate the contract and shall be entitled to the payment equivalent to the aggregate of his monthly salary for the remaining term as compensation or damages for or in respect of such termination.

Ms. Lee, Ms. Leelalertsuphakun and Dr. Li are executive Directors. In accordance with supplementary agreement dated 1 January 2012 signed between the Company and each of the executive Directors, employment terms of executive Directors have been revised as follows:

1. Executive Directors are entitled to annual management bonus 1.5% to 3.5% (determined based on the growth in net profits of the Group) on the net profit of the Group for the preceding financial year. Such sum of the management bonus will be shared between all the executive Directors in such proportion with reference to their monthly salary in the final month of the complete financial year.

2. The annual salary increment shall be equal to official inflation rate if the growth in net profits of the Group is equal to or less than 15%, or should the growth exceed 15%, the sum of the official inflation rate and half of the positive difference between the growth in net profits and the 15% threshold.

3. Each of executive Directors will be entitled to lump sum payment upon retirement and monthly pension payment after retirement if he/she has engaged in continuous service with the Company for certain years.

REPORT OF THE DIRECTORS

Each of Mr. Lam Yat Cheong ("Mr. Lam") and Dr. Tsim Wah Keung, Karl ("Dr. Tsim") has been appointed on 1 July 2004 and 20 September 2004 respectively as an independent non-executive Director. Contract with Mr. Lam and Dr. Tsim has been renewed for three years from 1 July 2013 and 20 September 2013 respectively. Director's fees for both of Mr. Lam and Dr. Tsim are HK$96,000 per annum and bonus will not be paid.

Dr. Chan Yau Ching, Bob has a three-year service contract with the Company from 12 October 2007. The contract has been renewed for three years from 12 October 2013. Director's fee is HK$96,000 per annum and bonus will not be paid.

Dr. Marco Maria Brughera has a three-year service contract with the Company from 29 December 2014. Director's fee is HK$96,000 per annum and bonus will not be paid.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Company's business to which the Company or any of its subsidiaries was a party, and in which any 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.

SHARE OPTION SCHEME

Pursuant to a written resolution passed by all shareholders of the Company on 26 June 2002, the Company adopted a share option scheme (the "2002 Share Option Scheme"). At the annual general meeting of the Company held on 10 May 2012, a new share option scheme of the Company (the "New Share Option Scheme") was adopted upon expiry of the 2002 Share Option Scheme.

The total number of shares of the Company (the "Shares") which may be issued upon exercise of all options to be granted under the New Share Option Scheme shall be subject to a maximum limit of 10% of the Shares in issue on 10 May 2012, the date on which the New Share option Scheme is conditionally adopted and approved by the Shareholders at the annual general meeting, which is 47,023,543 shares. The total number of Shares available for issue under the New Share Option Scheme as at 31 December 2014 was 34,118,543 Shares.

As at 31 December 2014, the number of Shares in respect of which options had been granted and remained outstanding under the 2002 Share Option Scheme and New Share Option Scheme was 18,554,500 (2013: 23,679,500), representing 3.4% (2013: 4.4%) of the Shares in issue at that date.

Details of the Company's share option schemes are set out in note 39 to the financial statements.

SHARE OPTION SCHEME OF A SUBSIDIARY

A share option scheme of a subsidiary of the Company, CVie Therapeutics Company Limited, was approved by the shareholders of the Company on 12 November 2012 ("CVie's Scheme"). Details of the CVie's Scheme are set out in note 39 to the financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as the interests disclosed in the section headed "Directors' and Chief Executive's Interests in Securities" below, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors or chief executives of the Company or their respective spouses or children under 18 years of age or their associates to acquire benefits by means of the acquisition of shares in the Company or any other body corporate.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 December 2014, the Directors and the chief executives of the Company and their associates had the following interests in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules:

(a) Long position in Shares

Name of Director	Nature of interest	Number of ordinary shares held	Total	Approximate percentage of shareholding (%)
Lee Siu Fong	Beneficial Owner	183,875		
	Interest held jointly with Leelalertsuphakun Wanee	1,600,000		
	Interest of a controlled corporation *(Note 1)*	120,290,625	122,074,500	22.41%
Leelalertsuphakun Wanee	Beneficial Owner	126,000		
	Interest held jointly with Lee Siu Fong	1,600,000		
	Interest of a controlled corporation *(Note 1)*	120,290,625	122,016,625	22.40%
Li Xiaoyi	Beneficial owner	34,957,667		
	Family interest *(Note 2)*	16,000,000	50,957,667	9.35%
Chan Yau Ching, Bob	Beneficial owner	1,040,000	1,040,000	0.19%
Lam Yat Cheong	Beneficial owner	300,000	300,000	0.06%
Tsim Wah Keung, Karl	Beneficial owner	300,000	300,000	0.06%

Notes:

(1) 120,290,625 Shares are held through Huby Technology Limited ("Huby Technology"). Huby Technology is an investment holding company jointly owned by Ms. Lee Siu Fong and Ms. Leelalertsuphakun Wanee.

(2) These Shares are held by High Knowledge Investments Limited ("High Knowledge") which is wholly owned by Dr. Li Xiaoyi's spouse, Ms. Lue Shuk Ping, Vicky ("Ms. Lue"). The interest held by Ms. Lue is deemed to be part of the interest of Dr. Li Xiaoyi.

(b) Long position in underlying shares – share options of the Company

Under the share option scheme of the Company, the following Directors have personal interest in options to subscribe for the Shares. Details of the share options granted to them are as follows:

Name of Director	Date of grant	Exercisable period *(Note)*	Balance as at 1 January 2014	Granted during the year	Exercised during the year	Balance as at 31 December 2014	Exercise price per share HK$
Lee Siu Fong	20 December 2010	(1)	232,500	–	–	232,500	3.750
	20 December 2012	(2)	521,000	–	–	521,000	4.930
	30 December 2013	(3)	538,000	–	–	538,000	7.300
			1,291,500	–	–	1,291,500	
Leelalertsuphakun Wanee	8 October 2012	(4)	319,000	–	(319,000)	–	4.996
	30 December 2013	(3)	538,000	–	–	538,000	7.300
			857,000	–	(319,000)	538,000	
Li Xiaoyi	25 September 2009	(5)	448,000	–	–	448,000	1.076
	20 December 2010	(1)	465,000	–	–	465,000	3.750
	20 December 2011	(6)	469,000	–	–	469,000	2.666
	20 December 2012	(2)	521,000	–	–	521,000	4.930
	30 December 2013	(3)	538,000	–	–	538,000	7.300
			2,441,000	–	–	2,441,000	

Notes:

(1) Divided into 2 tranches exercisable from 20 June 2011 and 20 March 2012 respectively to 19 December 2020.

(2) Divided into 2 tranches exercisable from 20 June 2013 and 20 March 2014 respectively to 19 December 2022.

(3) Divided into 2 tranches exercisable from 30 June 2014 and 30 March 2015 respectively to 29 December 2023.

(4) Divided into 2 tranches exercisable from 8 April 2013 and 8 January 2014 respectively to 7 October 2022.

(5) Divided into 2 tranches exercisable from 25 March 2010 and 25 December 2010 respectively to 24 September 2019.

(6) Divided into 2 tranches exercisable from 20 June 2012 and 20 March 2013 respectively to 19 December 2021.

(c) As at 31 December 2014, Dr. Li Xiaoyi had beneficial interest in 12,550 shares in Powder Pharmaceuticals Incorporated, among which 1,750 shares of Powder Pharmaceuticals Incorporated can be converted into 330,113 Shares upon exercising the conversion right attached thereto.

(d) No interests and short positions were held or deemed to be taken to be held under Part XV of the SFO by any director or chief executive of the Company or their respective associates in the shares and the underlying shares of the Company or any of its associated corporations which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2014, the following parties (other than a Director or chief executive of the Company) who had interests or short positions in the Shares and underlying shares of the Company which are required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and required to be entered into the register maintained by the Company pursuant to Section 336 of the SFO:

(a) Long position in Shares

Name	Capacity	Number of ordinary shares held	Approximate percentage of shareholding (%)
Huby Technology Limited	Beneficial Owner	120,290,625	22.08%
Sigma-Tau Industrie Farmaceutiche Riunite S.p.A.	Beneficial Owner	137,720,000	25.28%
Sigma Tau Finanziaria S.p.A.	Interest of a controlled corporation	137,720,000	25.28%
Cavazza Paolo	Interest of a controlled corporation	137,720,000	25.28%
Paponi Claudia	Family interest	137,720,000	25.28%
GL Trade Investment Limited	Beneficial Owner	54,485,000	10.00%
Assicurazioni Generali S.p.A	Interest of a controlled corporation	54,485,000	10.00%
GL Capital Management GP L.P.	Interest of a controlled corporation	54,485,000	10.00%
GL Capital Management GP Limited	Interest of a controlled corporation	54,485,000	10.00%
GL China Opportunities Fund L.P.	Interest of a controlled corporation	54,485,000	10.00%
GL Partners Capital Management Limited	Interest of a controlled corporation	54,485,000	10.00%
Li Zhenfu	Interest of a controlled corporation	54,485,000	10.00%
Lion River I N.V.	Interest of a controlled corporation	54,485,000	10.00%
FIL Limited	Beneficial Owner	32,465,000	5.96%
High Knowledge Investments Limited	Beneficial Owner *(Note 1)*	16,000,000	2.94%
Lue Shuk Ping, Vicky	Interest of a controlled corporation *(Note 1)*	16,000,000	2.94%
	Family interest *(Note 2)*	34,957,667	6.42%

(b) Long position in underlying shares – share options of the Company

Name	Capacity	Number of underlying shares held	Approximate percentage of shareholding (%)
Lue Shuk Ping, Vicky	Family interest *(Note 2)*	2,771,113	0.51%

Notes:

(1) These Shares are legally owned by High Knowledge Investments Limited, which is entirely and beneficially owned by Dr. Li Xiaoyi's spouse, Ms. Lue Shuk Ping, Vicky.

(2) These Shares, share options and conversion right are owned by Ms. Lue Shuk Ping, Vicky's spouse, Dr. Li Xiaoyi.

(c) Short Position on Shares

No short positions of other persons and substantial shareholders in the Shares or underlying Shares of the Company and its associated corporations were recorded in the register.

Saved as disclosed above, as at 31 December 2014, the Directors are not aware of any other person or corporation having an interest or short position in shares and underlying shares of the Company which fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Connected Transactions

1. *Advance of shareholder loans and provision of financial guarantee to Powder Pharmaceuticals Incorporated ("PPI"), as associate of the Group*

During the year ended 31 December 2014, the following shareholder loans were provided by the Group to PPI:

Advance Date	Term	Interest rate per annum	Loan amount Original currency	Loan amount *(HK$ equivalent)*
7 January 2014	1 year	4%	HK$8,000,000	8,000,000
24 July 2014	1 year	4%	US$520,000	4,032,080
25 July 2014	1 year	4%	HK$4,000,000	4,000,000
8 October 2014	1 year	4%	HK$4,000,000	4,000,000

On 2 May 2014, the Company as guarantor entered into a corporate guarantee (the "Corporate Guarantee") in favour of a bank as a security for the provision of a revolving demand loan facility of up to HK$6,000,000 and an overdraft facility of up to HK$1,000,000 (the "Facility"), provided that the total outstanding balance of the Facility shall not at any time exceed HK$6,000,000 to PPI for the purpose of funding its normal commercial operation.

Sigma-Tau Industrie Farmaceutiche Riunite S.p.A. ("Sigma-Tau") is a substantial shareholder of the Company. Sigma-Tau and Dr. Li Xiaoyi (a director of the Company) in aggregate, are holding more than 10% of equity interest in PPI and therefore, advance of shareholder loans and provision of financial guarantee to PPI constitutes connected transactions.

As at 31 December 2014, the Group had interest in 39.65% of issued share capital of PPI.

2. *Istaroxime service agreement with Sigma-Tau*

On 11 December 2013, CVie Therapeutics Company Limited ("CVie"), a subsidiary of the Company, entered into the Istaroxime Service Agreement with Sigma-Tau. CVie engaged Sigma-Tau to provide certain support services on chemistry, manufacturing, and controls matter in relation to the Istaroxime substances during the period from 1 January to 31 December 2014 at a consideration of HK$840,000.

No service was incurred during the year ended 31 December 2014 under the service agreement.

3. *Gimatecan service agreement with Sigma-Tau*

On 11 December 2013, Lee's Pharmaceutical (HK) Limited ("Lee's HK"), a wholly-owned subsidiary of the Company, entered into the Gimatecan Service Agreement with Sigma-Tau. Lee's HK engaged Sigma-Tau to provide certain support services in the manufacturing and development of the Gimatecan substances during the period from 1 January to 31 December 2014 at a consideration of HK$2,520,000.

During the year ended 31 December 2014, the actual amount of the transaction was HK$2,298,960.

Continuing Connected Transactions

1. *Acquisition of licenses for Istaroxime and Rostafuroxin from Sigma-Tau and its associate*

On 24 May 2012, licensing agreements with duration of three years were signed by CVie and Sigma-Tau and its associate (together, "Sigma-Tau Group") for the acquisition of licenses for Istaroxime and Rostafuroxin. Additional fee in respect of the above licensing agreement is required to be paid in accordance with amendment agreements executed on 15 October 2013.

Payment made during the year ended 31 December 2014 in respect of the licensing agreements and amendment agreements is as follows:

		Amount *(HK$)*	**Annual cap** *(HK$)*
Istaroxime Licensing Agreement	Purchase of experimental products	1,835,349	4,000,000
Sigma-Tau Licensing Agreement	Purchase of experimental products	1,105,415	4,000,000
Total		2,940,764	8,000,000

2. *Acquisition of license for Gimatecan Products from Sigma-Tau*

On 23 November 2012, a licensing agreement with duration of three years was signed by Lee's Pharmaceutical (HK) Limited, a wholly-owned subsidiary of the Company, and Sigma-Tau for the acquisition of license for Gimatecan products.

No transaction was made during the year ended 31 December 2014 under the licensing agreement. The annual cap for this agreement as disclosed in announcement is HK$1,000,000.

3. *Purchase of Carnitene® and other pharmaceutical products from Sigma-Tau Group*

Sigma-Tau is a substantial shareholder of the Company, the supply of pharmaceutical products by Sigma-Tau Group to the Company constituted continuing connected transactions under the Listing Rules. The continuing connected transactions were approved by independent shareholders where annual cap of purchase of *Carnitene®* and other pharmaceutical products by the Company from the Sigma-Tau Group for the year ended 31 December 2014 would not exceed HK$202,833,780.

For the year ended 31 December 2014, purchase of *Carnitene®* and other pharmaceutical products by the Company from the Sigma-Tau amounted to HK$93,564,615.

The above continuing connected transactions have been reviewed by the independent non-executive Directors and they have confirmed that the transactions:

a. have been entered into in the usual and ordinary course of businesses of the Company and its subsidiaries.

b. are conducted on normal commercial terms.

c. are entered into in accordance with the terms of relevant agreements that are fair and reasonable and in the interests of Shareholders as a whole.

d. have not exceeded the cap disclosed in previous announcements.

The Company's auditor, HLM CPA Limited, also has confirmed that the above continuing connected transactions:

a. have received the approval of the Company's board of directors;

b. have been entered into in accordance with the relevant agreement governing the transactions; and

c. have not exceeded the cap disclosed in previous announcements.

Save as disclosed above, there was no other transaction requiring disclosure of connected transactions in accordance with the requirements of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

According to information that is publicly available to the Company and within the knowledge of the Directors, the percentage of the Company's shares which are in the hands of the public exceeds 25% of the Company's total number of issued shares during the year and up to the date of this report.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2014 (2013: nil).

CONFIRMATION OF INDEPENDENCE

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

STAFF RETIREMENT SCHEME

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the Scheme. The assets of the Scheme are held separately from those of the Group in an independently administered fund.

Executive directors will be entitled to lump sum payment upon retirement and monthly pension payment after retirement if they have engaged in continuous service with the Company for certain years.

Particulars of the Scheme of the Group are set out in note 38 to the financial statements.

COMPETING INTERESTS

None of the Directors, the management shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules, or has any other conflict of interests with the Group during the year ended 31 December 2014.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors. Special enquiries have been made by the Company to confirm that all Directors have been complied with the Model Code for the year ended 31 December 2014.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the corporate governance report on pages 41 to 46.

AUDIT COMMITTEE

The Company established an Audit Committee with written terms of references adopted in compliance with the Code set out in Appendix 14 of the Listing Rules. The members of the Audit Committee are the three independent non-executive Directors, and Dr. Chan Yau Ching, Bob, an independent non-executive Director, is the Chairman of the Audit Committee.

The Audit Committee is to serve as a focal point for communication between other Directors, the external auditor and the internal auditor (where an internal audit function exists) of the Company as regards their duties relating to financial and other reporting, internal controls, external and internal audits and such other financial and accounting matters as the Board determines from time to time.

The Audit Committee is to assist the Board in providing an independent review of the effectiveness of the financial reporting process, internal control and risk management system of the Group, overseeing the audit process and performing other duties and responsibilities as may be assigned by the Board from time to time.

The audit committee has reviewed the Group's interim and annual consolidated financial statements for the year 2014, including the accounting principles and practices adopted by the Group.

AUDITOR

The financial statements of the Company for the year have been audited by HLM CPA Limited who will retire and, being eligible, offer themselves for re-appointment.

A resolution for the re-appointment of HLM CPA Limited as auditor of the Company is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

Lee Siu Fong
Chairman

Hong Kong, 26 March 2015

The Board believes that corporate governance is essential to the success of the Company and has adopted various measures to uphold good corporate governance to safeguard the interests of our shareholders, investors, customers and staff.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2014, with deviations from provision A.5 of the Code.

Under provision A.5 of the Code, a nomination committee should be established to make recommendations to the Board on the appointment and reappointment of directors. The Board as a whole is responsible for the appointment of its own members. The Board does not establish a Nomination Committee and is not considering to establish the same in view of the small size of the Board. The Chairman of the Board is responsible for identifying appropriate candidate and proposing qualified candidate to the Board for consideration. The Board will review profiles of the candidates recommended by the Chairman and make recommendation the appointment, re-election and retirement of the Directors. Candidates are appointed to the Board on the basis of their skill, competence, experience and diversity of perspectives that they can contribute to the Company.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

During the year ended 31 December 2014, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Main Board Listing Rules. The Company has made specific enquiries of all the Directors and the Company was not aware of any non-compliance with such Model Code and required standard of dealing throughout the year ended 31 December 2014.

BOARD OF DIRECTORS

The non-executive Directors provide the Group with a wide range of expertise and knowledge in the pharmaceutical sector. The independent non-executive Directors are persons of high calibre; with academic and professional qualifications in the fields of accounting, financial and pharmaceutical field. With their experience gained from senior positions held in other companies, they provide strong support towards the effective discharge of the duties and responsibilities of the Board.

The list of Directors and their roles and functions is posted on the websites of the Company and the Stock Exchange.

The Chairman and Chief Executive Officer of the Company is Ms. Lee Siu Fong and Dr. Li Xiaoyi respectively. The roles of the Chairman and Chief Executive Officer are segregated and are not exercised by the same individual.

The Board formulates overall strategic plans and key policies of the Group, monitors its financial performance, maintains effective oversight over the management, risks assessment, controls over business operations and ensures good corporate governance and compliance with legal and regulatory requirements. Responsibility in relation to daily operations and execution of the strategic business plans are delegated to each of the executive Directors and management.

The company secretary continuously updates all Directors on the latest development of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance practices.

During the year ended 31 December 2014, 14 board meetings and 1 shareholders meeting were held and the attendance of individual Directors at these meetings is set out below:

Attendants	Number of Board meetings attended/Total	Number of Shareholders meetings attended/Total
Executive Directors		
Lee Siu Fong *(Chairman)*	14/14	1/1
Leelalertsuphakun Wanee *(Managing Director)*	14/14	1/1
Li Xiaoyi *(Chief Executive Officer)*	14/14	1/1
Non-executive Director		
Marco Maria Brughera*	0/0	0/0
Independent non-executive Directors		
Chan Yau Ching, Bob	14/14	0/1
Lam Yat Cheong	14/14	0/1
Tsim Wah Keung, Karl	12/14	0/1

* No Board meeting and Shareholders meeting was held after Marco Maria Brughera was appointed as an non-executive Director on 29 December 2014.

The Company's auditor, HLM CPA Limited, also attended the Shareholders meeting.

NON-EXECUTIVE DIRECTORS

All non-executive Directors are appointed for a specific term, subject to retirement by rotation at least once every three years.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

The Company is responsible for arranging and funding suitable training for its Directors. The Company had organised a seminar on the new Hong Kong Companies Ordinance for the directors in 2014. The seminar was conducted by external professional training provider with presentation and briefing materials. In addition, individual Directors also participated in other courses relating to the roles, functions and duties of a listed company director or further enhancement of their professional development by way of attending training courses or via online aids or reading relevant materials. The company secretary reports from time to time the latest changes and development of the Listing Rules, corporate governance practices and other regulatory regime to the Directors with written materials.

AUDIT COMMITTEE AND ACCOUNTABILITY

The Board is responsible for presenting a balanced, clear and comprehensible assessment of the Group's performance and prospects. The Board is also responsible for preparing the accounts of the Company, which give a true and fair view of the financial position of the Group on a going concern basis.

The Company set up an audit committee with written terms of reference in compliance with Rules 3.21 of the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group.

The audit committee comprises three members, Dr. Chan Yau Ching, Bob (Chairman of the audit committee), Mr. Lam Yat Cheong and Dr. Tsim Wah Keung, Karl, who are the independent non-executive Directors of the Company. In the financial year ended 31 December 2014, four audit committee meetings were held to review and comment on the Group's draft annual, interim and quarterly financial reports, met with external auditors and provided advices and recommendations to the Board. The individual attendance record of each member is as follows:

Attendants	Number of audit committee meetings attended/Total	Attendance percentage
Chan Yau Ching, Bob	4/4	100%
Lam Yat Cheong	4/4	100%
Tsim Wah Keung, Karl	3/4	75%

REMUNERATION COMMITTEE

A remuneration committee has been established in February 2012 in accordance with the requirement of Appendix 14 of the Listing Rules. The Remuneration Committee of the Company comprises two Independent Non-executive Directors and one Executive Director.

Dr. Tsim Wah Keung, Karl is the Chairman of the Remuneration Committee and Ms. Leelalertsuphakun Wanee and Dr. Chan Yau Ching, Bob are members of the Committee. The Company has adopted the model to make recommendations to the Board to determine the remuneration packages of individual executive Directors and senior management. The major roles and functions of the Company's Remuneration Committee are as follows:

a. Establish and apply a formal and transparent procedure for setting policy on remuneration for executive directors and senior management, and for fixing the remuneration packages for all directors and senior management; and

b. Ensure that procedures and principles for fixing packages of all directors and senior management are proper so that the levels of remuneration of directors commensurate with their qualifications and competencies, and that such remuneration is sufficient to attract and retain the directors and senior management but not excessive.

The terms of reference of the Remuneration Committee are posted on the websites of the Company and the Stock Exchange. The Remuneration Committee meets at least once a year. During the year ended 31 December 2014, 2 meetings are held by the remuneration committee and all the committee member attended the meetings to approve the annual bonus payable to executive directors for year 2013, the monthly salary of executive directors with effect from 1 January 2014 and the remuneration of the newly appointed non-executive Director.

The Board has resolved that the senior management of the Company comprises only the directors of the Company. Please refer to note 11 in the Notes to Consolidated Financial Statements for details of the remuneration payable to the directors.

COMPANY SECRETARY

The Company Secretary's biography is set out in the section under "Directors and Senior Management Profiles" of this Annual Report. During the year ended 31 December 2014, the Company Secretary undertook over 15 hours of professional training to update his skills and knowledge.

INTERNAL CONTROL

The Board is responsible for maintaining sound and effective internal control systems for the Group's asset and shareholders' interests, as well as for reviewing such systems' effectiveness. Such systems are designed to provide reasonable, but not absolute, assurance against misstatement or loss, and to manage risks of failure in the Group's operational systems. The systems include a well-established organisational structure with clearly defined lines of responsibility and authority, which is designed to safeguard assets from inappropriate use, maintain proper accounts and ensure compliance with regulations.

For the year ended 31 December 2014, the Board has, through the Audit Committee with the assistance of the management, conducted a review of the Group's internal control system, including without limitation to financial control, operational control, compliance control and risk management functions. The Board assesses the effectiveness of internal controls by considering reviews performed by the Audit Committee, executive management and auditors.

The Board is of the view that the internal control systems are effective and there are no irregularities, improprieties, fraud or other deficiencies that suggest material deficiency in the effectiveness of the Group's internal control system.

AUDITOR'S REMUNERATION

For the year ended 31 December 2014, audit service fee of HK$879,000 was paid to the Company's auditor HLM CPA Limited.

CONVENING OF EXTRAORDINARY GENERAL MEETINGS ON REQUISITION BY SHAREHOLDERS

Shareholders shall have the right to request the Board to convene an extraordinary general meeting ("EGM") of the Company. Two or more Shareholders holding in aggregate of not less than one-tenth (10%) of the paid up capital of the Company which carries the right of voting at the general meeting of the Company may send a written request to the Board of the Company to request for an EGM. The written requisition, duly signed by the shareholders concerned, must state the purposes of the meeting and must be deposited at the registered office of the Company.

Shareholders who wish to move a resolution at general meetings may follow the procedures set out in the preceding paragraph.

PROCEDURES FOR DIRECTING SHAREHOLDERS' ENQUIRIES TO THE BOARD

Shareholders may at any time send their enquiries and concerns to the Board in writing through the company secretary whose contact details are as follows:

Lee's Pharmaceutical Holdings Limited
Units 110-111, Bio-Informatics Centre, No. 2 Science Park West Avenue, Hong Kong Science Park, Shatin, Hong Kong
Telephone: (852) 2314 1282
Fax: (852) 2314 1708
Email: investor@leespharm.com

Shareholders may also make enquiries with the Board at the general meetings of the Company.

CHANGES TO CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2014, there was no significant change in the Company's constitutional documents, and these documents are published on the websites of the Company and the Stock Exchange.

恒健會計師行有限公司
HLM CPA LIMITED
Certified Public Accountants

Room 305, Arion Commercial Centre
2-12 Queen's Road West, Hong Kong.
香港皇后大道西 2-12 號聯發商業中心 305 室
Tel 電話: (852) 3103 6980
Fax 傳真: (852) 3104 0170
E-mail 電郵: info@hlm.com.hk

TO THE MEMBERS OF LEE'S PHARMACEUTICAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Lee's Pharmaceutical Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 49 to 162, which comprise the consolidated and the Company's statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLM CPA Limited
Certified Public Accountants

Chan Lap Chi
Practising Certificate number: P04084

Hong Kong, 26 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 HK$'000	2013 HK$'000
Turnover	5	955,208	696,953
Cost of sales		(284,685)	(193,700)
Gross profit		670,523	503,253
Other revenue	8	17,572	10,731
Decrease in fair value of derivative financial instruments		(10,092)	–
Selling and distribution expenses		(309,202)	(222,850)
Research and development expenses		(37,964)	(32,262)
Administrative expenses		(99,345)	(78,511)
Profit from operations	9	231,492	180,361
Share of results of an associate	20	(668)	(2,418)
Finance costs	10	(2,671)	(1,853)
Profit before taxation		228,153	176,090
Taxation	13	(41,368)	(27,087)
Profit for the year		186,785	149,003
Attributable to:			
Shareholders of the Company		192,830	150,467
Non-controlling interests		(6,045)	(1,464)
		186,785	149,003
		HK cents	HK cents
Earnings per share			
Basic	15	35.52	28.41
Diluted	15	34.47	27.05

The notes on pages 58 to 162 form part of these consolidated financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 14.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 HK$'000	2013 HK$'000
Profit for the year	186,785	149,003
Other comprehensive income (expense):		
Item that will not be reclassified to profit or loss:		
Exchange differences on translation of revaluation of overseas buildings	–	71
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	(15,479)	8,649
Fair value changes of available-for-sale financial assets	3,319	–
Other comprehensive (expense) income for the year, net of tax	(12,160)	8,720
Total comprehensive income for the year	174,625	157,723
Total comprehensive income (expense) for the year attributable to:		
Shareholders of the Company	180,658	159,186
Non-controlling interests	(6,033)	(1,463)
	174,625	157,723

The notes on pages 58 to 162 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current Assets			
Property, plant and equipment	16	302,835	263,073
Intangible assets	17	236,218	194,129
Lease premium for land	18	14,486	15,213
Goodwill	19	3,900	3,900
Interests in an associate	20	33,863	34,531
Held-to-maturity financial assets	21	5,323	5,156
Available-for-sale financial assets	22	42,767	7,882
		639,392	523,884
Current Assets			
Lease premium for land	18	324	333
Inventories	23	138,889	117,881
Trade receivables	24	99,782	78,320
Other receivables, deposits and prepayments		77,735	43,788
Advance to a related party	25	20,069	20,387
Tax recoverable		277	–
Pledged bank deposits	26	–	2,000
Time deposits	26	124,352	176,437
Cash and bank balances	26	268,560	202,625
		729,988	641,771
Current Liabilities			
Trade payables	27	42,249	36,493
Other payables		182,865	145,365
Obligations under license contract	28	3,371	7,923
Derivative financial instruments	29	10,092	–
Bank borrowings	30	52,269	69,468
Obligations under finance lease	31	–	150
Tax payables		17,333	12,758
		308,179	272,157

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2014

	Notes	2014 HK$'000	2013 HK$'000
Net Current Assets		421,809	369,614
Total Assets less Current Liabilities		1,061,201	893,498
Capital and Reserves			
Share capital	33	27,236	26,912
Reserves	34	907,105	759,093
Equity Attributable to the Shareholders of the Company		934,341	786,005
Non-controlling interests	35	64,526	66,053
Total Equity		998,867	852,058
Non-current Liabilities			
Deferred tax liabilities	32	15,522	14,661
Retirement benefit	38	46,812	23,569
Obligations under license contract	28	–	3,210
		62,334	41,440
		1,061,201	893,498

The notes on pages 58 to 162 form part of these consolidated financial statements.

The consolidated financial statements on pages 49 to 162 were approved and authorised for issue by the Board of Directors on 26 March 2015 and are signed on its behalf by:

Lee Siu Fong
DIRECTOR

Leelalertsuphakun Wanee
DIRECTOR

STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current Assets			
Intangible assets	17	–	3,840
Interests in subsidiaries	48	397,235	340,396
Held-to-maturity financial assets	21	5,323	5,156
Available-for-sale financial assets	22	42,767	7,882
		445,325	357,274
Current Assets			
Other receivables, deposits and prepayments		2,264	360
Tax recoverable		277	–
Time deposits	26	7,796	38,591
Cash and bank balances	26	6,649	10,686
		16,986	49,637
Current Liabilities			
Other payables		11,132	3,351
Tax payables		–	185
		11,132	3,536
Net Current Assets		5,854	46,101
Total Assets less Current Liabilities		451,179	403,375
Capital and Reserve			
Share capital	33	27,236	26,912
Reserves	34	377,131	352,894
		404,367	379,806
Non-current Liability			
Retirement benefit	38	46,812	23,569
		451,179	403,375

The notes on pages 58 to 162 form part of these financial statements.

Lee Siu Fong
DIRECTOR

Leelalertsuphakun Wanee
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

	Attributable to the shareholders of the Company										
	Share capital HK$'000	Share premium HK$'000	Merger difference HK$'000	Share-based compensation reserve HK$'000	Other reserves HK$'000	Investments revaluation reserve HK$'000	Exchange reserve HK$'000	Retained profits HK$'000	Sub-total HK$'000	Attributable to non-controlling interests HK$'000	Total HK$'000
At 1 January 2014	26,912	292,326	9,200	5,392	60,312	–	23,284	368,579	786,005	66,053	852,058
Employee share option benefits	–	–	–	3,839	–	–	–	–	3,839	–	3,839
Exercise of share options	324	8,870	–	(1,472)	–	–	–	–	7,722	–	7,722
Share of share-based compensation reserve of a subsidiary (Note)	–	–	–	23	–	–	–	–	23	18	41
Acquisition of additional interests in a subsidiary (Note 36)	–	–	–	–	(996)	–	–	–	(996)	966	(30)
Deemed partial disposal of interests in a subsidiary (Note 37)	–	–	–	–	28	–	–	–	28	4	32
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	3,518	3,518
Profit (loss) for the year	–	–	–	–	–	–	–	192,830	192,830	(6,045)	186,785
Other comprehensive income (expense) for the year	–	–	–	–	–	3,319	(15,491)	–	(12,172)	12	(12,160)
Total comprehensive income (expense) for the year	–	–	–	–	–	3,319	(15,491)	192,830	180,658	(6,033)	174,625
2013 final dividend paid	–	–	–	–	–	–	–	(28,251)	(28,251)	–	(28,251)
2014 interim dividend paid	–	–	–	–	–	–	–	(14,687)	(14,687)	–	(14,687)
At 31 December 2014	27,236	301,196	9,200	7,782	59,344	3,319	7,793	518,471	934,341	64,526	998,867

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

	Attributable to the shareholders of the Company										
	Share capital HK$'000	Share premium HK$'000	Merger difference HK$'000	Share-based compensation reserve HK$'000	Other reserves HK$'000	Revaluation reserve HK$'000	Exchange reserve HK$'000	Retained profits HK$'000	Sub-total HK$'000	Attributable to non-controlling interests HK$'000	Total HK$'000
At 1 January 2013	26,055	260,656	9,200	3,292	17,038	4,036	14,636	247,243	582,156	11,123	593,279
Employee share option benefits	–	–	–	2,727	–	–	–	–	2,727	–	2,727
Exercise of share options	99	5,300	–	(654)	–	–	–	–	4,745	–	4,745
Share of share-based compensation reserve of a subsidiary (Note)	–	–	–	27	–	–	–	–	27	13	40
Transfer of revaluation reserve to retained earnings upon disposal	–	–	–	–	–	(4,107)	–	4,107	–	–	–
Issue of shares pursuant to Shareholders' Agreement	758	26,370	–	–	–	–	–	–	27,128	–	27,128
Deemed partial disposal of interests in a subsidiary	–	–	–	–	43,274	–	–	–	43,274	56,380	99,654
Profit (loss) for the year	–	–	–	–	–	–	–	150,467	150,467	(1,464)	149,003
Other comprehensive income for the year	–	–	–	–	–	71	8,648	–	8,719	1	8,720
Total comprehensive income (expenses) for the year	–	–	–	–	–	71	8,648	150,467	159,186	(1,463)	157,723
2012 final dividend paid	–	–	–	–	–	–	–	(20,871)	(20,871)	–	(20,871)
2013 interim dividend paid	–	–	–	–	–	–	–	(12,367)	(12,367)	–	(12,367)
At 31 December 2013	26,912	292,326	9,200	5,392	60,312	–	23,284	368,579	786,005	66,053	852,058

The notes on pages 58 to 162 form part of these consolidated financial statements.

Note: Share of share-based compensation reserve of a subsidiary was derived from a subsidiary, CVie Therapeutics Company Limited, which has granted share options to its employees in 2012. Detail can be referenced to note 39.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 HK$'000	2013 HK$'000
Operating activities		
Profit before taxation	228,153	176,090
Adjustments for:		
Share of results of an associate	668	2,418
Decrease in fair value of derivative financial instruments	10,092	–
Gain on disposal of available-for-sale financial assets	(1,774)	–
Retirement benefit	23,243	12,678
Depreciation of property, plant and equipment	19,370	11,518
Interest expenses	2,452	1,555
Interest income	(2,851)	(2,717)
Interest from advance to a related party	(484)	(444)
Interest from available-for-sale financial assets	–	(128)
Interest from held-to-maturity financial assets	(167)	(56)
Amortisation of intangible assets	9,191	4,640
Amortisation of lease premium for land	326	345
Intangible assets written off	5,649	6,094
Exchange difference	451	405
Share-based payments	3,880	2,767
Bad debt written off	293	164
Written back of allowance for bad and doubtful debts	(3,296)	(1,033)
Loss on disposal of property, plant & equipment	1,436	3,308
(Written back) provision for slow moving stock	(879)	889
Written off expired stock	76	1,455
Operating cash flows before movements in working capital	295,829	219,948
Increase in inventories	(21,571)	(54,995)
Increase in trade receivables	(19,385)	(5,384)
Increase in other receivables, deposits and prepayments	(34,473)	(9,739)
Increase in trade payables	5,767	7,298
Increase in other payables	32,383	50,046
Cash from operations	258,550	207,174
Interest paid	(2,452)	(1,555)
Income tax refund	175	–
Income tax paid	(35,962)	(26,353)
Net cash generated from operating activities	220,311	179,266

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 HK$'000	2013 HK$'000
Investing activities			
Interest received		2,851	2,717
Purchase of plant and equipment		(14,172)	(32,697)
Payment for construction in progress		(53,707)	(113,169)
Proceed from disposal of property, plant and equipment		40	51
Additions of deferred development cost and license fee		(58,923)	(76,190)
Advance to a related party		–	(16,000)
Receipt of advance to a related party		802	2,562
Decrease in pledged bank deposit		2,000	–
Proceeds from disposal of available-for-sale financial assets		9,656	–
Acquisition of additional interests in a subsidiary	36	(30)	–
Additions of available-for-sale financial assets		(39,448)	(7,754)
Additions of held-to-maturity financial assets		–	(5,100)
Capital contribution from non-controlling interests		3,550	99,654
Net cash used in investing activities		(147,381)	(145,926)
Financing activities			
New loans raised		–	50,000
Repayment of loans		(17,199)	(12,015)
Repayment of obligations under finance lease		(150)	(732)
Cost of issuing shares regarding the Shareholders' Agreement		–	(172)
Net proceeds from issue of ordinary shares upon exercise of share options		7,722	4,745
Dividend paid		(42,938)	(33,238)
Net cash (used in) generated from financing activities		(52,565)	8,588
Net increase in cash and cash equivalents		20,365	41,928
Cash and cash equivalents at 1 January		379,062	333,902
Effect of foreign exchange rate changes		(6,515)	3,232
Cash and cash equivalents at 31 December		392,912	379,062
Analysis of cash and cash equivalents			
Cash and bank balances		268,560	202,625
Time deposits		124,352	176,437
		392,912	379,062

The notes on pages 58 to 162 form part of these consolidated financial statements.

1. GENERAL INFORMATION

Lee's Pharmaceutical Holdings Company (the "Company") is a limited company incorporated in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are the development of, manufacturing of and sales and marketing of pharmaceutical products.

The consolidated financial statements are presented in Hong Kong dollars (HK$), which is the same as the functional currency of the Company.

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

Amendments to HKFRSs and the new Interpretation that are mandatorily effective for the current year

The Group has applied for the first time in the current year the following amendments to HKFRSs and a new Interpretation.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The Group has applied the amendments to HKFRS 10, HKFRS 12 and HKAS 27 *Investment Entities* for the first time in the current year. The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- Obtain funds from one or more investors for the purpose of providing them with investment management services;

- Commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

- Measure and evaluate performance of substantially all of its investments on a fair value basis.

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

Amendments to HKFRSs and the new Interpretation that are mandatorily effective for the current year *(continued)*

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities (continued)

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities.

As the Company is not an investment entity (assessed based on the criteria set out in HKFRS 10 as at 1 January 2014), the application of the amendments has had no impact on the disclosures or amounts recognised in the Group's consolidated financial statements.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to HKAS 32 *Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to HKAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments have been applied retrospectively. As the Group does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or amounts recognised in the Group's consolidated financial statements.

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The Group has applied the amendments to HKAS 36 *Recoverable Amount Disclosures for Non-Financial Assets* for the first time in the current year. The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by HKFRS 13 *Fair Value Measurements*.

The application of these amendments has had no material impact on the disclosures and amounts recognised in the Group's consolidated financial statements.

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

Amendments to HKFRSs and the new Interpretation that are mandatorily effective for the current year *(continued)*

Amendments to HKAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The Group has applied the amendments to HKAS 39 *Novation of Derivative and Continuation of Hedge Accounting* for the first time in the current year. The amendments to HKAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.

The amendments have been applied retrospectively. As the Group does not have any derivatives that are subject to novation, the applicable of these amendments has had no impact on the disclosures or amounts recognised in the Group's consolidated financial statements.

HK (IFRIC) – Int 21 Levies

The Group has applied HK (IFRIC) – Int 21 *Levies* for the first time in the current year. HK (IFRIC) – Int 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

HK (IFRIC) – Int 21 has been applied retrospectively. The application of this Interpretation has had no material impact on the disclosures or amounts recognised in the Group's consolidated financial statements.

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

New and revised HKFRSs in issue but not yet effective

Up to the date of issue of these consolidated financial statements, the Hong Kong Institute of Certified Public Accountants (the "HKICPA") has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2014 and which have not been adopted in these consolidated financial statements.

HKFRS 9 (2014)	Financial Instruments[6]
HKFRS 14	Regulatory Deferral Accounts[3]
HKFRS 15	Revenue from Contracts with Customers[5]
Amendments to HKAS 1	Disclosure Initiative[4]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[4]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[4]
Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions[1]
Amendments to HKAS 27 (2011)	Equity Method in Separate Financial Statements[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendment to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exemption[4]
Amendments to HKFRS 11	Accounting for Acquisition of Interests in Joint Operations[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle[4]

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

New and revised HKFRSs in issue but not yet effective

[1] Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted

[2] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted

[3] Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted

[4] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted

[5] Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted

[6] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to introduce the new requirement for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are 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 lows, and that the 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 of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at 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.

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

New and revised HKFRSs in issue but not yet effective *(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 of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' 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 was 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 word, 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. However, 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 effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the application of HKFRS 9 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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

New and revised HKFRSs in issue but not yet effective *(continued)*

HKFRS 15 Revenue from Contracts with Customers

In July 2014, HKFRS 15 was issued which established 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 Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identity the contract(s) with a customer
- Step 2: Identity 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.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a details review.

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

New and revised HKFRSs in issue but not yet effective *(continued)*

Amendments to HKAS 1 Disclosure Initiative

The amendments to HKAS 1 are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures.

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.

Amendments to HKAS 16 and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

(a) when the intangible asset is expressed as a measure of revenue; or

(b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The directors of the Company believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the directors of the Company do not anticipate that the application of these amendments to HKAS 16 and HKAS 38 will have a material impact on the Group's consolidated financial statements.

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

New and revised HKFRSs in issue but not yet effective *(continued)*

Amendments to HKAS 16 and HKAS 41 Agriculture: Bearer Plants

The amendments to HKAS 16 and HKAS 41 define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with HKAS 16, instead of HKAS 41. The produce growing on bearer plants continues to be accounted for in accordance with HKAS 41.

The directors of the Company do not anticipate that the application of these amendments to HKAS 16 and HKAS 41 will have a material impact on the Group's consolidated financial statements as the Group is not engaged in agricultural activities.

Amendments to HKAS 19 (2011) Defined Benefit Plans: Employee Contributions

The amendments to HKAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contribution are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognised the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The directors of the Company do not anticipate that the application of these amendments to HKAS 19 (2011) will have a significant impact on the Group's consolidated financial statements.

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

New and revised HKFRSs in issue but not yet effective *(continued)*

Amendments to HKAS 27 (2011) Equity Method in Separate Financial Statements

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in tis separate financial statements:

- At cost;
- In accordance with HKFRS 9 *Financial Instruments* (or HKAS 39 *Financial Instruments: Recognition and Measurement* for entities that have not yet adopted HKFRS 9); or
- Using the equity method as described in HKAS 28 *Investments in Associates and Joint Ventures*.

The accounting option must be applied by category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.

In addition to the amendments to HKAS 27 (2011), there are consequential amendments to HKAS 28 to avoid a potential conflict with HKFRS 10 *Consolidated Financial Statements* and to *HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards*.

The directors of the Company do not anticipate that the application of these amendments to HKAS 27 (2011) will have material impact on the Group's consolidated financial statements.

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

New and revised HKFRSs in issue but not yet effective *(continued)*

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to HKAS 28:

- The requirements on gain and losses resulting from transactions between an entity and its associate or joint venture have been amended to relate only to assets that do not constitute a business.

- A new requirement has been introduced that gains or losses from downstream transactions involving assets that constitutes a business between an entity and its associate or joint venture must be recognised in full in the investor's financial statements.

- A requirement has been added that an entity needs to consider whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as a single transaction.

Amendments to HKFRS 10:

- An exception from the general requirement of full gain or loss recognition has been introduced into HKFRS 10 for the loss control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using equity method.

- New guidance has been introduced requiring that gains or losses resulting from those transactions 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 at fair value of investments retained in any former subsidiary that has become an associate or a joint venture that is accounting for using the equity method are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interest in the new associate or joint venture.

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

New and revised HKFRSs in issue but not yet effective *(continued)*

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Join Venture (continued)

The directors of the Company do not anticipate that the application of these amendments to HKFRS 10 and HKAS 28 will have a material impact on the Group's consolidated financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011) Investment Entities: Consolidation Exemption

The narrow-scope amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011) introduce clarifications to the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the Standards.

The directors of the Company do not anticipate that the application of these amendments will have material impact on the Group's consolidated financial statements.

Amendments to HKFRS 11 Accounting for Acquisition of Interest in Joint Operations

The amendments to HKFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in HKFRS 3 *Business Combinations*. Specifically, the amendments state that the relevant principles on accounting for business combinations in HKFRS 3 and other standards (e.g. HKAS 36 *Impairment of Assets* regarding impairment testing of a cash-generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by HKFRS 3 and other standards for business combinations.

The amendments to HKFRS 11 apply prospectively for annual periods beginning on or after 1 January 2016. The directors of the Company do not anticipate that the application of these amendments to HKFRS 11 will have a material impact on the Group's consolidated financial statements.

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

New and revised HKFRSs in issue but not yet effective *(continued)*

Annual Improvements to HKFRSs 2010 – 2012 Cycle

The *Annual Improvements to HKFRSs 2010 – 2012 Cycle* include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of "vesting condition" and "market condition", and (ii) add definitions for "performance condition" and "service condition" which were previously included within the definition of "vesting condition". The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit or loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have "similar economic characteristics"; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.

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

New and revised HKFRSs in issue but not yet effective *(continued)*

Annual Improvements to HKFRSs 2010 – 2012 Cycle (continued)

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors of the Company do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2011 – 2013 Cycle

The *Annual Improvements to HKFRSs 2011 – 2013 Cycle* include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

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

New and revised HKFRSs in issue but not yet effective *(continued)*

Annual Improvements to HKFRSs 2011 – 2013 Cycle (continued)

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) The property meets the definition of investment property in terms of HKAS 40; and

(b) The transaction meets the definitions of a business combination under HKFRS 3.

The directors of the Company do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2012 – 2014 Cycle

The *Annual Improvements to HKFRSs 2012 – 2014 Cycle* include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 introduce specific guidance in HKFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discounted. The amendments apply prospectively.

The amendments to HKFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets and clarify that the offsetting disclosures (introduced in the amendments to HKFRS 7 *Disclosure – Offsetting Financial Assets and Financial Liabilities* issued in December 2011 and effective for periods beginning on or after 1 January 2013) are not explicitly required for all interim period. However, the disclosures may need to be included in condensed interim financial statements to comply with HKAS 34 *Interim Financial Reporting*.

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

New and revised HKFRSs in issue but not yet effective *(continued)*

Annual Improvements to HKFRSs 2012 – 2014 Cycle (continued)

The amendments to HKAS 19 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level. The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are first applied. Any initial adjustment arising should be recognised in retained earnings at the beginning of that period.

The amendments to HKAS 34 clarify the requirements relating to information required by HKAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

The directors of the Company do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

New Companies Ordinance

In addition, the requirements of Part 9, "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation from the Group's first financial year commencing after 3 March 2014 (that is, Group's financial year which began on 1 January 2015) in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of the expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9. So far, it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In additions, the consolidated financial statements include applicable disclosure required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These consolidated financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance which concern the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance.

Basis of preparation

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of preparation *(continued)*

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

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

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

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to shareholders of the Company.

Business combinations

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

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

When the consideration transferred by the Group in a business combination included 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 changes in the fair value of 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 at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations *(continued)*

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value 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 a 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), or 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.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Goodwill

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

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

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

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

The Group's policy for goodwill arising on the acquisition of an associate is described below.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment in an associate *(continued)*

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Revenue recognition

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

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

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

Service income is recognised when services are provided.

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

Leasing

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

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as obligations under finance lease.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leasing *(continued)*

The Group as lessee (continued)

Lease payments are apportioned between finance expenses and reduction of the obligations under finance lease so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating lease, such incentives are recognised as a liability. The aggregate benefits of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "Lease premium for land" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies below); and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

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

Borrowing costs

Borrowings costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost to those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grant will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purposes of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit

Retirement benefits are provided to eligible staff of the Group. Hong Kong employees enjoy retirement benefits under the Mandatory Provident Fund Scheme. The employer's monthly contribution is 5% of each employee's monthly salary with maximum amount of HK$1,500 per month for each employee.

The pension schemes covering all the Group's employees in the People's Republic of China (the "PRC") are defined contribution schemes at various funding rates, and are in accordance with the local practices and regulations.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Retirement benefit *(continued)*

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

For defined retirement benefit plan, the cost of providing benefits is determined by the valuation conducted by independent valuer at the end of the reporting period, amoritsed over the expected average remaining working lives of the participating employees.

The retirement benefit recognised in the consolidated statement of financial position represents the cost of providing benefits, based on the valuation.

Share-based payment arrangements

Share-based payment transactions of the Company

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transaction are set out in note 39.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation

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

Current tax

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

Deferred tax

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reserve in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

Deferred tax (continued)

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

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

Property, plant and equipment

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

Depreciation is recognised so as to write off the cost of assets (other than construction in progress) less their residual values over their useful lives, using the straight-line method, at the following rates per annum:

Buildings	5% – 20%
Leasehold improvement	20%
Plant and machinery	5% – 33%
Office and laboratory equipment	10% – 50%
Motor vehicles	10% – 25%

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainly that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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

Intangible assets

License fee (intangible assets acquired separately)

License fee are the consideration paid for the license contracts and are carried at cost less accumulated amortisation and impairment losses. License fee with finite useful lives are amortised from the date they are available for use over the remaining license period. The license period ranges from 3 to 10 years, with certain licenses contain renewal clause.

License fee with indefinite useful lives are carried at cost less accumulated impairment losses.

Both the period and method of amortisation are reviewed annually, with the effect of any changes in estimate being accounted for on a prospective basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets *(continued)*

Development cost (internally-generated intangible assets – research and development expenditure)

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

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

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

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation commences when the development of products completes. Amortisation of development cost of internal projects is over the estimated useful life of 5 years, while amortisation of development cost of licensed products is on the same basis as license fee. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets *(continued)*

Intangible assets acquired in a business combination

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

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

Derecognition of intangible assets

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

Impairment of tangible and intangible assets other than goodwill

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of tangible and intangible assets other than goodwill *(continued)*

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

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

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

Provision

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimated can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

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

Financial assets

Financial assets classified into the following specified categories: financial assets "at fair value through profit or loss" ("FVTPL"), "held-to-maturity financial assets", "available-for-sale" ("AFS") financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in noted 41.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intention and ability to hold to maturity.

Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest method less any impairment (see the accounting policy in respect of impairment losses on financial assets below). Gain or losses are recognised in the consolidated statement of profit or loss when the held-to-maturity investments are derecognised, impaired, or amortised.

AFS financial assets

AFS financial assets are non-derivative that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Equity securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividend on AFS equity investments are recognised in profit or loss when the Group's right to receive the dividends is established.

AFS equity investment that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade receivables, advance to a related party, other receivables, deposits and prepayment, pledged bank deposits, time deposits, and cash and bank balances) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets *(continued)*

For certain categories of financial assets, such as trade receivables, assets that are assessed for impairment on a collective basis if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 to 120 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

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

When an AFS financial asset is considered to be impaired, cumulative gain or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets *(continued)*

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated in equity.

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments (continued)

Financial liabilities at FVTPL *(continued)*

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liabilities forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Fair value is determined in the manner described in note 41.

Other financial liabilities

Other financial liabilities (including trade payables, other payables, obligations under license contracts, bank borrowings and obligations under finance lease) are subsequently measured at amortised cost using the effective interest method.

Effective interest method

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

Interest expenses is recognised on an effective interest basis other than financial liabilities classified as at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently measured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contract issued by the Group is initially measured at their fair values and, if not designated as at FVTPL, is subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

Derecognition

The Groups derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risk and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognised a collateralised borrowing for the proceeds received.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Derecognition (continued)

On derecognition of a financial asset other than in its entirely, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

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

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand, and time deposits with banks and other financial institutions, having been within three months of maturity at acquisition.

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 and the Group's parent.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties *(continued)*

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

(i) the entities and the Group are the member 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 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 reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;

(vi) the entity is controlled or jointly controlled by a person identified in (a); or

(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).

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the Group.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on the historical experience and other factors that are considered to be relevant. 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.

Key sources of estimation uncertainty

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

Impairment of goodwill

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

The carrying amount of goodwill as at 31 December 2014 was HK$3,900,000 (31 December 2013: HK$3,900,000). Details of the impairment loss calculation are set out in note 19.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Key sources of estimation uncertainty *(continued)*

Fair value measurements and valuation process

Some of the Group's assets and liabilities are measured at fair value in the consolidated financial position for financial reporting purposes. Certain of the fair values are determined by independent professional valuers. Such valuation was based on certain assumptions subject to uncertainty and might materially differ from the actual results.

In making the estimation, consideration has been given to assumptions that are mainly based on market condition existing at the end of the reporting period and appropriate capitalisation rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group.

Impairment of intangible assets

Being part of the principal activities, the Group acquired certain license fees and capitalised development cost relating to the development of pharmaceutical products, since these costs meet the recognition criteria of HKAS 38. The Group reviews the carrying amount of all intangible assets held at the end of the reporting period and no impairment was considered necessary for these assets.

Deprecation

The Group's net carrying amount of property, plant and equipment as at 31 December 2014 was approximately HK$302,835,000. The Group depreciates the property, plant and equipment, using the straight-line method, at the rate 5% to 50% per annum, commencing from the date the assets is placed into productive use. The estimated useful life and dates that the Group places the assets into productive use reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

5. TURNOVER

Turnover represents the net amounts received and receivable for goods sold by the Group to outside customers during the year.

6. SEGMENT INFORMATION

Information reported to the Chairman of the Company, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focuses on the types of good delivered. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

Proprietary products – Manufacturing and sales of self-development pharmaceutical products

Licensed products – Trading of license-in pharmaceutical products

Segment turnover and results

The following is an analysis of the Group's turnover and results by reportable and operating segments:–

	Proprietary products		Licensed products		Consolidated	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Segment turnover	386,258	307,073	568,950	389,880	955,208	696,953
Segment results	168,785	106,809	110,057	100,929	278,842	207,738
Interest income					2,851	2,717
Unallocated expenses					(50,201)	(30,094)
Profit from operations					231,492	180,361
Finance costs					(2,671)	(1,853)
Profit before share of results of an associate					228,821	178,508
Share of results of an associate					(668)	(2,418)
Profit before taxation					228,153	176,090
Taxation					(41,368)	(27,087)
Profit for the year					186,785	149,003

6. SEGMENT INFORMATION *(continued)*

Segment turnover and results *(continued)*

Segment turnover reported above represents revenue generated from external customers. There were no inter-segment sales in the year (2013: nil).

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of central administration costs including directors' emoluments, interest income, finance costs, share of results of an associate, and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:–

	Proprietary products		Licensed products		Consolidated	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Segment assets	236,748	226,132	685,511	503,542	922,259	729,674
Unallocated assets					447,121	435,981
Total assets					1,369,380	1,165,655
Segment liabilities	118,746	98,890	172,100	163,719	290,846	262,609
Unallocated liabilities					79,667	50,988
Total liabilities					370,513	313,597

6. SEGMENT INFORMATION *(continued)*

Segment assets and liabilities *(continued)*

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than interests in an associate, advance to a related party, tax recoverable, pledged bank deposits, time deposits and cash and bank balances. Goodwill is allocated to segment of proprietary products. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segment; and

- all liabilities are allocated to reportable segments other than tax payables, deferred tax liabilities, and retirement benefit. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

Other segment information (included in the measure of segment profit or loss or regularly provided to the chief operating decision maker)

	Proprietary products		Licensed products		Consolidated	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Depreciation of property, plant and equipment	17,845	9,705	1,525	1,813	19,370	11,518
Amortisation of intangible assets	–	197	9,191	4,443	9,191	4,640
Additions to non-current assets (Property, plant and equipment and intangible assets) during the year	35,918	69,357	90,884	152,699	126,802	222,056
Impairment of intangible assets	–	–	5,649	6,094	5,649	6,094

6. SEGMENT INFORMATION *(continued)*

Geographical information

During the years ended 31 December 2014 and 2013, more than 90% of the Group's turnover was derived from activities conducted in the PRC, no geographical segmental information on turnover is presented. The Group's segment assets and liabilities for the year, analysed by geographical market, are as follows:–

	The PRC		Hong Kong and others		Total	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Segment assets	793,265	556,559	576,115	609,096	1,369,380	1,165,655
Segment liabilities	198,933	175,882	171,580	137,715	370,513	313,597

7. INFORMATION ABOUT MAJOR CUSTOMERS

Included in turnover arising from sales of licensed products of HK$569.0 million (2013: HK$389.9 million) are revenue of approximately HK$95.9 million (2013: HK$40.5 million) which arose from sales to the Group's largest customer. No other single customers contributed 10% or more to the Group's revenue for both 2014 and 2013.

8. OTHER REVENUE

	THE GROUP	
	2014 HK$'000	2013 HK$'000
Interest income on:–		
Bank deposits	2,851	2,717
Available-for-sale financial assets	–	128
Held-to-maturity financial assets	167	56
Advance to a related party	484	444
Total interest income	3,502	3,345
Development grants	8,714	2,928
Gain on disposal of available-for-sale financial assets	1,774	–
Other income	3,582	4,458
	17,572	10,731

The Group received the development grants from the local government in the PRC as recognition of the Group's performance and development of high-technology pharmaceutical products.

9. PROFIT FROM OPERATIONS

	THE GROUP	
	2014 HK$'000	2013 HK$'000
Profit from operations has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	19,370	11,518
Amortisation of intangible assets	9,191	4,640
Total depreciation and amortisation	28,561	16,158
Auditor's remuneration	879	762
Listing costs	745	639
Staff costs	149,087	101,193
Share-based payments	3,880	2,767
Research and development costs	37,964	32,262
Operating lease payments in respect of rented premises	6,526	5,451
Written back of allowance for bad and doubtful debts	(3,296)	(1,033)
Loss on disposal of property, plant and equipment	1,436	3,308
Cost of inventory charged to profit or loss	264,967	172,216
Decrease in fair value of derivative financial instruments	10,092	–

10. FINANCE COSTS

	THE GROUP	
	2014 HK$'000	2013 HK$'000
Interest on borrowings wholly repayable within five years:–		
Bank loans	2,448	1,515
Finance lease	4	40
Total borrowing costs	2,452	1,555
Bank charges	219	298
	2,671	1,853

11. DIRECTORS' REMUNERATIONS

Directors' remuneration disclosed pursuant to section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), which requires compliance with section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

THE GROUP

	Fees HK$'000	Salaries, allowances, and other remuneration HK$'000	Discretionary bonus HK$'000	Employer's contributions to pension schemes HK$'000	Retirement Benefits HK$'000	2014 Total emoluments HK$'000	2013 Total emoluments HK$'000
Executive Directors							
Lee Siu Fong	–	2,285	942	17	6,832	10,076	6,537
Leelalertsuphakun Wanee	–	3,144	1,296	17	12,961	17,418	12,765
Li Xiaoyi (CEO)	–	4,343	1,790	17	3,450	9,600	6,392
Non-executive Directors							
Mauro Bove (i)	34	–	–	–	–	34	100
Marco Maria Brughera (ii)	–	–	–	–	–	–	–
Independent Non-executive Directors							
Chan Yau Ching, Bob	96	–	–	–	–	96	68
Lam Yat Cheong	96	–	–	–	–	96	78
Tsim Wah Keung, Karl	94	–	–	–	–	94	73
Total	320	9,772	4,028	51	23,243	37,414	26,013

One director waived emoluments HK$66,000 for the year ended 31 December 2014 (2013: nil).

Note:

(i) Resigned on 29 December 2014

(ii) Appointed on 29 December 2014

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2013: three) were directors of the Company whose emoluments are included in the disclosures in note 11 above. The emoluments of the remaining two (2013: two) individuals were as follows:–

	2014 HK$'000	2013 HK$'000
Salaries and other benefits	2,752	2,539
Contributions to retirement benefits schemes	17	15
	2,769	2,554

The emoluments were within the following bands:–

	2014 Number of employees	2013 Number of employees
HK$ nil to HK$1,000,000	–	–
HK$1,000,001 to HK$2,000,000	2	2
	2	2

During the year, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

13. TAXATION

	THE GROUP	
	2014	2013
	HK$'000	HK$'000
Current tax		
Hong Kong	25,875	14,763
PRC Enterprise Income Tax	13,153	11,278
Under (over) provision in prior year	1,233	(191)
	40,261	25,850
Deferred tax		
Origination and reversal of temporary differences	1,107	1,237
	41,368	27,087

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rates of the PRC subsidiaries are 15% to 25% (2013: 15% to 25%).

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

13. TAXATION *(continued)*

The tax charge for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss as follows:–

	2014 HK$'000	2013 HK$'000
Profit before taxation	228,153	176,090
Notional tax at the rates applicable to results in regions concern	32,495	27,627
Tax effect of share of results of an associate	110	399
Tax effect of expenses not deductible for tax purpose	6,554	1,420
Tax effect of income not taxable for tax purpose	(3,460)	(1,463)
Under (over) provision in prior year	1,233	(191)
Tax effect on temporary differences not recognised	(7,218)	(2,936)
Tax effect of tax losses not recognised	14,681	4,174
Tax effect of PRC preferential tax allowance	(3,146)	(1,516)
Utilisation of tax losses previously not recognised	–	(427)
Tax at other jurisdictions	119	–
Tax charge for the year	41,368	27,087

At 31 December 2014, the Group has estimated unused tax losses of approximately HK$64.00 million (2013: HK$30.72 million) available for offset against future profits. No deferred tax asset has been recognised in respect of the estimated tax losses due to the unpredictability of future profits streams.

14. DIVIDENDS

	2014 HK$'000	2013 HK$'000
Interim dividend paid – HK$0.027 (2013: HK$0.023) per share	14,687	12,367
Final dividend proposed – HK$0.066 (2013: HK$0.052) per share	35,952	27,989
	50,639	40,356

Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 December 2014 of HK6.6 cents per share (2013: HK5.2 cents per share in respect of the year ended 31 December 2013) has been proposed by the directors and is subject to approval by the shareholders at the forthcoming general meeting, and is not included as a dividend payable in the consolidated statement of financial position as at 31 December 2014.

15. EARNINGS PER SHARE

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

	THE GROUP	
	2014 HK$'000	2013 HK$'000
Earnings:		
Net profit attributable to shareholders of the Company for the purpose of basic earnings per share	192,830	150,467
Effect of dilutive potential ordinary shares:		
Adjustment in relation to contingent share arrangement	41	(2,669)
Net profit attributable to shareholders of the Company for the purpose of diluted earnings per share	192,871	147,798

	2014 Share(s) '000	2013 Share(s) '000
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic earnings per share	542,871	529,656
Effect of dilutive potential ordinary shares:		
Options	9,780	11,706
Contingent share arrangement *(Note)*	6,905	4,996
Weighted average number of ordinary shares for the purposes of diluted earnings per share	559,556	546,358

Note:

As per shareholders' agreement ("the Agreement") of Powder Pharmaceutical Incorporated ("PPI") signed on 8 January 2010, the shareholders (except Lee's Pharmaceutical International Limited, a subsidiary of the Group as described in note 48) of PPI shall be entitled to exercise the rights to convert, (and not parts) of its shares free from encumbrances to shares of the Company. The shareholders can convert the shares at valuation of HK$1.80 per share, subject to adjustments, starting from the day after the 3rd anniversary and ending on the day immediately before the 5th anniversary of the date of agreement, i.e. from 8 January 2013 to 7 January 2015 ("the conversion period").

At 31 December 2014, the shareholders of PPI could convert 6,905,000 shares of the Company during the remaining conversion period. The contingent share arrangement has been expired on 7 January 2015.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold Improvement HK$'000	Plant and machinery HK$'000	Office and laboratory equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
THE GROUP							
COST							
At 1 January 2013	21,967	2,911	29,078	13,578	5,525	94,348	167,407
Exchange rate adjustments	581	1	769	203	94	2,497	4,145
Reclassification	(168)	–	(2,707)	2,875	–	–	–
Additions	–	–	25,951	5,578	1,168	113,169	145,866
Transfer in (out)	13,485	–	13,362	–	–	(26,847)	–
Disposals	(9,094)	–	(3,909)	(2,084)	(257)	–	(15,344)
At 31 December 2013 and 1 January 2014	26,771	2,912	62,544	20,150	6,530	183,167	302,074
Exchange rate adjustments	(787)	(1)	(1,836)	(385)	(131)	(4,994)	(8,134)
Reclassification	–	(38)	140	(102)	–	–	–
Additions	–	250	5,526	7,132	1,264	53,707	67,879
Transfer in (out)	12,439	–	24,776	66	–	(37,281)	–
Disposals	(2,921)	–	(8,548)	(5,175)	–	(276)	(16,920)
At 31 December 2014	35,502	3,123	82,602	21,686	7,663	194,323	344,899
DEPRECIATION AND IMPAIRMENT							
At 1 January 2013	11,424	2,013	14,954	8,364	1,838	–	38,593
Exchange rate adjustments	302	–	396	140	37	–	875
Reclassification	(20)	–	(527)	547	–	–	–
Charge for the year	1,607	496	4,942	3,554	919	–	11,518
Written off upon disposal	(5,875)	–	(3,909)	(2,084)	(117)	–	(11,985)
At 31 December 2013 and 1 January 2014	7,438	2,509	15,856	10,521	2,677	–	39,001
Exchange rate adjustments	(192)	(1)	(452)	(156)	(62)	–	(863)
Reclassification	–	(23)	–	23	–	–	–
Charge for the year	1,776	233	11,781	4,408	1,172	–	19,370
Written off upon disposal	(2,348)	–	(7,967)	(5,129)	–	–	(15,444)
At 31 December 2014	6,674	2,718	19,218	9,667	3,787	–	42,064
CARRYING AMOUNTS							
At 31 December 2014	28,828	405	63,384	12,019	3,876	194,323	302,835
At 31 December 2013	19,933	403	46,688	9,629	3,853	183,167	263,073

16. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The buildings are situated in the PRC under medium-term leases.

At both 31 December 2013 and 31 December 2014, the Group has not pledged any fixed assets. Motor vehicles of nil (2013: HK$544,338) are held under finance lease.

17. INTANGIBLE ASSETS

	License fee HK$'000	Development cost HK$'000	Total HK$'000
THE GROUP			
COST			
At 1 January 2013	67,227	71,501	138,728
Exchange rate adjustments	–	1,643	1,643
Additions	36,708	39,482	76,190
Impairment	(1,950)	(4,144)	(6,094)
At 31 December 2013 and at 1 January 2014	101,985	108,482	210,467
Exchange rate adjustments	(62)	(2,139)	(2,201)
Additions	20,753	38,170	58,923
Impairment	–	(5,649)	(5,649)
At 31 December 2014	122,676	138,864	261,540
AMORTISATION AND IMPAIRMENT			
At 1 January 2013	6,824	4,748	11,572
Exchange rate adjustments	–	126	126
Charge for the year	2,376	2,264	4,640
At 31 December 2013 and at 1 January 2014	9,200	7,138	16,338
Exchange rate adjustments	–	(207)	(207)
Charge for the year	6,984	2,207	9,191
At 31 December 2014	16,184	9,138	25,322
CARRYING AMOUNTS			
At 31 December 2014	106,492	129,726	236,218
At 31 December 2013	92,785	101,344	194,129

17. INTANGIBLE ASSETS *(continued)*

Amortisation expenses charged to the consolidated statement of profit or loss is as follows:–

	THE GROUP	
	2014	2013
	HK$'000	HK$'000
Cost of sales	9,191	4,443
Administrative expenses	–	197
	9,191	4,640

	License fee
	HK$'000
THE COMPANY	
COST	
At 1 January 2013, at 31 December 2013 and at 1 January 2014	3,840
Disposal	(3,840)
At 31 December 2014	–

18. LEASE PREMIUM FOR LAND

	THE GROUP	
	2014 HK$'000	2013 HK$'000
Carrying amounts at 1 January	15,546	15,481
Exchange rate adjustment	(410)	410
	15,136	15,891
Amortisation for the year	(326)	(345)
Carrying amounts at 31 December	14,810	15,546
Current portion of non-current assets	(324)	(333)
Non-current portion	14,486	15,213

The leasehold land is held under medium-term lease and situated in the PRC.

19. GOODWILL

	THE GROUP	
	2014 HK$'000	2013 HK$'000
At Cost		
Balance at beginning and at the end of the year	3,900	3,900

The goodwill tested for impairment is allocated to the CGU that constitutes Proprietary Products Business. The recoverable amount of proprietary product unit is determined based on a value in use calculated and represented by the management using cash flow projections based on financial budgets covering a five-year period. The discount rate applied to the cash flow projections is 10% per annum (2013: 10% per annum). Cash flow beyond the five-year period have been extrapolated using average growth rate with specific risks relating to proprietary products unit in the PRC.

The value calculated by using the discount rate is higher than the carrying amount of the CGU; accordingly, the management of the Group determined that there is no impairment of the goodwill.

20. INTERESTS IN AN ASSOCIATE

Details of the Group's interests in an associate are as follows:–

	THE GROUP	
	2014 HK$'000	2013 HK$'000
Cost of investment, unlisted	36,949	36,949
Share of post-acquisition loss and other comprehensive income, net of dividends received	(3,086)	(2,418)
	33,863	34,531

Details of the Group's associate at the end of the reporting period are as follow:–

Name of associate	Place of incorporation/ registration/ operations	Class of share held	Paid up registered capital	Proportion ownership interest held by the Group		Principal activities
				2014	2013	
Powder Pharmaceuticals Incorporated	The British Virgin Islands	Ordinary	USD86,311	39.65%	39.65%	Manufacture and sale of pharmaceutical products

Summarised financial information in respect of the Group's associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

The associate is accounted for using the equity method in these consolidated financial statements.

20. INTERESTS IN AN ASSOCIATE *(continued)*

Powder Pharmaceuticals Incorporated ("PPI")

	2014 HK$'000	2013 HK$'000
Current assets	6,094	6,367
Non-current assets	72,050	74,793
Current liabilities	(38,739)	(40,002)
Non-current liabilities	(24)	(93)

	1/1/2014 – 31/12/2014 HK$'000	2/7/2013 – 31/12/2013 HK$'000
Revenue	17,582	26
Loss from operations	(125)	(6,099)
Loss for the year/period	(1,684)	(6,099)
Other comprehensive income	–	–
Total comprehensive expense for the year/period	(1,684)	(6,099)
Dividend received from associate during the year/period	–	–

Reconciliation of the above summarised financial information to the carrying amount of the interests in the associate recognised in the consolidated financial statements:–

	2014 HK$'000	2013 HK$'000
Net assets of the associate	39,381	41,065
Proportion of the Group's ownership interests in PPI (39.65%)	15,614	16,282
Goodwill	18,249	18,249
Carrying amount of the Group's interest in PPI	33,863	34,531

21. HELD-TO-MATURITY FINANCIAL ASSETS

	THE GROUP AND THE COMPANY	
	2014	2013
	HK$'000	HK$'000
Unlisted investments	5,323	5,156

The investments referred to the guaranteed investments issued by financial institution with maturity on August 2018, and are grouped under non-current assets. The investments carry effective interest rate at 3.28% per annum (2013: 3.28%). None of these investments has been past due or impaired at the end of the reporting period.

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Details of the Group's available-for-sale financial assets are as follows:–

	THE GROUP AND THE COMPANY	
	2014	2013
	HK$'000	HK$'000
Equity securities listed outside Hong Kong *(Note 1)*	31,233	–
Unlisted equity securities *(Note 2)*	11,534	7,882
	42,767	7,882

Notes:

1. The fair values of listed securities are based on quoted market closing prices available on the relevant exchanges as at the end of the reporting period. The equity securities bore a sale-restriction clause, which cannot be resale for a six-month period after acquisition.

2. The above unlisted equity investments represent investments in unlisted equity securities issued by a private entity incorporated in Switzerland. They are measured at cost less impairment at the end of the reporting period. The fair value of the financial asset cannot be reliably measured.

   In the current year, the Group disposed of certain unlisted equity securities with carrying amount of HK$7,882,000, which has been carried at cost less impairment before the disposal. A gain on disposal of HK$1,774,000 has been recognised in profit or loss for the current year.

23. INVENTORIES

	THE GROUP	
	2014	2013
	HK$'000	HK$'000
Raw materials	15,972	15,505
Work-in-progress	22,036	17,437
Finished goods	100,881	84,939
	138,889	117,881

Included above are raw materials which are carried at net realisable value of nil (2013: nil) at 31 December 2014.

24. TRADE RECEIVABLES

	THE GROUP	
	2014	2013
	HK$'000	HK$'000
Trade receivables	100,346	82,230
Less: Allowances for bad and doubtful debts	(564)	(3,910)
	99,782	78,320

The credit period on sales of goods is 30 – 120 days. The Group has recognised an allowance for doubtful debts of 100% against all receivables over 365 days because historical experience has been that receivables that are past due beyond 365 days are not recoverable. Allowances for doubtful debts are recognised against trade receivables over 180 days based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

The following is an analysis of trade receivables by age, presented based on the invoice date, which approximates the respective revenue recognition dates, and net of allowance for bad and doubtful debts at the end of the reporting period:

24. TRADE RECEIVABLES *(continued)*

	THE GROUP	
	2014 HK$'000	2013 HK$'000
0 – 30 days	35,640	38,656
31 – 120 days	57,433	23,802
121 – 180 days	4,571	4,362
181 – 365 days	2,004	4,404
Over 365 days and under 3 years	134	7,096
	99,782	78,320

The fair value of the Group's trade receivables at 31 December 2014 approximate to the corresponding carrying amount.

Of the trade receivables balance at the end of the year, HK$22,116,482 (2013: HK$21,592,322) is due from the Group's top two customers. There are no other customers who represent more than 5% of the total balance of trade receivables.

Trade receivables disclosed above include amounts which are past due at the end of the reporting period for which the Group has not recognised an allowance for bad and doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

Age of receivables that are past due but not impaired

	THE GROUP	
	2014 HK$'000	2013 HK$'000
Overdue by:		
1 – 180 days	18,520	21,491
181 – 365 days	521	1,655
	19,041	23,146

24. TRADE RECEIVABLES *(continued)*

Movement in allowance for bad and doubtful debts

	THE GROUP	
	2014 HK$'000	2013 HK$'000
Balance at beginning of the year	3,910	4,908
Exchange rate adjustments	(50)	35
Written back of allowance for bad and doubtful debts	(3,296)	(1,033)
Balance at the end of the year	564	3,910

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated.

Age of receivables that are past due and impaired

	THE GROUP	
	2014 HK$'000	2013 HK$'000
Overdue by:		
181 – 365 days	521	1,655
Over 365 days and under 3 years	43	2,255
	564	3,910

25. ADVANCE TO A RELATED PARTY

The amount represents the loans advance to and interest receivable from a related party – Powder Pharmaceuticals Incorporated. Details have been stated at note 47(c).

26. CASH AND BANK BALANCS/PLEDGED BANK DEPOSITS/TIME DEPOSITS

Bank balances carry interest at market rates which are 0.01% to 1.06% (2013: 0.01% to 1.06%) per annum. Pledged bank deposits carry interest rates in the range of 0.25% – 0.35% (2013: 0.28%) per annum. Time deposits carry interest rates in the range of 0.70% to 3.6% (2013: 1.10% to 3.05%) per annum.

Pledged bank deposits represent a deposit pledged to a bank to secure banking facilities granted to the Group. Deposit amounting to HK$2,000,000 has been released from the charges on 24 September 2014 (2013: HK$2,000,000).

27. TRADE PAYABLES

The fair value of the Group's trade payables at 31 December 2014 approximates to the corresponding carrying amount.

The following is an aging analysis of trade payables at 31 December 2013 and 2014:

	THE GROUP	
	2014 HK$'000	2013 HK$'000
0-90 days	42,227	16,906
91-180 days	–	19,583
181-365 days	10	–
Over 365 days	12	4
	42,249	36,493

The average credit period on purchases of certain goods is 90 days. The Group has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

28. OBLIGATIONS UNDER LICENSE CONTRACT

The balances as at 31 December 2014 and 2013 are repayable as follows:–

	THE GROUP	
	2014 HK$'000	2013 HK$'000
Amounts payable under license contract:		
Within one year	3,371	7,923
In the second to fifth year	–	3,210
	3,371	11,133
Less: Amount due for settlement within 12 months (shown under current liabilities)	–	(7,923)
Balance as at 31 December	3,371	3,210

29. DERIVATIVE FINANCIAL INSTRUMENTS

	THE GROUP	
	2014 HK$'000	2013 HK$'000
Liabilities		
Foreign currency forward contracts	10,092	–

	THE GROUP	
	2014 HK$'000	2013 HK$'000
Liabilities		
Beginning of the year	–	–
Change in fair value of derivative financial instruments	10,092	–
End of the year	10,092	–

The derivatives are measured at fair value at each reporting date. Fair value is determined in the manner as described in note 41.

29. DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

At 31 December 2014, major terms of the foreign currency forward contracts are as follows:–

Notional amount	Maturity date	Exchange rates
Buy Euro 4,000,000	21 April 2015	USD1.34: Euro 1
Buy Euro 8,000,000	31 August 2015	USD1.31: Euro 1

The analysis of the net cash flow derived from foreign currency forward contracts is presented in the section headed "Liquidity risk management" of note 41 to the consolidated financial statements.

Commitments arising from derivative financial instruments as at 31 December 2014 are disclosed in note 44.

30. BANK BORROWINGS

	THE GROUP	
	2014 HK$'000	2013 HK$'000
Secured bank loans classified as current liabilities (1)(2)	52,269	69,468
Carrying amount of the borrowings are repayable:(3)		
Within one year	16,207	17,157
More than one year but not exceeding two years	16,245	16,154
More than two year but not exceeding five years	19,817	36,157
	52,269	69,468

Notes:

(1) Loan represents bank borrowings under Small and Medium Enterprises Loan Guarantee Scheme and Special Loan Guarantee Scheme, Trade and Industry Department, and term loan. The interest rates of these loans are in the range of 3% – 4% (2013: 3% – 4%) per annum, 0.875% below the Bank's prime lending rate, and 2.75% per annum over the Bank's cost of funding respectively.

(2) As all the term loans include a clause that gives the lenders the unconditional right to call the loans at any time ("repayment on demand clause"), according to HK – Int 5 which requires the classification of whole term loans containing the repayment on demand clause as current liabilities, all the term loans were classified by the Group as current liabilities in the current year.

(3) The table is based on the agreed repayment schedule set out in the term loans.

31. OBLIGATIONS UNDER FINANCE LEASE

The Group leases motor vehicle under finance lease. The lease term is three years (2013: three years to five years). Interest rate underlying the obligations under finance leases is 8.99% (2013: 5.52% to 8.99%) per annum. The lease has no terms of renewal or purchase options and escalation clauses. No arrangements have been entered into for contingent rental payments.

	Minimum lease payments		Present value of minimum lease payments	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Amounts payable under finance lease:				
Within one year	–	154	–	150
In the second to fifth year inclusive	–	–	–	–
	–	154	–	150
Less: Future finance charges	–	(4)	–	n/a
Present value of lease obligations	–	150	–	150
Less: Amount due for settlement within 12 months (shown under current liabilities)			–	(150)
Amounts due for settlement after 12 months			–	–

The Group's obligations under finance lease are fully settled during the year.

32. DEFERRED TAXATION

The following is the major deferred tax balances recognised and movements thereon during the current and prior years:–

Deferred tax (assets) liabilities

	Accelerated tax depreciation HK$'000	Intangible assets HK$'000	Revaluation of properties HK$'000	Total HK$'000
At 1 January 2013	391	12,424	400	13,215
Exchange difference	–	199	10	209
Charge (credit) to profit or loss	(279)	1,926	(410)	1,237
At 31 December 2013 and 1 January 2014	112	14,549	–	14,661
Exchange difference	–	(246)	–	(246)
Charge (credit) to profit or loss	(159)	1,266	–	1,107
At 31 December 2014	(47)	15,569	–	15,522

For the purpose of presentation in the consolidated statement of financial position, deferred tax assets and liabilities have been offset and shown under deferred tax liabilities.

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to the profits earned by the PRC subsidiaries amount to HK$250 million (2013: HK$204 million) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

33. SHARE CAPITAL

	Number of shares		Share capital	
	2014	2013	2014 HK$'000	2013 HK$'000
Authorised:				
Ordinary shares of HK$0.05 each	1,000,000,000	1,000,000,000	50,000	50,000
Issued and fully paid:				
At beginning of the year	538,245,604	521,104,437	26,912	26,055
Exercise of share options	6,475,000	1,974,500	324	99
Issue of shares pursuant to the Shareholders' Agreement	–	15,166,667	–	758
At end of the year	544,720,604	538,245,604	27,236	26,912

34. RESERVES

The movements of the Group's reserves are stated in the consolidated statement of changes in equity.

	Share premium HK$'000	Merger difference HK$'000	Share-based compensation reserve HK$'000	Investments revaluation reserve HK$'000	Retained profits HK$'000	Total HK$'000
THE COMPANY						
At 1 January 2014	292,326	9,200	5,363	–	46,005	352,894
Employee share option benefits	–	–	3,839	–	–	3,839
Exercise of share options	8,870	–	(1,472)	–	–	7,398
Profit for the year	–	–	–	–	52,619	52,619
Other comprehensive income for the year	–	–	–	3,319	–	3,319
Total comprehensive income for the year	–	–	–	3,319	52,619	55,938
2013 final dividend paid	–	–	–	–	(28,251)	(28,251)
2014 interim dividend paid	–	–	–	–	(14,687)	(14,687)
At 31 December 2014	301,196	9,200	7,730	3,319	55,686	377,131
At 1 January 2013	260,656	9,200	3,290	–	22,309	295,455
Employee share option benefits	–	–	2,727	–	–	2,727
Exercise of share options	5,300	–	(654)	–	–	4,646
Issue of shares pursuant to Shareholders' Agreement	26,370	–	–	–	–	26,370
Net profit for the year	–	–	–	–	56,934	56,934
2012 final dividend paid	–	–	–	–	(20,871)	(20,871)
2013 interim dividend paid	–	–	–	–	(12,367)	(12,367)
At 31 December 2013	292,326	9,200	5,363	–	46,005	352,894

The Company's reserves available for distribution to shareholders as at 31 December 2014 was HK$377.13 million (2013: HK$352.89 million).

34. RESERVES *(continued)*

The merger difference represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's shares issued for the acquisition at the time of the Group reorganisation prior to the listing of the Company's shares in 2002.

The Company's reserves available for distribution represent the share premium, merger difference, share-based compensation reserve, investments revaluation reserve and retained profits. Under the Companies Law (2001 Second Revision) of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum or Articles of Association and provided that immediately following the distribution or dividend the Company is able to pay its debts as they fall due in the ordinary course of business.

35. NON-CONTROLLING INTERESTS

	Share of net assets of subsidiaries HK$'000	Share-based compensation reserve of subsidiaries HK$'000	Total HK$'000
At 1 January 2014	66,039	14	66,053
Reduction in non-controlling interests arising from acquisition of additional interests in a subsidiary *(Note 36)*	966	–	966
Deemed partial disposal of interests in a subsidiary *(Note 37)*	4	–	4
Capital contribution from by non-controlling interests	3,518	–	3,518
Share of loss for the year	(6,045)	–	(6,045)
Share of other comprehensive income for the year	12	–	12
Share of employee share options benefit	–	18	18
At 31 December 2014	64,494	32	64,526

35. NON-CONTROLLING INTERESTS *(continued)*

	Share of net assets of subsidiaries HK$'000	Share-based compensation reserve of subsidiaries HK$'000	Total HK$'000
At 1 January 2013	11,122	1	11,123
Additional non-controlling interests arising from deemed partial disposal of interest in a subsidiary	56,380	–	56,380
Share of loss for the year	(1,464)	–	(1,464)
Share of other comprehensive income for the year	1	–	1
Share of employee share options benefit	–	13	13
At 31 December 2013	66,039	14	66,053

The non-controlling interests represent the nil (2013: 33%), 43.74% (2013: 43.74%) and 35% (2013: nil) equity interests held by third parties in Guangzhou Zhaoke Lian Fa Pharmaceutical Limited, CVie Therapeutics Company Limited and China Oncology Focus Limited respectively.

Transaction with non-controlling interests

At 31 December 2014, there are nil (2013: HK$211,200 other receivables approximately) amounts due from non-controlling shareholders of Guangzhou Zhaoke Lian Fa Pharmaceutical Limited.

36. ACQUISITION OF ADDITIONAL INTERESTS IN A SUBSIDIARY

In April 2014, the Group entered into a sale and purchase agreement with the non-controlling interests of a subsidiary in the PRC in respect of the acquisition of 33% equity interest in that subsidiary for a consideration of RMB24,000 (approximate HK$30,000). The difference between the consideration paid and the carrying amount of the additional interests acquired by the Group of HK$996,000 was debited to equity as other reserve during the year.

37. DEEMED PARTIAL DISPOSAL OF INTERESTS IN A SUBSIDIARY

On 19 September 2014, China Oncology Focus Limited ("China Oncology") issued 4,200 shares to Perfect Concept Holdings Limited at consideration of USD4,200. After the issuance of shares, the Group's shareholding in China Oncology was reduced by 35% to 65%. As the Group still retained control over China Oncology, the Group recognised a gain on deemed partial disposal of interests in China Oncology of HK$28,000 in the equity attributable to the shareholders of the Company, and an increase in non-controlling interests of HK$4,000 during the year.

38. RETIREMENT BENEFIT

Defined contribution plan

The Group operates a Mandatory Provident Fund Scheme ("Scheme") for all qualifying employees in Hong Kong. The assets of the Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the Scheme with maximum amount of HK$1,500 (2013: HK$1,250) per month for each employee, which contribution is matched by employees.

The total cost recognised in profit or loss of HK$494,517 (2013: HK$332,033) represents contributions payable to the Scheme by the Group in respect of the current accounting period. As at 31 December 2014, contributions of HK$114,245 (2013: HK$72,311) due in respect of the reporting period had not been paid over to the Scheme.

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit plan operated by the government of the PRC. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit is to make the specified contributions.

Defined benefit plan

Retirement benefit scheme represents the retirement benefit provided to the directors.

Each of executive directors will be entitled to lump sum payment upon retirement and monthly pension payment after retirement if he/she has engaged in continuous service with the Group for certain years.

The carrying value of the retirement benefit represents the fair value at 31 December 2014 which was valued by Messrs. Ascent Partners Valuation Service Limited, an independent professional valuer not connected to the Group. The valuation was carried out on a fair value basis. The term "fair value" is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair value of retirement benefit was accrued in the consolidated financial statements but the retirement benefit scheme was not established up to the date of the report. Thus, no actuarial gain or loss will be considered.

39. SHARE OPTIONS SCHEME

The Company

The Company's share option scheme (the "2002 Share Option Scheme") and new share option scheme (the "New Share Option Scheme") were adopted on 26 June 2002, and 10 May 2012 respectively for the primary purpose of providing incentives to directors, eligible employees, advisers and consultants.

At 31 December 2014, the number of shares in respect of which options had been granted and remained outstanding under the 2002 Share Options Scheme and the New Share Option Scheme was 18,554,500 shares (2013: 23,679,500 shares) representing 3.4% (2013: 4.4%) of the shares of the Company in issue at that date.

For the 2002 Share Option Scheme, the total number of shares in respect of which options may be granted under the scheme is not permitted to exceed 10% of the shares of the Company ("Shares") in issue at the time of listing, without prior approval from the Company's shareholders. The number of Shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the Shares in issue, without prior approval from the Company's shareholders.

For the New Share Option Scheme, the total number of shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme shall be subject to a maximum limit of 10% of the Shares in issue on the date on which the New Share Option Scheme is conditionally adopted and approved by the shareholders at the AGM, unless the Company obtains an approval from the shareholders in general meeting to refresh such 10% in accordance with the Listing Rules. Options lapsed in accordance with the terms of the New Share Option Scheme will not be counted for the purpose of calculating such 10%. The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other share option schemes must not exceed 30% of the Shares in issue from time to time.

The exercise price is determined by the directors, and will not be less than the highest of (i) the closing price of the Shares on the date of grant; (ii) the average closing price of the Shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Shares.

39. SHARE OPTIONS SCHEME *(continued)*

The Company *(continued)*

Details of the Company's share option schemes are summarised as follow:

		During the year					
Date of grant	Outstanding at 01.01.2014	Granted	Exercised	Lapsed	Outstanding at 31.12.2014	Exercise period	Exercise price per share
Category I: Directors							
11.07.2005	500,000	–	–	–	500,000	11.01.2006-10.07.2015	HK$0.159
02.06.2006	500,000	–	–	–	500,000	02.12.2006-01.06.2016	HK$0.175
25.09.2009	448,000	–	–	–	448,000	25.03.2010-24.09.2019	HK$1.076
20.12.2010	997,500	–	–	–	997,500	20.06.2011-19.12.2020	HK$3.750
20.12.2011	469,000	–	–	–	469,000	20.06.2012-19.12.2021	HK$2.666
08.10.2012	319,000	–	(319,000)	–	–	08.04.2013-07.10.2022	HK$4.996
20.12.2012	1,042,000	–	–	–	1,042,000	20.06.2013-19.12.2022	HK$4.930
30.12.2013	1,614,000	–	–	–	1,614,000	30.06.2014-29.12.2023	HK$7.300
07.10.2014	–	600,000	–	–	600,000	30.06.2015-06.10.2024	HK$10.340
Category II: Employees							
25.06.2004	2,160,000	–	(2,160,000)	–	–	25.12.2004-24.06.2014	HK$0.218
11.07.2005	1,685,000	–	(1,685,000)	–	–	11.01.2006-10.07.2015	HK$0.159
02.01.2008	320,000	–	–	–	320,000	02.07.2008-01.01.2018	HK$0.492
12.01.2010	1,995,000	–	(1,335,000)	–	660,000	12.07.2010-11.01.2020	HK$2.200
08.10.2012	6,040,000	–	(426,000)	–	5,614,000	08.10.2013-07.10.2022	HK$4.996
05.04.2013	300,000	–	–	–	300,000	05.10.2013-04.04.2023	HK$5.620
30.12.2013	2,040,000	–	–	–	2,040,000	30.12.2014-29.12.2023	HK$7.300
07.10.2014	–	750,000	–	–	750,000	03.10.2015-06.10.2024	HK$10.340
Category III: Consultants							
02.06.2006	500,000	–	–	–	500,000	02.12.2006-01.06.2016	HK$0.175
02.01.2008	2,000,000	–	–	–	2,000,000	02.07.2008-01.01.2018	HK$0.492
26.11.2008	500,000	–	(500,000)	–	–	26.05.2009-25.11.2018	HK$0.383
20.12.2010	250,000	–	(50,000)	–	200,000	20.06.2011-19.12.2020	HK$3.750
	23,679,500	1,350,000	(6,475,000)	–	18,554,500		
Exercisable at the end of the year					12,467,500		
Weighted average exercise price	HK$3.311	HK$10.340	HK$1.201	–	HK$4.558		

The weighted average share price on which the options were exercised is HK$8.405.

39. SHARE OPTIONS SCHEME *(continued)*

The Company *(continued)*

Particulars of share options:

Date of Grant		Exercise period	Exercise price per share HK$
25.06.2004	(i)	50% exercisable not less than 6 months from date of grant but not more than 10 years, i.e. 25.12.2004 – 24.06.2014	0.218
	(ii)	unexercised balance thereof be exercisable not less than 15 months from date of grant but not more than 10 years, i.e. 25.09.2005 – 24.06.2014	
11.07.2005	(i)	50% exercisable not less than 6 months from date of grant but not more than 10 years, i.e. 11.01.2006 – 10.07.2015	0.159
	(ii)	unexercised balance thereof be exercisable not less than 15 months from date of grant but not more than 10 years, i.e. 11.10.2006 – 10.07.2015	
02.06.2006	(i)	50% exercisable not less than 6 months from date of grant but not more than 10 years, i.e. 02.12.2006 – 01.06.2016	0.175
	(ii)	unexercised balance thereof be exercisable not less than 15 months from date of grant but not more than 10 years, i.e. 02.09.2007 – 01.06.2016	
02.01.2008	(i)	50% exercisable not less than 6 months from date of grant but not more than 10 years, i.e. 02.07.2008 – 01.01.2018	0.492
	(ii)	unexercised balance thereof be exercisable not less than 15 months from date of grant but not more than 10 years, i.e. 02.04.2009 – 01.01.2018	

39. SHARE OPTIONS SCHEME *(continued)*

The Company *(continued)*

Particulars of share options:

Date of Grant		Exercise period	Exercise price per share HK$
26.11.2008	(i)	50% exercisable not less than 6 months from date of grant but not more than 10 years, i.e. 26.05.2009 – 25.11.2018	0.383
	(ii)	unexercised balance thereof be exercisable not less than 15 months from date of grant but not more than 10 years, i.e. 26.02.2010 – 25.11.2018	
25.09.2009	(i)	50% exercisable not less than 6 months but not more than 10 years from the date of grant, i.e. from 25.03.2010 to 24.09.2019	1.076
	(ii)	Unexercised balance thereof be exercisable not less than 15 months from date of grant but not more than 10 years, i.e. from 25.12.2010 to 24.09.2019	
12.01.2010	(i)	50% exercisable not less than 6 months from date of grant but not more than 10 years, i.e. 12.07.2010 – 11.01.2020	2.200
	(ii)	unexercised balance thereof be exercisable not less than 15 months from date of grant but not more than 10 years, i.e. 12.04.2011 – 11.01.2020	
20.12.2010	(i)	50% exercisable not less than 6 months from date of grant but not more than 10 years, i.e. 20.06.2011 – 19.12.2020	3.750
	(ii)	unexercised balance thereof be exercisable not less than 15 months from date of grant but not more than 10 years, i.e. 20.03.2012 – 19.12.2020	

39. SHARE OPTIONS SCHEME *(continued)*

The Company *(continued)*

Particulars of share options:

Date of Grant		Exercise period	Exercise price per share HK$
20.12.2011	(i)	50% exercisable not less than 6 months from date of grant but not more than 10 years, i.e. 20.06.2012 – 19.12.2021	2.666
	(ii)	unexercised balance thereof be exercisable not less than 15 months from date of grant but not more than 10 years, i.e. 20.03.2013 – 19.12.2021	
08.10.2012	(i)	259,500 options exercisable not less than 6 months from date of grant but not more than 10 years, i.e. 08.04.2013 – 07.10.2022	4.996
	(ii)	259,500 options exercisable not less than 15 months from date of grant but not more than 10 years, i.e. 08.01.2014 – 07.10.2022	
	(iii)	1,160,000 options exercisable during the period from 08.10.2013 – 07.10.2022	
	(iv)	2,230,000 options exercisable during the period from 08.10.2014 – 07.10.2022	
	(v)	2,650,000 options exercisable during the period from 08.10.2015 – 07.10.2022	
20.12.2012	(i)	50% exercisable not less than 6 months from date of grant but not more than 10 years, i.e. 20.06.2013 – 19.12.2022	4.930
	(ii)	unexercised balance thereof be exercisable not less than 15 months from date of grant but not more than 10 years, i.e. 20.03.2014 – 19.12.2022	

39. SHARE OPTIONS SCHEME *(continued)*

The Company *(continued)*

Particulars of share options:

Date of Grant		Exercise period	Exercise price per share HK$
05.04.2013	(i)	50% exercisable not less than 6 months but not more than 10 years from the date of grant, i.e. 05.10.2013 – 04.04.2023	5.620
	(ii)	unexercised balance thereof be exercisable not less than 15 months from date of grant but not more than 10 years, i.e. 05.07.2014 – 04.04.2023	
30.12.2013	(i)	1,614,000 options: 50% exercisable not less than 6 months but not more than 10 years from the date of grant, i.e. 30.06.2014 – 29.12.2023; and in respect of the unexercised balance thereof be exercisable not less than 15 months but not more than 10 years from the date of grant, i.e. 30.03.2015 – 29.12.2023	7.300
	(ii)	669,000 options will be exercisable during the period from 30.12.2014 – 29.12.2023	
	(iii)	669,000 options will be exercisable during the period from 30.12.2015 – 29.12.2023	
	(iv)	702,000 options will be exercisable during the period from 30.12.2016 – 29.12.2023.	
07.10.2014	(i)	600,000 options: 50% will be exercisable during the period from 30.06.2015 – 06.10.2024; and 50% will be exercisable during the period from 30.06.2016 – 06.10.2024	10.340
	(ii)	250,000 options will be exercisable during the period from 03.10.2015 – 06.10.2024	
	(iii)	250,000 options will be exercisable during the period from 03.10.2016 – 06.10.2024	
	(iv)	250,000 options will be exercisable during the period from 03.10.2017 – 06.10.2024	

39. SHARE OPTIONS SCHEME *(continued)*

The Company *(continued)*

The following table summarised movements in the Company's share options during the year:

	Outstanding at 01.01.2014	During the year Granted	Exercised	Lapsed	Outstanding at 31.12.2014
Directors					
Lee Siu Fong	1,291,500	–	–	–	1,291,500
Leelalertsuphakun Wanee	857,000	–	(319,000)	–	538,000
Li Xiaoyi	2,441,000	–	–	–	2,441,000
Mauro Bove *(Note)*	1,300,000	600,000	–	–	1,900,000
Directors' total	5,889,500	600,000	(319,000)	–	6,170,500
Employees	14,540,000	750,000	(5,606,000)	–	9,684,000
Consultants	3,250,000	–	(550,000)	–	2,700,000
Grand total	23,679,500	1,350,000	(6,475,000)	–	18,554,500

Note: Resigned directorship on 29 December 2014 and remain as staff of the Group

The Company issues equity-settled share-based payments to certain employees and consultants. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually become vested and adjusted for the effect of non market-based vesting conditions.

39. SHARE OPTIONS SCHEME *(continued)*

The Company *(continued)*

The fair value of the total options granted in the year measured as at the date of grant on 7 October 2014 was HK$5,583,000. The following significant assumptions were used to derive the fair value using the Black-Scholes option pricing model:

1. exercise price HK$10.340;
2. expected volatility range of 42.32% to 50.17%;
3. the options life is 10 years;
4. annualised dividend yield range of 0.87% to 1.24%; and
5. the risk free rate (referring to the yield of Hong Kong Sovereign Zero Coupon yield with maturity matching the time to expected life of the share options as at the valuation date as obtained from Bloomberg) of 1.51% to 1.65%.

The fair value of the share option granted during the year was valued by Messrs. Ascent Partners Valuation Service Limited, an independent professional valuer not connected to the Group. The valuation was derived by the Black-Scholes option pricing model. The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price, changes in subjective input assumptions can materially affect the fair value estimated.

The Subsidiary – CVie Therapeutics Company Limited

A subsidiary of the Company, CVie Therapeutics Company Limited ("CVie"), also operates a share option scheme (the "CVie's Scheme"). The CVie's Scheme was adopted pursuant to a resolution on 5 November 2012 for the primary purpose of providing incentives to eligible employees of CVie. The share option was granted on 30 November 2012 and will expire on 30 November 2022. Under the CVie's Scheme, the board of directors of CVie may grant options to eligible employees and eligible grantees.

39. SHARE OPTIONS SCHEME *(continued)*

The Subsidiary – CVie Therapeutics Company Limited *(continued)*

At 31 December 2014, the number of shares in respect of which options had been granted and remained outstanding under the CVie's Scheme was 440,000 (2013: 440,000), representing 3.26% (2013: 3.26%) of the shares of CVie in issue at that date. The total number of shares in respect of which options may be granted under the CVie's Scheme shall not exceed 500,000 shares of CVie. The overall limit on the number of shares of CVie which may be issued upon exercise of all outstanding options granted and yet to be exercised under the CVie scheme and any other share option schemes of CVie must not exceed 30% of the shares of CVie in issue from time to time, without prior approval from the shareholders of CVie.

No consideration is payable on the grant of an option. Options may be exercised at any time from the date of grant of the share option to the tenth anniversary of the date of grant. The exercise price is determined by the directors of CVie, and will not be less than the fair value of each share of CVie on the date of grant.

Details of the CVie's Scheme are summarised as follows:–

Date of grant	Outstanding at 01.01.2014	During the year Granted	Exercised	Lapsed	Outstanding at 31.12.2014	Exercise period	Exercise price per share
Tranche 1							
30.11.2012	133,000	–	–	–	133,000	*Note a*	HK$1.628
Tranche 2							
30.11.2012	267,000	–	–	–	267,000	*Note b*	HK$1.628
Tranche 3							
30.11.2012	40,000	–	–	–	40,000	01.12.2014-30.11.2022	HK$1.628
	440,000	–	–	–	440,000		
Exercisable at the end of the year					40,000		
Weighted average exercise price	HK$1.628	–	–	–	HK$1.628		

Notes:

a. Upon the success completion of Phase II study of either Rostafuroxin or Istaroxime but not more than ten years from the date of grant.

b. One year after the success completion of Phase II study of either Rostafuroxin or Istaroxime but not more than ten years from the date of grant.

39. SHARE OPTIONS SCHEME *(continued)*

The Subsidiary – CVie Therapeutics Company Limited *(continued)*

Particulars of share options:

Date of Grant		Exercise period	Exercise price per share
Tranche 1 30.11.2012	(i)	133,000 options will be exercisable upon the success completion of Phase II study of either Rostafuroxin or Istaroxime but not more than ten years from the date of grant	HK$1.628
Tranche 2 30.11.2012	(i)	267,000 options will be exercisable one year after the success completion of Phase II study of either Rostafuroxin or Istaroxime but not more than ten years from the date of grant	HK$1.628
Tranche 3 30.11.2012	(i)	40,000 options will be exercisable during the period 01.12.2014 – 30.11.2022	HK$1.628

The Group has recognised an expense of HK$3,880,000 for the year ended 31 December 2014 (2013: HK$2,767,000) in relation to share options granted by the Company and CVie.

40. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2013.

The capital structure of the Group consists of net debt (which includes borrowings and obligations under finance lease net of cash and cash equivalents) and equity attributable to the shareholders of the Company (comprising issued share capital, share premium, reserves and retained profits).

40. CAPITAL MANAGEMENT *(continued)*

Gearing ratio

The gearing ratio at end of the reporting period was as follows:–

	THE GROUP	
	2014 HK$'000	2013 HK$'000
Debt *(Note 1)*	52,269	69,618
Cash and cash equivalents	(392,912)	(379,062)
Net debt	(340,643)	(309,444)
Equity *(Note 2)*	934,341	786,005
Net debt to equity ratio	N/A	N/A

Notes:

1. Debt is defined as bank borrowings and obligations under finance lease as described in notes 30 and 31.

2. Equity includes all capital and reserves attributable to the shareholders of the Company.

41. FINANCIAL INSTRUMENTS

Financial risk management objectives

The Group's Corporate Treasury function provides services to the business units, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk, and other price risk), credit risk and liquidity risk.

The Group seeks to minimise the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. The Group does not enter into or trade derivative financial instruments for speculative purposes.

Apart from the depreciation of Euro against United States Dollar which the derivative financial instruments dominated, there has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

41. FINANCIAL INSTRUMENTS *(continued)*

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group enters into the following derivative financial instrument to manage its exposure to foreign currency risk.

- Foreign currency forward contracts to hedge the exchange rate risk arising on foreign currency purchase.

Market risk exposures are measured using sensitivity analysis.

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

Foreign currency risk management

The Group undertakes transactions denominated in foreign currencies; consequently, expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:–

	Assets		Liabilities	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
The Group				
Renminbi ("RMB")	327,707	227,860	161,818	126,342
United States Dollar ("USD")	137,707	204,096	4,021	5,246
Euro ("EUR")	25,193	1,980	48,837	46,832
New Taiwan Dollar ("NTD")	343	368	–	–
Japanese Yen ("JPY")	–	40	–	–
	490,950	434,344	213,726	178,420

41. FINANCIAL INSTRUMENTS *(continued)*

Market risk *(continued)*

Foreign currency sensitivity analysis

The Group is mainly exposed the effects of fluctuation in RMB, USD, EUR, NTD and JPY.

The following table shows the sensitivity analysis of a 5% increase in the relevant foreign currencies against HK$, a positive number indicates an increase in profit or equity whereas a number in bracket indicates a decrease in profit or equity. For a 5% decrease in the relevant foreign currencies against HK$, there would be an equal and opposite impact on the profit or equity.

	Profit or loss		**Other comprehensive income**	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
The Group				
RMB	1,301	3,051	6,994	2,025
USD	6,684	9,942	–	–
EUR	(1,135)	(2,243)	–	–
NTD	–	–	17	18
JPY	–	2	–	–
	6,852	10,750	7,011	2,043

Interest rate risk management

The Group is exposed to both cash flows interest rate risk and fair value interest rate risk through the impact of rate changes on interest bearing bank borrowings. The Group currently does not have any interest rate hedging policy. However, the management monitors interest rate exposure.

41. FINANCIAL INSTRUMENTS *(continued)*

Other price risk

The Group is exposed to equity price risk mainly through its investment in listed equity securities. The Group's equity price risk is mainly concentrated on equity securities operating in biopharmaceutical industry sectors and quoted in NASDAQ Stock Market.

Equity price sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of the reporting period.

If equity prices had been 5% higher/lower (2013: 5% higher/lower):

- Other comprehensive income for the year ended 31 December 2014 would increase/decrease by HK$1,562,000 (2013: nil) as a result of the changes in fair value of available-for-sale financial assets.

Credit risk management

As at 31 December 2014, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by counterparties and financial guarantees provided by the Group is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and

- the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 46.

41. FINANCIAL INSTRUMENTS *(continued)*

Credit risk management *(continued)*

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Trade receivables consist of a large number of customers and spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased.

Apart from 廣州市詠裕藥業有限公司 (see below and refer to notes 7 and 24), the largest customer of the Group, the Group does not have significant risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk related to 廣州市詠裕藥業有限公司 did not exceed 10% of gross monetary assets at any time during the year. Concentration of credit risk to any other counterparty did not exceed 5% of gross monetary assets at any time during the year.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework to meet the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

41. FINANCIAL INSTRUMENTS *(continued)*

Liquidity risk management *(continued)*

Liquidity tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	On demand or less than 1 month HK$'000	**1-3 months** HK$'000	**3 months to 1 year** HK$'000	**More than 1 year** HK$'000	**Total** HK$'000
The Group					
At 31 December 2014					
Non-derivative financial liabilities					
Trade and other payables	225,114	–	–	–	225,114
Obligations under license contract	562	–	2,809	–	3,371
Bank borrowings *(Note 1)*	52,269	–	–	–	52,569
Financial guarantee contracts *(Note 2)*	6,000	–	–	–	6,000
	283,945	–	2,809	–	286,754
At 31 December 2013					
Non-derivative financial liabilities					
Trade and other payables	181,858	–	–	–	181,858
Obligations under finance leases	21	42	87	–	150
Obligations under license contract	2,038	–	5,885	3,210	11,133
Bank borrowings *(Note 1)*	69,468	–	–	–	69,468
	253,385	42	5,972	3,210	262,609

41. FINANCIAL INSTRUMENTS *(continued)*

Liquidity risk management *(continued)*

Liquidity tables (continued)

Notes:

1. Bank borrowings with a repayment on demand clause are included in the "On demand or less than 1 month" time band in the above maturity analysis.

2. The amounts included above for financial guarantee contracts are the maximum amounts the Group could be forced to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that such an amount will not be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The following table details the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted gross inflows and outflows on those derivative that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

	Less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	More than 1 year HK$'000	Total HK$'000
The Group					
At 31 December 2014					
Derivatives					
– gross settlement					
Foreign currency forward contracts					
– inflows	17,493	34,722	52,083	–	104,298
– outflows	(20,548)	(41,096)	(61,179)	–	(122,823)
	(3,055)	(6,374)	(9,096)	–	(18,525)

41. FINANCIAL INSTRUMENTS *(continued)*

Fair values

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

Financial asset/ Financial liabilities	Fair value at 31.12.2014	Fair value at 31.12.2013	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs
Available-for-sale financial asset – Equity securities	Listed overseas equity securities HK$31,233,000	–	Level 1	Quoted bid prices in an active market	N/A
Derivative financial instruments	Liabilities – HK$10,092,000	–	Level 3	Monte Carlo simulation. This technique is to estimate a probable outcome using multiple simulations with random variables.	Volatility of underlying derivative of 6.23%. An increase in the volatility of underlying derivative would result in an increase in the fair value measurement, and vice versa.
Retirement benefit	HK$46,812,000	HK$23,569,000	Level 3	Discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow out of the Group arising from the retirement benefits, and spread over the period till the year of retirement.	Annualised historical growth rate of 3.8%. An increase in annualised historial growth rate would result in an increase in the fair value measurement, and vice versa. Credit spread, ranging from 2.12% – 5.08%, determined by matching the shortest term of retirement benefit adjusted by the Liquidity Spread for AAA-rated bonds. An increase in credit spread would result in an decrease in the fair value measurement, and vice versa. Discount rate determined by the Hong Kong Government Benchmark Yield Curve, ranging from 3.51% to 7.24%. An increase in discount rate would result in an decrease in the fair value measurement, and vice versa.

There were no transfers between Levels 1 and 2 in the current year.

The directors consider that the amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their faire values.

41. FINANCIAL INSTRUMENTS *(continued)*

Fair values *(continued)*

Reconciliation of Level 3 fair value measurements

	Derivative financial instruments HK$'000	Retirement benefits HK$'000	Total HK$'000
Opening balance	–	23,569	23,569
Loss recognised in profit or loss	10,092	23,243	33,335
Closing balance	10,092	46,812	56,904

Loss relating to retirement benefits are included in "Administrative expenses".

42. OPERATING LEASES

The Group as lessee

	2014 HK$'000	2013 HK$'000
Minimum lease payments paid under operating leases during the year:		
Premises	6,526	5,451

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2014 HK$'000	2013 HK$'000
Operating lease commitments in respect of land and buildings which fall due as follows:		
Within one year	6,167	3,369
More than one year but not exceeding five years	6,548	4,269
	12,715	7,638

The Group does not have options to purchase the leased asset at the expiry of the lease period.

43. CAPITAL COMMITMENTS

	THE GROUP	
	2014	2013
	HK$'000	HK$'000
Capital commitments in respect of:		
Investment in available-for-sale financial asset	14,793	–
Intangible assets – license fee and development cost	40,862	15,049
Property, plant and equipment	10,178	15,308
Construction contract	25,334	28,096
	91,167	58,453

44. OTHER COMMITMENT

At 31 December 2014, the Group carried outstanding foreign currency forward contracts with commitment (estimated with reference to the current market conditions at the reporting date) to buy total EUR12,000,000.

45. PLEGED OF ASSETS

At 31 December 2014, the Group has nil (2013: HK$2,000,000) pledged bank deposit to secure general banking facilities granted to the Group.

The Group has fully settled its obligation under finance lease during the year and the pledge of the titles of motor vehicles has been released (2013: motor vehicle with carrying amount HK$544,338 are secured by lessors' title).

46. CONTINGENT LIABILITIES

At the end of the reporting period, there were contingent liabilities, so far as not provided for in the consolidated financial statements, in respect of guarantee for the banking facilities made available to:

	THE GROUP		THE COMPANY	
	2014	2013	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Subsidiaries	–	–	101,000	82,819
Associate	6,000	–	6,000	–
	6,000	–	107,000	82,819

47. RELATED PARTIES TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

During the year, the Group entered into the following transactions with related parties. In the opinion of the directors, the following transactions arose in the ordinary course of the Group's business:–

(a) Purchases with Sigma-Tau Group

Name of related parties	Note	Nature of transactions	THE GROUP 2014 HK$'000	THE GROUP 2013 HK$'000
Sigma-Tau Group	(1)	Purchase of pharmaceutical product	93,565	99,437
Sigma-Tau Group	(1)	Purchase of experimental products for use in R&D	2,941	3,887
			96,506	103,324

Note:

1. Sigma-Tau Industrie Farmaceutiche Riunite S.p.A. is a shareholder of the Company which is also a member of Sigma-Tau Group.

47. RELATED PARTIES TRANSACTIONS *(continued)*

(b) Compensation of key management personnel

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

	THE GROUP	
	2014 HK$'000	2013 HK$'000
Short-term benefits	14,171	13,335
Share based payments	1,204	743
Retirement benefit	23,243	12,678
	38,618	26,755

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

(c) Shareholder Loans to Powder Pharmaceuticals Incorporated ("PPI")

During the year ended 31 December 2014, the Group provided the following shareholder loans to PPI, which is an associate to the Group:

Advance Date	Term	Interest rate	Loan amount (HK$)
7 January 2014	1 year	4% per annum	8,000,000
24 July 2014	1 year	4% per annum	4,032,080
25 July 2014	1 year	4% per annum	4,000,000
8 October 2014	1 year	4% per annum	4,000,000

As disclosed in note 8 for other income, interest income from loans to PPI for the year ended 31 December 2014 is HK$484,000 (2013: HK$444,000).

47. RELATED PARTIES TRANSACTIONS *(continued)*

(d) Service agreement with Sigma-Tau Group for Gimatecan

On 11 December 2013, a service agreement was signed by Lee's Pharmaceutical (HK) Limited and Sigma-Tau Group for provision of support service in relation to license project Gimatecan.

Total service fee paid to Sigma-Tau Group is EUR240,000 (HK$2,299,000 approximately).

(e) Issue of subsidiary's shares to Perfect Concept Holdings Limited

During the year, China Oncology Focus Limited issued total 10,500 shares to Perfect Concept Holdings Limited ("Perfect Concept"). Dr. Li Xiaoyi, Ms. Lee Siu Fong and Ms. Leelalertsuphakun Wanee, directors of the Company, are the majority of the beneficial owners of Perfect Concept and Perfect Concept is considered as a related party to the Group. Total consideration received for the issue of share is USD457,800 (HK$3,550,000 approximately).

48. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2014 HK$'000	2013 HK$'000
Investments at cost:		
Unlisted shares	1	1
Amounts due from subsidiaries	357,234	340,395
	357,235	340,396

The amounts due from subsidiaries are unsecured, interest-free and have no fixed repayment terms. In the opinion of the directors, the Company will not demand for repayment within twelve months from the end of the reporting period and the amounts are therefore shown as non-current.

48. INTERESTS IN SUBSIDIARIES *(continued)*

General information of subsidiaries

Details of the Company's principal subsidiaries as at 31 December 2014 are set out as follows:–

Name of subsidiary	Place of incorporation/ registration/ operations	Class of share	Paid up registered capital	Proportion ownership interest held by the Company				Principal activities
				Directly		Indirectly		
				2014	2013	2014	2013	
Lee's Pharmaceutical International Limited	The British Virgin Islands	Ordinary	USD1	100%	100%	–	–	Investment holding
Zhaoke Pharmaceutical (HK) Limited	Hong Kong	Ordinary	HK$1,000,000	–	–	100%	100%	Trading of pharmaceutical products
Lee's Pharmaceutical (HK) Limited	Hong Kong	Ordinary	HK$18,400,000	–	–	100%	100%	Investment holding and trading of pharmaceutical products
Zhaoke Pharmaceutical (Hefei) Co. Ltd.	PRC	Paid-up capital	USD2,000,000	–	–	100%	100%	Manufactures and sale of pharmaceutical products
China Oncology Focus Limited	The British Virgin Islands	Ordinary	USD30,000	–	–	65%	100%	Development of pharmaceutical products
Zhaoke Pharmaceutical (Guangzhou) Ltd.	PRC	Paid-up capital	USD16,000,000	–	–	100%	100%	Trading of pharmaceutical products

48. INTERESTS IN SUBSIDIARIES *(continued)*

General information of subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ registration/ operations	Class of share	Paid up registered capital	Proportion ownership interest held by the Company Directly 2014	Directly 2013	Indirectly 2014	Indirectly 2013	Principal activities
China Cardiovascular Focus Limited	The British Virgin Islands	Ordinary	USD1	–	–	100%	100%	Investment holding
Guangzhou Zhaoke Lian Fa Pharmaceutical Limited	PRC	Paid-up capital	RMB1,500,000	–	–	100%	67%	Trading of pharmaceutical products
CVie Therapeutics Company Limited	Cayman Islands	Ordinary Series A-1 preference Series A-2 preference Series B preference	USD75,952 USD19,048 USD12,000 USD28,000	–	–	56.26%	56.26%	Development and trading of pharmaceutical products
CVie International Limited	Taiwan	Ordinary	NTD1,500,000	–	–	56.26%	56.26%	Not yet commenced business
CVie Therapeutics (HK) Limited	Hong Kong	Ordinary	HK$500,000	–	–	56.26%	–	Not yet commenced business (Note 1)

Note:

1. The company was incorporated in January 2014.

48. INTERESTS IN SUBSIDIARIES *(continued)*

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below show details of non-wholly owned subsidiary of the Group that have material non-controlling interests:–

Name of subsidiary	Place of incorporation/ registration/operations	Proportion of ownership interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		2014	2013	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
CVie Therapeutics Company Limited *(Note)*	Cayman Islands	43.74%	43.74%	(5,272)	(1,160)	61,008	66,262

Note: CVie International Limited and CVie Therapeutics (HK) Limited, being wholly owned subsidiaries of CVie Therapeutics Company Limited, are included.

Summarised financial information in respect of Group's subsidiary that has material non-controlling interests is set out below. The summarised financial information below represent amounts before intragroup eliminations.

CVie Therapeutics Company Limited and its wholly owned subsidiaries

	2014 HK$'000	2013 HK$'000
Current assets	70,910	99,815
Non-current assets	72,668	55,067
Current liabilities	(4,100)	(3,391)
Non-current liabilities	–	–
Equity attributable to shareholders of the Company	139,478	85,229
Non-controlling interests	61,008	66,262

48. INTERESTS IN SUBSIDIARIES *(continued)*

CVie Therapeutics Company Limited and its wholly owned subsidiaries *(continued)*

	Year ended 2014 HK$'000	Year ended 2013 HK$'000
Revenue	5,221	410
Expenses	(17,274)	(3,621)
Loss for the year	(12,053)	(3,211)
Loss attributable to the shareholders of the Company	(6,781)	(2,051)
Loss attributable to the non-controlling interests	(5,272)	(1,160)
Loss for the year	(12,053)	(3,211)
Other comprehensive expense attributable to the shareholders of the Company	–	–
Other comprehensive expense attributable to non-controlling interests	–	–
Other comprehensive expense for the year	–	–
Total comprehensive expense attributable to the shareholders of the Company	(6,781)	(2,051)
Total comprehensive expense attributable to non-controlling interests	(5,272)	(1,160)
Total comprehensive expense for the year	(12,053)	(3,211)

48. INTERESTS IN SUBSIDIARIES *(continued)*

CVie Therapeutics Company Limited and its wholly owned subsidiaries *(continued)*

	Year ended 2014 HK$'000	Year ended 2013 HK$'000
Dividend paid to non-controlling interests	–	–
Net cash outflow from operating activities	(14,373)	(21)
Net cash outflow from investing activities	(21,244)	(37,650)
Net cash inflow from financing activities	–	99,654
Net cash (outflow) inflow	(35,617)	61,983

49. EVENT AFTER THE END OF THE REPORTING PERIOD

On 3 December 2014, certain shareholders of PPI exercised their rights to convert a total 11,660 PPI's shares into 6,894,239 Company's shares ("Share Transaction"). The Share Transaction was completed on 2 January 2015 and the Group was effectively holding 48,878 shares in PPI, which representing 56.63% of the total issued shares in PPI upon completion. Further details of the Share Transaction were disclosed in the Company's announcement dated 3 December 2014.

In January 2015, the Group entered into a stock purchase agreement with a private company, focusing on the development of novel drugs for cardiovascular diseases, to purchase 261,239 shares of its series B preferred stock at a consideration of approximate USD2 million.

On 13 March 2015, the Group and PPI entered into a shareholder loan agreement, pursuant to which, the Group agreed to advance a shareholder loan in principal amount of HK$2,000,000 to PPI at an interest rate of 4% per annum. The term of the shareholder loan will be one year commencing from the advance date. Further details were disclosed in the Company's announcement dated 13 March 2015.