石四藥集團有限公司
SSY Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2005)

2015

Annual Report

CONTENTS

CORPORATE INFORMATION

STOCK CODE

2005

EXECUTIVE DIRECTORS

Mr. Qu Jiguang *(Chairman)*
Mr. Wang Xianjun
Mr. Su Xuejun

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wang Yibing
Mr. Leung Chong Shun
Mr. Chow Kwok Wai

COMPANY SECRETARY

Mr. Chow Hing Yeung

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681 GT, Grand Cayman
KY1-1111, Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 4902-03, 49th Floor
Central Plaza, 18 Harbour Road
Wanchai, Hong Kong

AUTHORISED REPRESENTATIVES

Mr. Wang Xianjun
Mr. Chow Hing Yeung

AUDIT COMMITTEE

Mr. Chow Kwok Wai *(Chairman)*
Mr. Wang Yibing
Mr. Leung Chong Shun

REMUNERATION COMMITTEE

Mr. Leung Chong Shun *(Chairman)*
Mr. Wang Yibing
Mr. Chow Kwok Wai

NOMINATION COMMITTEE

Mr. Wang Yibing *(Chairman)*
Mr. Leung Chong Shun
Mr. Chow Kwok Wai

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House, 24 Shedden Road
George Town, Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Agricultural Bank of China
Bank of China
Bank of Communications
Bank of Hebei
BNP Paribas Hong Kong Branch
China CITIC Bank
China CITIC Bank International
China Merchants Bank
China Minsheng Banking Corp., Ltd.
Hang Seng Bank
Hongkong and Shanghai Banking Corporation
Industrial and Commercial Bank of China
Shanghai Pudong Development Bank

LEGAL ADVISER TO THE COMPANY AS TO HONG KONG LAW

DLA Piper Hong Kong

AUDITOR

PricewaterhouseCoopers

WEBSITE

http://www.ssygroup.com.hk

CHAIRMAN'S STATEMENT

On behalf of the Board, I hereby present the audited annual report of SSY Group Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2015.

I. RESULT AND DIVIDEND DISTRIBUTION

The entire pharmaceutical market showed sluggish demands with escalating competitions during the year. Tenders for pharmaceuticals across the regions saw a slow progress as the low price tender strategy continued. The applications for intravenous infusion solution were limited and the prices of products declined. Facing numerous unprecedented difficulties, the Group achieved hard-won results with a stable growth sustained both in market share and operation under the tremendous pressure from the industry as a whole through different measures, including adjustments for tender strategies, enhancement of product mix, development of new markets and products and reduction of production and operating costs.

During the year, revenue increased by 6.2% compared to last year to HK$2,222 million while the net profits from continuing operations amounted to HK$403 million, representing a year-on-year decrease of 17.9%.

During the year, the Company distributed a special dividend of approximately HK$510 million and repurchased shares of approximately HK$530 million, resulting a decrease in the Group's net asset value. As such, the Company has resolved not to declare any final dividend. We would like to emphasize that dividends distribution to shareholders will continue on an annual basis.

II. BUSINESS REVIEW

(1) Sales of Products

Based on the foundation of reinforcing and expanding the existing advantages in provincial and city level markets, the Company took advantage of its respected brand name during 2015 to shift the focus to the lower end of the market, devoted its efforts to develop the primary healthcare market and continue to expand the end-coverage of the Company's advantageous products such as soft bag infusion solutions and therapeutic infusion solutions, thereby ensuring the continuous growth of the our major products. We also participated in the tendering of certain provinces and regions in order to develop new markets and expand the market presence of our products.

On the other hand, in view of mitigating the adverse effects brought by industry and pricing policies, the Group closely integrated its production and operation as well as constantly improved the efficiency of operating facilities by means of strengthened and optimised management, for example, proactive implementation of technical innovations such as integrated bottle ring pull, efficient utilisation of energy (water, electricity and gas, etc.), monitoring the purchase, production and utilisation of packaging materials, raw materials and auxillary material (plastic granules and co-extrusion film, etc.) and taking structural adjustments and costs reduction as key measures to improve quality and enhance efficiency.

During 2015, the Company completed sales of approximately 397 millions of standard soft bags and approximately 97 millions of upright soft bags, representing an increase of approximately 7% and 250% respectively as compared to last year. The dominance of our core products was further recognised.

II. BUSINESS REVIEW *(CONTINUED)*

(2) Research and Development of New Products

The research and development of new products made a satisfactory progress during the year. The Company completed the clinical research of Type 1.1 new drug Levornidazole and Type 3.1 new drug Blonanserin, obtained clinical approvals for Type 3.1 new drugs including Roflumilast Tablets, Acetaminophen Injection, Ibuprofen & Sodium chloride Injection and over 30 items of mainly Type 6 new drugs as well as other applications' approvals. The Company submitted applications for 22 new drugs products of various types while more than a hundred of products were under development, covering mental and neurological diseases, respiratory diseases, infectious diseases, dialysis and auxiliary treatment, rinsing solution and nutrition infusion solutions. Meanwhile, the Company obtained 9 patents including 3 invention patents; applied for 22 patents including 18 invention patents, obtaining fruitful results in intelligent property rights. All these created momentum for the Company's future development.

Capitalizing on the increasingly comprehensive innovative platform, the Company established a tier-structure with different subjects and young-to-middle-aged combination. The Company established the drug research institution based on the existing research and development centre in September 2015 and was granted approval for building a national post-doctorate scientific research workstation in October. Meanwhile, the chief researcher of the Company's drug research institution, Dr. Sun Lijie and the researcher; Dr. Wei Saili were elected as innovative talents of the "100 People Plan" of Hebei Province and Top Youth Talents of Hebei Province respectively, Dr. Yin Dianshu and Wang Lijiang were awarded as Top Talents of Shijiazhuang City, marking the Company's another step forward in developing high-level talents and consolidating industry-university-research. As such, the Company's innovation capability and strength were further improved.

The Company reached new standards in quality. Subsequent to being granted the quality award of the government of Shijiazhuang City in 2015, the Company received the quality award of the government of Hebei Province in 2016, reflecting the Company's leading position in the province in relation to enhancement of quality management and pursuit for outstanding efficiency.

(3) Key Projects

The Company's small liquid injections and modernised Chinese medicine projects were all completed during the year. The GMP certification had been passed and their production had already commenced up to date. An additional production of 5 billion tablets (granules) of oral preparations per year and 250 million units of PP and glass ampoule per year can be achieved after the commencement of full production. The establishment and production of oral preparations and small liquid injections can create beneficial effects on further enriching the product mix of the Company and promoting diversified product development.

(4) Acquisition of Asset and Business

In order to extend the chain of production of the Company, we wholly acquired a medical packaging materials manufacturer, Jiangsu Best New Medical Material Co., Ltd., to ensure the supply of raw materials and ancillary materials and further lower the production costs so as to significantly enhance the competitive edge of standard soft bags. In addition, we acquired 50% equity interest of Hebei Hanlin Biotechnology Co., Ltd. at the beginning of the year, through which to open the fields in biological polypeptides, antibodies medicines, molecular clinical diagnosis and biochemical reagent.

III. PROSPECTS FOR DEVELOPMENT

As there will not be substantial changes in the policies and developments in pharmaceutical industry in the whole country during 2016, pharmaceutical manufacture enterprises will still be facing intensive challenges in the market. As such, elimination within intravenous infusion solutions industry will continue. The Company will capture the two major momentums — marketing and research & development ("R&D") — to build a solid market foundation, expand business scope, take effective cost control, improve operational efficiency, accelerate scientific research and facilitate technology innovation to stimulate a diversified development for the Company.

This year, the Company will well expand the market of standard soft bag, double soft tube and double hard tube and upright soft bag infusion solution products and further strengthen the market sales of soft bags rinsing solutions, nutrition and therapeutic infusion solutions to bolster the leading position of the Company in the industry. The Company will also engage in the marketing and operation of glass ampoule and PP ampoule injection, expand the product sales of oral preparation, biological products and disinfectant to accelerate the development of product mix diversification and improve the Group's profitability as well as risk-resistant ability. We have planned to achieve the sales of 1.15 billion intravenous infusion products, of which the sales of various soft bags will be no less than 600 million. The plan for selling over 80 million various ampoule products will start to realise the sales increment. Our accelerating marketing efforts in new products will create a brand new growth trend.

In respect of new product development, the Company will seize the opportunity of the speeded-up approval from the PRC to stride steps on driving new product development. We will highlight the distinguished features and characteristics on our products and focus on the integration between exclusive and "short, flat and expedite" general product categories to reasonably allocate time and financial resources for clinical study. It is expected that the production approval for Type 1.1 new drug Levornidazole and Type 3.1 new drug Blonanserin will be submitted, the 26 production approvals mainly for Type 6 new drug and 40 clinical approvals for new products will be obtained in 2016. Meanwhile, applications for 33 new products have been submitted to ensure the Company's long term development.

We are full of confidence on the future development of the Group. Leveraging on the competitive edges on our scale, quality and effective management in the industry, our superiority in infusion solution products among the industry will be further maintained in this challenging market. The R&D of new products over the years has started to reap a harvest, which will render a substantial driving force for the growth of the Group. We will be committed to bringing satisfactory return for our investors.

I would like to take this opportunity to express our gratitude to our investors and all staff in the Group for their support to the development of the Group.

Qu Jiguang
Chairman

Hong Kong, 30 March 2016

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

SSY Group Limited (the "Company") and its subsidiaries (together, the "Group") are principally engaged in the research, development, manufacturing and selling of a wide range of pharmaceutical products, which includes finished medicines of mainly intravenous infusion solution to hospitals and distributors, bulk pharmaceuticals and medical materials. The Group has manufacturing plants in Hebei Province and Jiangsu Province, the People's Republic of China ("Mainland China"), and sells to customers mainly in the Mainland China.

For the year ended 31 December 2015, the review on the Group's business performance and financial performance are contained in the Chairman's statement under section headed "BUSINESS REVIEW" and in this Management Discussion and Analysis under section headed "FINANCIAL PERFORMANCE REVIEW" respectively. The future development in the Group's business is discussed in the Chairman's statement under section headed "PROSPECTS FOR DEVELOPMENT".

Principle risks and uncertainties

Save as any adverse change to the pharmaceutical industry environment and government policy uncertainty about intravenous infusion solution in Mainland China which together would be regarded as principal risks and uncertainties, other risk issues had been evaluated by the Company as set out in the Chairman Statement and note 3 to the financial statement.

Compliance with laws and regulations

During the year, the Company was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on it.

Environmental policies and performance

As a pharmaceutical enterprise, the Group recognizes the importance of environmental sustainability and green manufacturing. The Group has set out policies to ensure its production to be in compliance with environmental requirements under the GMP standard and other relevant laws and regulations. For operating practices, the Group persistently adopted measures with low energy consumption and low pollution level, and encouraged its employees to put relevant environmental factors into consideration from time to time. Moreover, the Group had provided a green and eco-friendly working environment for its employees.

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Relationships with employees, suppliers and customers

The Group believes that employees are valuable assets. The Group provides competitive remuneration package to employees and is periodically reviewed with reference to industry practice. Apart from social insurance and in-house training programmes, discretionary bonuses and share options may be awarded to employees according to the assessment of individual performance.

The Group also understands that it is important to maintain good relationship with its suppliers and customers to fulfil its immediate and long-term goals. The Group has been working continuously with its suppliers to improve the standard of raw materials, and aiming at delivering products with high quality to its customers. During the year, there was no material and significant dispute between the Group and its suppliers and/or customers.

Acquisition of a subsidiary

On 1 September 2015, the Group entered into an agreement to acquire a wholly-owned subsidiary, Jiangsu Best New Medical Material Co., Ltd, ("Jiangsu Best") at a consideration of RMB181,500,000 (as adjusted downward from an initial consideration of RMB199,500,000). Please refer to the Company's announcements dated 1 September 2015 and 29 December 2015 for details of the acquisition.

The subsidiary was engaged in the manufacturing and sales of medical materials such as medicinal butyl rubber stoppers, synthetic polyisoprene liners and non-PVC multi-layer co-extrusion film for infusion solution. The Board was of the opinion that the acquisition would create synergy such that the stability in supply and quality of raw materials can be guaranteed and, in the long run, the material cost of the Group can be lowered.

FINANCIAL PERFORMANCE REVIEW

Revenue

For the year ended 31 December 2015, the revenue of the Group from continuing operations amounted to approximately HK$2,221,921,000, representing an increase of 6.2% as compared to HK$2,091,471,000 in last year. A breakdown of the revenue of the Group for the year ended 31 December 2015 is set out as follows:

	2015		2014		
	Sales	**Percentage of sales**	Sales	Percentage of sales	Increase/ (decrease)
	HK$'000	**%**	*HK$'000*	%	%
Intravenous infusion solution and others	**2,175,536**	**97.9**	2,091,471	100	4.0
(Including: Non-PVC soft bag & upright soft bag infusion solution	**1,278,288**	**57.5**	1,139,167	54.5	12.2
PP plastic bottle infusion solution	**502,196**	**22.6**	555,842	26.6	(9.7)
Glass bottle infusion solution	**226,244**	**10.2**	245,656	11.7	(7.9)
Others)	**168,808**	**7.6**	150,806	7.2	11.9
Medical materials	**46,385**	**2.1**	—	—	N/A
Total	**2,221,921**	**100**	2,091,471	100	6.2

The Group's intravenous infusion solution products are mainly manufactured and sold by Shijiazhuang No. 4 Pharma Co., Ltd ("Shijiazhuang No. 4 Pharma"), a wholly owned subsidiary. There are different forms of packing in intravenous infusion solution products, including Non-PVC Soft Bag, Upright Soft Bag, PP Plastic Bottle and Glass Bottle. The Group's medical materials are mainly manufactured and sold by Jiangsu Best.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue for the year ended 31 December 2015 was HK$2,221,921,000 (2014: HK$2,091,471,000), representing a growth of 6.2% on a year-to-year basis. Among which, sales of intravenous infusion solution products contributed HK$2,006,728,000 (2014: HK$1,940,665,000), representing a growth of 3.4% on a year-to-year basis. Among which, sales of Non-PVC Soft Bag and Upright Soft Bag infusion solution was HK$1,278,288,000, representing 63.6% of the total sales of intravenous infusion solution and an increase of 12.2% as compared with last year; sales of PP Plastic Bottle infusion solution was HK$502,196,000, representing 25.1% of the total sales of intravenous infusion solution and an decrease of 9.7% as compared with last year; sales of Glass Bottle infusion solution was HK$226,244,000, representing 11.3% of the total sales of intravenous infusion solution and a decrease of 7.9% as compared with last year.

With the increasing demand in the high quality intravenous infusion solution products in the PRC, the Group will keep focusing its production in the Non-PVC Soft Bag and Upright Soft Bag infusion solution and therapeutic infusion solution.

Cost of Sales

The Group's cost of sales from continuing operations increased by 14.3% from HK1,026,068,000 for the year ended 31 December 2014 to HK$1,172,352,000 for the year ended 31 December 2015. The cost of direct materials, direct labour and other costs represented approximately 59.5%, 12.3% and 28.2% of the total cost of sales respectively for the year ended 31 December 2015 while their comparative percentages for 2014 were 66.4%, 11.5% and 22.1% respectively.

Gross Profit Margin

Gross profit of the Group from continuing operations in 2015 amounted to HK$1,049,569,000 (2014: HK$1,065,403,000), representing a gross profit margin of 47.2%, which decreased by 3.7 percentage point comparing to that of last year 50.9%. The decrease of gross profit margin was mainly due to a drop in average selling price of intravenous infusion products, of which that drop of PP Plastic Bottle infusion solution was the most significant.

Selling and Marketing Costs

For the year ended 31 December 2015, selling and marketing costs from continuing operations amounted to approximately HK$280,522,000 (2014: HK$262,716,000), which mainly consisted of transportation cost of approximately HK$201,877,000 (2014: HK$164,850,000), travelling and other disbursements of approximately HK$30,455,000 (2014: HK$42,544,000) and salaries expenses of sales and marketing staff of approximately HK$21,350,000 (2014: HK$20,320,000).

The increase of 6.8% in selling and marketing costs in 2015 as compared with that of 2014 was mainly due to the increase in transportation cost as a result of an expanded sales coverage.

General and Administrative Expenses

General and administrative expenses from continuing operations amounted to HK$277,992,000 (2014: HK$221,658,000) for the year ended 31 December 2015 which mainly comprised salaries expenses of administrative staff of approximately HK$103,343,000 (2014: HK$96,684,000), depreciation and amortisation expenses of approximately HK$47,343,000 (2014: HK$37,306,000), research and development expenses of approximately HK$33,778,000 (2014: HK$37,249,000) and grant of share options of approximately HK$39,431,000 (2014: Nil).

The increase of 25.4% in general and administrative expenses from 2014 to that of 2015 was due to the expansion of the Group's operations, grant of share options during the year mitigated by a continuous control on administrative expenses.

Other Gains

For the year ended 31 December 2015, the Group's other gains (net) amounted to approximately HK$50,485,000 (2014: HK$40,475,000) which mainly represented government grants.

Operating Profit

The Group's operating profit from continuing operations in 2015 amounted to HK$541,540,000 (2014: HK$621,504,000) with its operating profit margin (defined as operating profit divided by total revenue) decreased to 24.4% (2014: 29.7%). The decrease in operating profit margin in 2015 by 5.3 percentage point comparing to that of 2014 was mainly due to drop in average selling price of intravenous infusion products and general increases in the Group's expenses.

Finance Costs

The finance costs from continuing operations in 2015 increased by 30.8% to HK$65,118,000 (2014: HK$49,779,000), which are mainly related to interest expense of bank borrowings. The increase in finance costs was mainly attributable to the increase in average bank loan balances and foreign exchange loss due to depreciation of Renminbi ("RMB") as compared to that of 2014.

Income Tax Expense

Shijiazhuang No. 4 Pharma and Jiangsu Best were qualified as the new high technology enterprise and entitled to a 15% preferential Mainland China Corporate Income Tax rate in both 2015 and 2014. For the year ended 31 December 2015, the income tax expense from continuing operations decreased by 15.5% to HK$74,859,000 (2014: HK$88,582,000).

Discontinued operations

Last year the Group completed the disposal of Xi'an Lijun Pharmaceutical Co., Ltd ("Xi'an Lijun), and discontinued the operation of Xi'an Lijun ("discontinued operations") since 31 October 2014. Hence, there was no profit from discontinued operations for the year ended 31 December 2015 and the profit from discontinued operations (including gain on disposal of Xi'an Lijun) for last year amounted to HK$111,404,000.

Net profits from continuing operations

Profit attributable to equity holders of the Company from continuing operations decreased by 17.9% to HK$403,416,000 (2014: HK$491,525,000) with a net profit margin (defined as profit attributable to equity holders of the Company from continuing operations divided by total revenue) decreased to 18.2% (2014: 23.5%).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group primarily finances its working capital and other capital requirements by net cash generated from operating activities and resorts to external financing including both long-term and short-term bank borrowings from time to time in case the operating cash flow is insufficient to meet the capital requirements.

As at 31 December 2015, the cash and cash equivalents aggregated to HK$338,964,000 (2014: HK$325,224,000), comprising HK$267,969,000 (2014: HK$137,582,000) of cash and cash equivalents denominated in RMB, HK$64,672,000 (2014: HK$182,580,000) in Hong Kong dollars and HK$6,323,000 (2014: HK$5,062,000) in other currencies.

The carrying amounts of the borrowings amounting to HK$1,813,093,000 (2014: HK$871,927,000) as at 31 December 2015, comprising HK$760,343,000 (2014: HK$576,204,000) of borrowings denominated in RMB, HK$1,052,750,000 (2014: HK$201,008,000) in Hong Kong dollars and none (2014: HK$94,715,000) in other currencies.

Gearing ratio (defined as bank borrowings less cash and cash equivalents divided by total capital less non-controlling interests) increased from 14.4% as at 31 December 2014 to 38.1% as at 31 December 2015 due to increase in the borrowing primarily for corporate finance activities of the Group during the year and decrease in the Group's net asset value.

Current ratio (defined as current assets divided by current liabilities) decreased from 1.46 as at 31 December 2014 to 1.14 as at 31 December 2015.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2015, the Group had approximately 3,900 employees, most of whom were based in the PRC. The number of workers employed by the Group varies from time to time depending on its needs. The remuneration policy of employees other than executive Directors and senior management is based on industry practice and is periodically reviewed by executive Directors or senior management. Apart from social insurance and in-house training programmes, discretionary bonuses and share options may be awarded to employees according to the assessment of individual performance.

The remuneration policy of executive Directors and senior management are reviewed and recommended for the Board's approval by the Remuneration Committee. The remuneration package is reviewed with reference to the Board's corporate goals and objectives, prevailing market practice, duties and responsibilities of the individual executive Director or senor management and his/her contribution to the Group.

The total remuneration cost incurred by the Group for year ended 31 December 2015 was approximately HK$308,273,000 (2014: HK$234,295,000), among which, details of the remuneration of the Directors for the year ended 31 December 2015 are set out in note 39 to the financial statements.

CHARGE ON ASSETS

As at 31 December 2015, the net book amount of the Group's land use right of HK$49,247,000 (2014: HK$60,760,000) and the net book amount of the Group's buildings, plant, machinery and tools of HK$57,119,000 (2014: HK$301,820,000) were pledged as collateral for the Group's bank borrowings.

As at 31 December 2015, the Group's borrowing facility of HK$120,000,000 (31 December 2014: Nil) were secured by the Group's land use rights with a net book amount of HK$6,449,000 (31 December 2014: Nil) and buildings, plant, machinery and tools with a net book amount of HK$68,057,000 (31 December 2014: Nil).

FOREIGN EXCHANGE RISK

Majority of the Group's businesses are operated in the PRC and are denominated in RMB. Except for the foreign currency translation risk arising from the translation into Hong Kong dollars for the financial statements of subsidiaries with the functional currencies of RMB, the Group does not expect any materially adverse effects of the exchange rate fluctuation. Hence, no financial instrument for hedging was employed. Nevertheless, the Group is closely monitoring the financial market and would consider appropriate measures if required.

As at 2015 and 2014, the exchange rates of converting HK$ into RMB (as calculated in HK$) were:

1 January 2014	0.78623
31 December 2014	0.78887
31 December 2015	0.83778

CONTINGENT LIABILITIES

As at 31 December 2015, the Group did not have any significant contingent liabilities.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive directors

Mr. Qu Jiguang（曲繼廣）, aged 61, the chairman of the Company, is responsible for the strategic planning, business development and overall management of the Group. Mr. Qu is also the chief executive officer of the Company who is responsible to lead the management implementing the business strategies of the Group. Mr. Qu joined Shijiazhuang No. 1 Pharmaceutical Factory ("No. 1 Pharma") as deputy factory manager in 1995. He later became a director and the vice general manager of Shijiazhuang Pharmaceutical Group. From December 2004, Mr. Qu has been the chairman of New Orient Investments Pharmaceutical Holding (Hong Kong) Limited, a wholly owned subsidiary of the Company ("New Orient"), the chairman and general manager of Shijiazhuang No. 4 Pharma, a wholly owned subsidiary of New Orient, the chairman of China Pharmaceutical Company Limited, a controlling shareholder of the Company ("CPCL") and the chairman of CMP Group Limited ("CMP"). Mr. Qu was an independent non-executive Director of the Company and was an executive director of China Pharmaceutical Group Limited, a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), from February 2001 to September 2004. Mr. Qu graduated from Tianjin Finance College with a postgraduate degree in Finance in 1999. He is also an economist accredited by The Ministry of Personnel of China. Mr. Qu has over 30 years of experience in pharmaceutical industry. He is currently Representative of Hebei Provincial People's Congress（河北省人大代表）, Vice-Chairman of China Pharmaceutical Industry Association（中國化學製藥協會副會長）, Vice-Chairman of Hebei Provincial Federation of Industry and Commerce（河北省工商聯副主席）, Vice-Chairman of Hebei Provincial Association of Enterprise（河北省企業聯合會副會長）, Vice-Chairman of Hebei Pharmaceutical Industry Association（河北省醫藥行業協會副會長）.

Mr. Wang Xianjun（王憲軍）, aged 53, an executive director. Mr. Wang has nearly 30 years' experience in the pharmaceutical industry and is responsible for investor relations and public relations affairs of the Group. Mr. Wang joined Shijiazhuang Pharmaceutical Group in 1987 and became the deputy chief engineer in 1989 and a director in 1993. Mr. Wang was the executive director and vice-chairman of China Pharmaceutical Group Limited, a company whose shares are listed on the Main Board of the Stock Exchange, from May 1994 to December 2002. Mr. Wang graduated from Beijing Chemical Engineering College with a Master's degree in Engineering in 1987. He joined the Group in July 2004 and was the deputy general manager of Xi'an Lijun from July 2004 to December 2004. He was appointed as general manager of the Company in December 2004.

Mr. Su Xuejun（蘇學軍）, aged 47, an executive director and is responsible for marketing and management functions of Shijiazhuang No.4 Pharma. He joined No.1 Pharma as assistant to factory manager in 1990. And afterwards he served as deputy general manager of a subsidiary of the Shijiazhuang Pharmaceutical Group selling preparations. Since January 2002, Mr. Su acts as deputy general manager of Shijiazhuang No.4 Pharma. Since January 2007, Mr. Su acts as executive director of Shijiazhuang No.4 Pharma and New Orient. Since July 2013, Mr. Su acts as deputy chairman of Shijiazhuang No.4 Pharma. Mr. Su graduated from Hebei Normal University, majoring in biology, with a bachelor's degree. He focuses in the pharmaceutical market development, operations and management. He has extensive understanding and experience in the marketing and the policy in the related industries.

DIRECTORS *(Continued)*

Independent non-executive directors

Mr. Wang Yibing(王亦兵), aged 53, an independent non-executive Director. He graduated from Shenyang Pharmaceutical University, majored in pharmacy(瀋陽藥科大學藥學). He is currently the executive vice-president of Hebei Province Pharmaceutical Industrial Chamber of Commerce(河北省醫藥行業協會). Mr. Wang joined Heibei Provincial Pharmaceutical Research Centre(河北省藥物研究所)in July 1983 and became supervisor in research centre of pharmacodynamics, research centre of preparations, the pharmaceutical factory and scientific research management centre successively. In 1991, Mr. Wang joined the General Economics Division of Hebei Provincial Administration of Medicine(河北省醫藥管理局綜合經濟處)as vice supervisor and was promoted to supervisor and the deputy director successively. From April 2000 to July 2005, he was the Director of Division of Drug Registration and Division of Drug Safety and Inspection of Hebei Food and Drug Administration(河北省食品藥品監督管理局藥品註冊處，藥品安全監管處). Mr. Wang possesses over 30 years' experience in pharmaceutical research, production and industry regulation, is familiar with pharmaceutical laws and regulations and drug inspection procedures. He has profound exposure in the areas of pharmaceutical research, production, circulation and application, while comprehends and provides insights into the overall situation and trend of development of the pharmaceutical industry at both the provincial and state levels.

Mr. Leung Chong Shun(梁創順), aged 50, an independent non-executive Director. He is also an independent non-executive director of China National Materials Company Limited (Stock code: 1893) and China Communications Construction Company Limited (Stock code: 1800), companies listed on the Stock Exchange. He served as an independent non-executive director of China Metal Recycling (Holdings) Limited (Stock code: 773) from May 2009 to August 2013. Mr. Leung graduated from the University of Hong Kong with a Bachelor of Laws degree in 1988 and obtained the Postgraduate Certificate in Laws in 1989. Mr. Leung was qualified as a solicitor in Hong Kong in 1991 and England & Wales in 1994. He has been a partner of Woo, Kwan, Lee & Lo, a law firm in Hong Kong, since 1997 and is experienced in corporate finance.

Mr. Chow Kwok Wai(周國偉), aged 49, was appointed as an Independent Non-executive Director of the Company on 16 October 2005. Mr. Chow is currently a Deputy General Manager and the Company Secretary of Silver Grant International Industries Limited ("Silver Grant"). He has worked in Price Waterhouse, which is now known as PriceWaterhouseCoopers, and has accumulated valuable audit experience there. Mr. Chow has over 20 years' of experience in accounting, financial management and corporate finance. Mr. Chow received his bachelor degree in Social Sciences from the University of Hong Kong in 1990. Mr. Chow is a Fellow member of the Association of Chartered Certified Accountants and a Fellow CPA of the Hong Kong Institute of Certified Public Accountants. He is also a Certified Tax Adviser and a Fellow member of the Taxation Institute of Hong Kong. Mr. Chow is currently a non-executive director of Cinda International Holdings Limited ("Cinda") (stock code: 111) and an independent non-executive director of Youyuan International Holdings Limited ("Youyuan") (stock code: 2268). He was also an executive director of Silver Grant (stock code: 171) during the period from 20 April 2004 to 28 December 2012. The shares of Silver Grant, Cinda and Youyuan are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

Mr. Chow Hing Yeung（周興揚）, aged 37, is the chief financial officer and company secretary of the Company. Mr. Chow is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Chow obtained a Bachelor's degree of Business Administration from the Chinese University of Hong Kong. He has more than 15 years of experience in areas of auditing, accounting and financial management. Mr. Chow was the chief financial officer and company secretary of the Company during the period from 26 August 2011 to 10 May 2013.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining a high standard of corporate governance. The Board believes that good corporate governance practices are essential for the growth of the Group and for safeguarding and maximizing shareholders' interests.

The Company has adopted the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). During the year, the Company has complied with all applicable provisions of CG Code with deviation from code provision A.2.1 as set out below under the heading "Chairman and chief executive officer".

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry with all Directors, the Directors confirmed that they had complied with the required standard set out in the Model Code during the year ended 31 December 2015.

BOARD OF DIRECTORS

As at 31 December 2015, the Board comprises three executive Directors, namely, Mr. Qu Jiguang (Chairman), Mr. Wang Xianjun and Mr. Su Xuejun, and three independent non-executive Directors, namely Mr. Wang Yibing, Mr. Leung Chong Shun and Mr. Chow Kwok Wai.

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic direction and performance. All policy matters of the Group, material transactions or transactions where there is conflict of interests are reserved for the Board's decisions.

The Board has delegated the day-to-day responsibility for the management of the Group to the management. The Board has given clear directions as to the powers of management, in particular, with respect to the circumstances where management should report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company. In addition, the Board has also delegated various responsibilities to the Board Committees. Further details of these committees are set out in this report.

The Directors are considered to have a balance of skill and experience appropriate for the requirements of the business of the Company, details of the Directors are shown under the section headed "Biographical Details of Directors and Senior Management". There are sufficient numbers of independent non-executive Directors in the Company, among which, Mr. Chow Kwok Wai is a certified public accountant and Mr. Leung Chong Shun is a qualified solicitor in Hong Kong.

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

BOARD OF DIRECTORS *(Continued)*

Appropriate directors' and officers' liability insurance has been arranged for the Directors and Officers of the Company.

There are no financial, business, family and other material or relevant relationships among members of the Board.

During the year ended 31 December 2015, a total of four board meetings, one annual general meeting ("AGM") and one extraordinary general meeting ("EGM") were held and the attendance of each Director was as follows:

	Number of meetings attended/held		
Name of Director	**Board meetings**	**AGM**	**EGM**
Executive Directors			
Mr. Qu Jiguang *(Chairman)*	4/4	1/1	1/1
Mr. Wang Xianjun	4/4	1/1	1/1
Mr. Su Xuejun	4/4	0/1	0/1
Independent non-executive Directors			
Mr. Wang Yibing	4/4	0/1	0/1
Mr. Leung Chong Shun	4/4	1/1	0/1
Mr. Chow Kwok Wai	4/4	1/1	1/1

Notice of at least 14 days was given of a regular board meeting. For all other board meetings, reasonable notice will be given. All Directors were given an opportunity to contact the Company Secretary to include matters in the agenda for regular board meeting. Agendas and accompanying board papers were sent to all Directors at reasonable time before the intended date of meetings.

Minutes of board meetings and meetings of board committee were kept by Company Secretary and such minutes are open for inspection at reasonable time and on reasonable notice by any Director. Such minutes were recorded in sufficient detail the matters considered by the board and decisions reached. Draft and final versions of such minutes were sent to all directors for their comment and record respectively within a reasonable time after the board meeting was held.

All directors have access to the advice and services of the Company Secretary with a view to ensuring that board procedures, and all applicable rules and regulations, are followed. The Company has a procedure to enable the Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expense.

If a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter shall be discussed by a Board meeting actually hold. Independent non-executive Directors who have no material interest in the transaction shall be present at such Board meeting.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The Board appointed Mr. Qu Jiguang as the Chairman, who was responsible for the leadership and effective running of the Board. Mr. Qu Jiguang has also assumed the role as the chief executive officer of the Company, who was delegated with the responsibilities to lead the management implementing the business strategies of the Group. The Company believes that vesting both roles in Mr. Qu Jiguang will allow for more effective planning and execution of business strategies. As all major decisions are made in consultation with members of the Board, the Company believes that there is adequate balance of power and authority in place.

APPOINTMENTS AND RE-ELECTION OF DIRECTORS

All Directors including independent non-executive Directors are appointed for a specific term which may be extended as each Director and the Company may agree. The Directors appointed as an addition to the Board shall be subject to re-election by the shareholders at the first general meeting after their appointment.

Also, at each annual general meeting, one-third of the Directors including independent non-executive Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that each Director shall be subject to retirement at least once every three years.

TRAINING FOR DIRECTORS

All directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. All directors have been updated on the latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices. Continuing briefings and professional development to directors will be arranged whenever necessary. A record of the training are kept and updated by the Company Secretary of the Company.

During the year, all directors namely Mr. Qu Jiguang, Mr. Wang Xianjun, Mr. Su Xuejun, Mr. Wang Yibing, Mr. Leung Chong Shun and Mr. Chow Kwok Wai have complied with the code provision A.6.5 of the CG Code through participating in continuous professional development in one or more of the following manners:

1. reading materials or attending seminars in relation to corporate governance and regulatory requirements;

2. attending seminars/courses/conferences to develop professional skills and knowledge; and

3. site visit.

BOARD DIVERSITY POLICY

The Company has adopted a board diversity policy which sets out the approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board. Pursuant to the policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge and length of service.

The Board will consider setting measurable objectives to implement the policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. At present, the Board has not set any measurable objectives.

The Nomination Committee will review the policy from time to time to ensure its continued effectiveness.

NOMINATION COMMITTEE

The Board has established the Nomination Committee. The Nomination Committee is chaired by Mr. Wang Yibing and with committee members of Mr. Leung Chong Shun and Mr. Chow Kwok Wai, all of them being independent non-executive Directors. The terms of reference of the Nomination Committee are available at the Company's website and the website of The Stock Exchange of Hong Kong Limited.

The principal roles and functions of the Nomination Committee include reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board and making recommendations on any proposed changes to the Board, identifying candidates and/or making recommendations to the Board on candidates nominated for directorships taking into account the candidates' qualification, knowledge and experience in the relevant areas.

Meeting of the Nomination Committee shall be held at least once a year. One meeting was held during the year ended 31 December 2015. Issues including the structure, size and composition of the Board were discussed and no change or nomination was recommended to the Board. The attendance of each member was as follows:

Name of committee members	Number of meetings attended/held
Mr. Wang Yibing	1/1
Mr. Leung Chong Shun	1/1
Mr. Chow Kwok Wai	1/1

REMUNERATION COMMITTEE

The Board has established the Remuneration Committee, chaired by Mr. Leung Chong Shun and with committee members of Mr. Wang Yibing and Mr. Chow Kwok Wai, all of them being independent non-executive Directors. The terms of reference of the Remuneration Committee are available at the Company's website and the website of The Stock Exchange of Hong Kong Limited.

Remuneration Committee is responsible for formulation, review and recommending to the Board of the remuneration policy of executive Directors and senior management. The overriding objective of the remuneration policy is to provide the packages needed to attract, retain and motivate executive Directors and senior management of the quality required to run the Company successfully, without paying more than necessary.

Other roles and functions of the Remuneration Committee include consulting the Chairman and/or Chief Executive Officer about their remuneration proposals for other executive Directors and senior management, reviewing and approving remuneration proposals with reference to the Board's corporate goals and objectives, prevailing market practice, duties and responsibilities of the individual executive Director or senor management and his/her contribution to the Group, making recommendations to the Board on the remuneration packages with adoption of the approach under B.1.2(c)(ii) of CG code and approving the terms of executive Directors' service agreements.

REMUNERATION COMMITTEE *(Continued)*

Meeting of the Remuneration Committee shall be held at least once a year. One meetings had been held during the year ended 31 December 2015. During the meeting, remuneration paid to the Directors and review of remuneration policy have been discussed and recommended to the Board. The attendance of each member was as follows:

Name of committee members	Number of meetings attended/held
Mr. Leung Chong Shun	1/1
Mr. Wang Yibing	1/1
Mr. Chow Kwok Wai	1/1

The objective of remunerating non-executive Directors is to ensure that they are remunerated sufficiently but not excessively for their efforts and time dedicated to the Company. Every of the non-executive Directors has entered into a service agreement with the Company for an initial term of 3 years commencing from the appointment date. The annual emolument is HK$180,000 for each of the independent non-executive Directors, namely Mr. Wang Yibing, Mr. Leung Chong Shun and Mr. Chow Kwok Wai.

Remuneration packages of executive Directors comprise base salary, performance bonus and fringe benefits including the provident fund, medical insurance and other miscellaneous benefits. All the Directors are entitled to participate in the Share Option Scheme. The emolument payable to Directors depends on their respective contractual terms under the service agreement with the Company, and as recommended by the Remuneration Committee. Details of the remuneration of Directors for the year ended 31 December 2015 are set out in the page 116 of the Annual Report.

AUDIT COMMITTEE

The Board has established the Audit Committee and its terms of reference are available at the Company's website and the website of The Stock Exchange of Hong Kong Limited. In compliance with Rule 3.21 of the Listing Rules, the Audit Committee comprises three independent non-executive Directors. The Audit Committee is chaired by Mr. Chow Kwok Wai who is a certificated public accountant and the committee members are Mr. Wang Yibing and Mr. Leung Chong Shun. No member of the Audit Committee is a member of the former or the existing auditor of the Company.

The major functions of the Audit Committee are to assist the Board to provide an independent review of the effectiveness of the financial reporting process, internal control and risk management system of the Group, to oversee the external audit and internal control review processes, and to review the Company's policies and practices on corporate governance.

According to its terms of reference, meetings of the Audit Committee shall be held at least twice a year. Two meetings had been held during the year ended 31 December 2015. The attendance of each member was as follows:

Name of committee members	Number of meetings attended/held
Mr. Chow Kwok Wai	2/2
Mr. Leung Chong Shun	2/2
Mr. Wang Yibing	2/2

AUDIT COMMITTEE *(Continued)*

During the year, in performing its duties in accordance with its terms of reference and under the CG code, the work performed by the Audit Committee included:

(a) review the financial information of the Company and its subsidiaries, including those contained in the Annual Report and the Interim Report;

(b) discuss the audit approach and audit issues with the external auditor at least twice a year;

(c) recommend to the Board, for the approval by shareholders, of the re-appointment of the external auditor and approval of its remuneration; and

(d) oversee the Company's financial reporting system and internal control procedures.

ACCOUNTABILITY AND AUDIT

The Board presents a balanced, clear, and comprehensible assessment of the Company's performance, position, and prospects. The management provides such explanation and information to the Board and reports regularly to the Board and financial position of the Company so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The Directors acknowledge their responsibilities (as set out in pages 34 to 35 of this Annual Report under the section headed "Independent Auditor's Report") for preparing the financial statements of the Group that give a true and fair view of the state of affairs of the Group. The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern and the Board has prepared the financial statements on a going concern basis. The responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the shareholders of the Company. A statement by the auditor about their reporting responsibilities is included in the Independent Auditor's Report.

The Board is responsible for reviewing the effectiveness of the internal control system of the Group which covers all material controls, including financial, operational and compliance controls and risk management functions. The Board is committed to implementing an effective and sound internal control system to provide reasonable assurance against material misstatement or loss and to safeguard shareholders' interests and the Group's assets. During the year, a review of the effectiveness of the internal control system of the Group which covered all material controls was conducted. The report and findings of the review are taken into consideration by the Audit Committee in making its recommendation to the Board for approval of the audited consolidated financial statements of the Group for the year.

AUDITOR'S REMUNERATION

The fees paid and payable to the Company's auditor, PricewaterhouseCoopers, in respect of audit services and non-audit services for the year ended 31 December 2015 amounted to approximately HK$1,920,000 and HK$798,000 respectively.

COMPANY SECRETARY

All directors have access to the advice and services of the Company Secretary who is a full time employee of the Company. During the year, the Company Secretary had taken no less than 15 hours of relevant professional training requirement.

SHAREHOLDERS' RIGHTS

(1) Procedures for shareholders to convene an EGM

In accordance with the Company's Article 58, the shareholders of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within 2 months after the deposit of such requisition.

The written requisition must state the purposes of the meeting, signed by the requisitionists and deposit it to the Board or the Company Secretary at the Company's principal place of business in Hong Kong at Rooms 4902-03, 49th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

The notice period to be given to all the registered members for consideration of the proposal raised by the requisitionists concerned at the EGM varies according to the nature of the proposal, as follows:

– At least 14 clear days' notice in writing if the proposal constitutes an ordinary resolution of the Company;

– At least 21 clear days' notice in writing if calling for an AGM or the proposal constitutes a special resolution of the Company in the EGM.

If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Board shall be reimbursed to the requisitionists by the Company.

(2) Procedures for putting forward proposals at shareholders' meeting

Shareholders can submit a written requisition to move a resolution at the EGM. The requirements and procedures are set out above.

(3) Shareholders' enquiries

Shareholders should direct their questions about their shareholdings to the Company's Hong Kong branch share registrar. Shareholders may also make enquiries to the Board by writing to the Company Secretary at the Company's principal place of business in Hong Kong.

INVESTOR RELATIONS

The Company uses a number of channels to communicate with its shareholders, investors and other stakeholders. These include the AGM, annual and interim reports and quarterly statements, announcements, circulars to shareholders and the Company's website www.ssygroup.com.hk.

During the year, there was no change in the Company's constitutional documents.

REPORT OF THE DIRECTORS

The Board of Directors (the "Board") of SSY Group Limited (the "Company") present their report together with the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the activities of its subsidiaries are set out in note 9 to the financial statements.

BUSINESS REVIEW

Discussions and reviews of the Group's business are contained in the Management Discussion and Analysis as set out on pages 6 to 11. These discussions form part of this Report of the Directors.

CHANGE OF COMPANY NAME

A special resolution was passed by the Shareholders at the annual general meeting of the Company held on 15 May 2015 to change the name of the Company from "Lijun International Pharmaceutical (Holding) Co., Ltd. 利君國際醫藥(控股)有限公司" to "SSY Group Limited 石四藥集團有限公司". The change of Company name has become effective from 19 May 2015.

SEGMENT INFORMATION

An analysis of the Group's turnover and results by business segments for the year ended 31 December 2015 is set out in note 5 to the financial statements.

RESULTS

The results of the Group for the year are set out in the consolidated statement of comprehensive income on pages 38 to 39.

DIVIDENDS

An interim dividend of HK$0.025 per share was declared on 31 August 2015 and paid on 25 September 2015 (2014: HK$0.06 per share).

For the year ended 31 December 2015, the Board did not recommend any final dividend (2014: nil) or special dividend (2014: HK$0.172 per share).

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 118.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 7 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in the consolidated statement of changes in equity and in note 16 to the financial statements.

RESERVES

Details of movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity and in note 17 and note 38 to the financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2015, the Company had distributable reserves of approximately HK$500,041,000 (2014: HK$1,612,312,000) calculated in accordance with the Companies Law of the Cayman Islands. This includes the Company's share premium account of approximately HK$493,065,000 (2014: HK$1,313,850,000) which is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus shares.

PRE-EMPTIVE RIGHTS

There is no provision 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.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Save for the purchase of a total of 166,336,000 shares which details are set out in the following paragraphs, neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities for the year ended 31 December 2015.

(i) During the year, a conditional cash offer was made by BNPP Securities on behalf of the Company to buy-back 150,000,000 ordinary shares of the Company at the offer price of HK$3.30 per share from all qualifying shareholders (the "Cash Offer"). The Cash Offer was completed on 31 August 2015 at an aggregate consideration of HK$495,000,000 (net of expenses), and all of the 150,000,000 ordinary shares were cancelled on 10 September 2015.

(ii) In addition, during the period from 20 October 2015 to 3 November 2015, the Company acquired an aggregate of 16,336,000 ordinary shares through purchases on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate consideration of HK$31,753,000 which details are set out below. All of the 16,336,000 shares were subsequently cancelled on 17 November 2015.

Date of the purchases	Total number of the ordinary shares purchased	Highest price paid per share *(HK$)*	Lowest price paid per share *(HK$)*	Aggregate consideration *(HK$)*
20 October 2015	1,940,000	1.96	1.91	3,769,940
22 October 2015	1,000,000	1.95	1.93	1,940,720
23 October 2015	2,000,000	1.93	1.88	3,797,320
29 October 2015	1,224,000	1.93	1.91	2,354,340
30 October 2015	4,250,000	1.96	1.93	8,271,420
2 November 2015	2,682,000	1.96	1.92	5,209,720
3 November 2015	3,240,000	2.00	1.96	6,409,540
	16,336,000			31,753,000

SHARE OPTION SCHEME

As approved by an ordinary resolution passed by the shareholders at the Extraordinary General Meeting held on 20 September 2012, the Board had terminated of the old share option scheme adopted on 16 October 2005 ("Old Share Option Scheme") and adopted the existing share option scheme ("Existing Share Option Scheme").

Old Share Option Scheme

Pursuant to a share option scheme approved by a written resolution of all shareholders of the Company on 16 October 2005, the Company may grant options to, amongst others, the directors or employees of the Company or its subsidiaries, for the recognition of their contributions to the Group, to subscribe for the shares. The offer for grant of options ("Offer") must be taken up within 28 days from the date of Offer, with a payment of HK$1.00 as consideration for the grant. The exercise price of the share option will be determined at the higher of (i) the average closing prices of shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of Offer; (ii) the closing price of shares as stated in the Stock Exchange's daily quotations sheet on the date of Offer; and (iii) the nominal value of the shares. The share options are exercisable at any time during a period of not more than 10 years from the date of Offer, subject to the terms and conditions of the Old Share Option Scheme and any conditions of grant as may be stipulated by the Board.

Unless terminated by the Company by resolution in general meeting, the Old Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date on which the Share Option Scheme becomes unconditional. The operation of Old Share Option Scheme was terminated on 20 September 2012 by resolution in general meeting such that no further share option could thereafter be offered under Old Share Option Scheme, but in all other respects the provisions of Old Share Option Scheme shall remain in full force and effect.

SHARE OPTION SCHEME *(Continued)*

Old Share Option Scheme *(Continued)*

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Old Share Option Scheme and any other schemes shall not exceed 30% of the issued share capital of the Company from time to time. The total number of shares which may be issued upon exercise of all options to be granted under the Old Share Option Scheme and any other schemes must not, in aggregate, exceed 10% of the number of shares in issue as at the date dealings in the shares first commence on the Stock Exchange unless further shareholders' approval has been obtained pursuant to the conditions set out in the Old Share Option Scheme. The total number of shares issued and to be issued upon exercise of all options granted under the Old Share Option Scheme and any other schemes (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company.

As at 7 August 2008, the Company granted 100,000,000 share options to directors and senior management of the Group under the Old Share Option Scheme, representing about 4.93% of the issued share capital as at the date immediately before the options were granted. The exercise price was HK$0.7. The exercisable period is from 7 August 2008 to 6 August 2018. As at 4 October 2010, all of the share options granted were exercised. The weighted average share price at the time of exercise was HK$3.04 per share.

As at 3 May 2012, the Company granted 48,000,000 share options (being adjusted from 40,000,000 share options as a result of the issue of bonus shares on 16 October 2012) to two directors of the Group under the Old Share Option Scheme, representing about 1.64% of the issued share capital as at the date immediately before the options were granted. The exercise price was HK$1.48 (being adjusted from HK$1.78 as a result of the issue of bonus shares on 16 October 2012). The exercisable period was from 3 May 2012 to 2 May 2015.

On 24 June 2014, 24,000,000 share options (being adjusted from 20,000,000 share options as a result of the issuance of bonus shares on 16 October 2012) were exercised by a current director. And on 17 November 2014, 24,000,000 share options (being adjusted from 20,000,000 share options as a result of the issuance of bonus shares on 16 October 2012) were exercised by a ex-director of the Company who resigned on 6 June 2014. Options exercised in 2014 resulted in 48,000,000 ordinary shares being issued at HK$0.02 each. The exercise price was HK$1.48 per share (being adjusted from HK$1.78 as a result of issuance of bonus share on 16 October 2012). The total cash received is HK$71,200,000. The weighted average share price at the time of exercise was $3.42 per share.

Existing Share Option Scheme

Existing Share Option Scheme is valid and remains in force for a period of 10 years from 20 September 2012 (the "Scheme Period") unless terminated earlier by shareholders in general meeting. The purpose of Existing Share Option Scheme is to enable the Board to grant share options to the Eligible Person as defined in Existing Share Option Scheme including, among others, the directors, employee or proposed employee, consultants or advisers of or to the Company or its subsidiaries or any entity in which the Group holds an equity interest, as incentives or rewards for their contribution or potential contribution to the development and growth of the Group. The provisions of Existing Share Option Scheme comply with the requirements of Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

SHARE OPTION SCHEME *(Continued)*

Existing Share Option Scheme *(Continued)*

Pursuant to Existing Share Option Scheme, the offer for grant of options ("Offer") must be accepted within 30 days inclusive of the day on which such offer was made, with a payment of HK$1.00 as consideration for the grant. The exercise price of the share option is to be determined by the Board provided always that it shall be at least the higher of (i) the closing price of the shares as stated in the daily quotations sheet issued by the Stock Exchange for the date of offer of grant, which must be a business day; and (ii) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer of grant provided that the option price per share shall in no event be less than the nominal amount of one share. The share options are exercisable at any time during a period as the Board may determine in granting the share options but in any event shall not exceed 10 years from the date of Offer, subject to the terms and conditions of Existing Share Option Scheme and any conditions of grant as may be stipulated by the Board.

The aggregate number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under Existing Share Option Scheme and any other schemes shall not exceed 30% of the issued share capital of the Company from time to time. The maximum number of shares issuable upon exercise of all options to be granted Existing Share Option Scheme and any other schemes as from the commencement of the Scheme Period must not, in aggregate, exceed 10% of the shares in issue as at 20 September 2012 (the "Scheme Mandate"). The Scheme Mandate may be refreshed at any time by obtaining approval of the shareholders in general meeting provided that the new limit under the refreshed Scheme Mandate must not exceed 10% of the issued share capital of the Company at the date of the shareholders' approval. The maximum number of shares issued and to be issued upon exercise of the options granted under Existing Share Option Scheme and any other schemes to any of the Eligible Person (including cancelled, exercised and outstanding options) in any 12-month period up to the date of grant shall not exceed 1% of issued share capital of the Company unless shareholders' approval is obtained under the terms of Existing Share Option Scheme.

As at 19 October 2015, the Company granted 122,000,000 share options to two executive directors of the Company and other management staff of the Group under Existing Share Option Scheme, representing about 4.33% of the issued share capital as at the date immediately before the options were granted. The exercise price was HK$1.98. The exercisable period was from 19 October 2015 to 18 October 2018. Please refer details of grant of share options to the Company's announcement dated 19 October 2015.

Share Option

The total number of share options outstanding is shown as follows:

	2015	2014
Outstanding at the beginning of the year	—	48,000,000
Granted during the year	**122,000,000**	—
Exercised during the year	—	(48,000,000)
Lapsed during the year	—	—
Outstanding and exercisable at the end of the year	**122,000,000**	—

SHARE OPTION SCHEME *(Continued)*

Share Option *(Continued)*

As at 31 December 2015, the share options granted under Existing Share Option Scheme and remained outstanding had an weighted average exercise price of HK$1.98 and a remaining contractual life of approximately 2 years and 10 months. As at 31 December 2014, all of the share options granted under Old Share Option Scheme had been exercised and hence there was no outstanding nor exercisable share options.

The details of share options movements during the year ended 2015 are shown as follows:

(i) Directors of the Company

				Number of share options			
Name of Director	Date of grant	Exercise price per share	Exercisable period	Outstanding at 1 Jan 2015	Granted during the year	Exercised during the year	Outstanding at 31 Dec 2015
Mr. Wang Xianjun	19 Oct 2015	HK$1.98	19 Oct 2015 — 18 Oct 2018	—	24,416,000	—	24,416,000
Mr. Su Xuejun	19 Oct 2015	HK$1.98	19 Oct 2015 — 18 Oct 2018	—	24,416,000	—	24,416,000
				—	48,832,000	—	48,832,000

(ii) Employees (other than directors of the Company)

			Number of share options			
Date of grant	Exercise price per share	Exercisable period	Outstanding at 1 Jan 2015	Granted during the year	Exercised during the year	Outstanding at 31 Dec 2015
19 Oct 2015	HK$1.98	19 Oct 2015 — 18 Oct 2018	—	73,168,000	—	73,168,000
			—	73,168,000	—	73,168,000

The fair value of all the share options granted during the year as at date of grant was HK$39,431,000. Assuming that all share options outstanding as at 31 December 2015 are exercised, the Company will receive proceeds of HK$241,560,000.

SHARE OPTION SCHEME *(Continued)*

Share Option *(Continued)*

The details of share options movements during the year ended 2014 are shown as follows:

Directors of the Company

				Number of share options			
Name of Director	Date of grant	Exercise price per share	Exercisable period	Outstanding at 1 Jan 2014	Granted during the year	Exercised during the year	Outstanding at 31 Dec 2014
Mr. Qu Jiguang	3 May 2012	HK$1.48	3 May 2012 — 2 May 2015	24,000,000	—	(24,000,000)	—
Mr. Wu Qin	3 May 2012	HK$1.48	3 May 2012 — 2 May 2015	24,000,000	—	(24,000,000)	—
				48,000,000	—	(48,000,000)	—

DIRECTORS

The Directors during the year ended 31 December 2015 and up to the date of this Annual Report were:

Executive Directors

Mr. Qu Jiguang
Mr. Wang Xianjun
Mr. Su Xuejun

Independent Non-executive Directors

Mr. Wang Yibing
Mr. Leung Chong Shun
Mr. Chow Kwok Wai

Pursuant to Article 87 of the Company's articles of association, Mr. Qu Jiguang and Mr. Wang Yibing will retire from office by rotation in the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of directors and senior management are set out on pages 12 to 14.

DIRECTORS' SERVICE CONTRACTS

Each of the Directors has entered into a service agreement with the Company for an initial term of 3 years commencing from the appointment date renewable for successive terms of 3 years commencing from the day next after the expiry of the then current term of the appointment.

Save as disclosed above, none of the Directors has entered into a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

PERMITTED INDEMNITY

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and Senior Management arising out of corporate activities. Every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in note 32 to the financial statements, no transaction, arrangement or contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2015 and up to the date of this Annual Report, none of the Directors are considered to be in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE SHARES

As at 31 December 2015, the interests of the Directors in the share capital of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company pursuant to 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 ("Model Code") as set out in Appendix 10 to the Listing Rules once the shares are listed, were as follows:

Name of Director	Capacity	Long/short position	Number of shares held	Approximate percentage of the issued share capital of the Company
Mr. Qu Jiguang	Beneficial owner	Long	146,246,000	5.22%
	Interest in a controlled corporation *(Note 1)*	Long	733,856,000	26.19%
Mr. Wang Xianjun	Beneficial owner *(Note 2)*	Long	24,416,000	0.87%
Mr. Su Xuejun	Beneficial owner *(Note 2)*	Long	24,416,000	0.87%

Notes:

1. These shares were registered in the name of and beneficially owned by China Pharmaceutical Company Limited ("CPCL"). CPCL is held as to 72.93% by Mr. Qu Jiguang and as to 27.07% by 39 other shareholders. By virtue of Part XV of the SFO, Mr. Qu Jiguang is deemed to be interested in the shares held by CPCL.

2. These shares represent the underlying interest in shares of the Company pursuant to options granted, among others, to Mr. Wang Xianjun and Mr. Su Xuejun on 19 October 2015 under the Existing Share Option Scheme.

Save as disclosed above, as at 31 December 2015, none of the Directors or chief executives of the Company had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company or the Stock Exchange pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (b) pursuant to the Model Code to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed under the sections headed "Directors' and chief executives' interests in the shares" and "Share option scheme", at no time during the year were rights to acquire benefits by means of the acquisition of shares or debentures of the Company granted to any Directors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors of the Company to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS IN THE SHARES

As at 31 December 2015, the register of substantial shareholders required to be kept by the Company under section 336 of the SFO shows that the Company had been notified of the following interests, being 5% or more in the issued share capital and underlying shares of the Company.

Name of Shareholder	Capacity	Long/short position	Number of shares and underlying shares held	Approximate percentage of the issued share capital of the Company
Mr. Qu Jiguang	Beneficial owner	Long	146,246,000	5.22%
	Interest in a controlled corporation *(Note 1)*	Long	733,856,000	26.19%
CPCL *(Note 1)*	Beneficial owner	Long	733,856,000	26.19%
Sichuan Kelun Pharmaceutical Co., Ltd(四川科倫藥業股份有限公司)	Interest in a controlled corporation *(Note 2)*	Long	168,288,000	6.00%
Kelun International Development Co., Ltd (科倫國際發展有限公司) *(Note 2)*	Beneficial owner	Long	168,288,000	6.00%
UBS Group AG *(Note 3)*	Interest in a controlled corporation	Long	169,055,182	6.03%
	Person having a security interest in shares	Long	2,147,573	0.08%
	Interest in a controlled corporation	Short	5,264,606	0.19%

Notes:

1. These shares were registered in the name of and beneficially owned by CPCL. CPCL is held as to 72.93% by Mr. Qu Jiguang and as to 27.07% by 39 other shareholders. By virtue of Part XV of the SFO, Mr. Qu Jiguang is deemed to be interested in the shares held by CPCL.

2. These shares were registered in the name of and beneficially owned by Kelun International Development Co., Ltd (科倫國際發展有限公司). Kelun International Development Co., Ltd (科倫國際發展有限公司) is held as to 100% by Sichuan Kelun Pharmaceutical Co., Ltd (四川科倫藥業股份有限公司).

3. Among the aggregate interests of UBS Group AG in the Company, 127,200 shares (long position) were held through physically settled derivatives (on exchange), 4,709,371 shares (long position) were held through cash settled derivatives (off exchange) and 1,012,000 shares (short position) were held through cash settled derivatives (off exchange).

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry with all Directors, the Directors confirmed that they had complied with the required standard set out in the Model Code during the year ended 31 December 2015.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group sold less than 30% of its turnover to its 5 largest customers and purchased less than 30% of its total purchases from its 5 largest suppliers.

None of the Directors, their associates or any shareholders, which to the knowledge of the Directors, owns more than 5% of the Company's shareholding, has interests in these customers and suppliers during the year.

MANAGEMENT CONTRACT

No contract for management and administration of the whole or any substantial part of any business of the Group was entered into or existed during the year.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that a sufficient public float of more than 25% of the issued capital of the Company has been maintained as at the latest practicable date, being 30 March 2016, and at all times during the year ended 31 December 2015.

CORPORATE GOVERNANCE

The Board is committed to maintaining a high standard of corporate governance. The Board believes that good corporate governance practices are essential for the growth of the Group and for safeguarding and maximizing shareholders' interests. The Company's corporate governance practices are set out in the Corporate Governance Report on pages 15 to 21.

AUDITOR

The consolidated financial statements for the year have been audited by PricewaterhouseCoopers. The audited consolidated financial statements have been reviewed by the Audit Committee of the Company.

ANNUAL GENERAL MEETING

The 2016 Annual General Meeting of the Company will be held at 2:00 p.m. on 27 May 2016 at Rooms 4902-03, 49th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong and a notice of annual general meeting will be published and despatched in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 25 May 2016 to Friday, 27 May 2016, both dates inclusive, during which period, no transfer of shares will be registered. In order to qualify to attend and vote at the forthcoming annual general meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m., Tuesday, 24 May 2016.

On behalf of the Board

Qu Jiguang
Chairman

Hong Kong, 30 March 2016

羅兵咸永道

To the shareholders of SSY Group Limited
(previously named as "Lijun International Pharmaceutical (Holding) Co., Ltd.")
(incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of SSY Group Limited (the "Company", previously named as "Lijun International Pharmaceutical (Holding) Co., Ltd.") and its subsidiaries set out on pages 36 to 117, which comprise the consolidated balance sheet as at 31 December 2015, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement 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 judgment, 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.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

羅兵咸永道

OPINION

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2016

CONSOLIDATED BALANCE SHEET

As at 31 December 2015

	Note	As at 31 December 2015 HK$'000	As at 31 December 2014 HK$'000
ASSETS			
Non-current assets			
Land use rights	6	**271,794**	223,715
Property, plant and equipment	7	**2,693,812**	2,551,898
Intangible assets	8	**381,454**	338,834
Deferred income tax assets	10	**4,147**	2,591
Investment in a joint venture	11	**22,395**	—
Long-term receivables		**1,194**	—
		3,374,796	3,117,038
Current assets			
Inventories	12	**282,518**	279,557
Trade and bills receivables	13	**935,426**	703,287
Prepayments, deposits and other receivables	14	**75,531**	372,549
Pledged bank deposits	15	**859**	—
Cash and cash equivalents	15	**338,964**	325,224
		1,633,298	1,680,617
Total assets		**5,008,094**	4,797,655
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	16	**62,851**	66,177
Reserves	17	**2,331,665**	3,186,325
		2,394,516	3,252,502
Non-controlling interests		**663**	668
Total equity		**2,395,179**	3,253,170

CONSOLIDATED BALANCE SHEET

As at 31 December 2015

	Note	As at 31 December 2015 HK$'000	As at 31 December 2014 HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings	18	**1,125,351**	364,246
Deferred income tax liabilities	10	**23,631**	24,097
Deferred revenue	19	**5,743**	8,153
Post-employment benefit obligation		**—**	27
Other non-current liabilities	20	**23,873**	—
		1,178,598	396,523
Current liabilities			
Borrowings	18	**687,742**	507,681
Trade payables	21	**269,502**	287,720
Advanced receipts from customers		**10,196**	8,706
Accruals and other payables	22	**445,154**	320,109
Income tax payable		**21,723**	23,746
		1,434,317	1,147,962
Total liabilities		**2,612,915**	1,544,485
Total equity and liabilities		**5,008,094**	4,797,655

The notes on pages 42 to 117 are an integral part of these consolidated financial statements.

The financial statements on pages 36 to 117 were approved by the Board of Directors on 30 March 2016 and were signed on its behalf.

QU JIGUANG
Director

WANG XIANJUN
Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
Continuing operations			
Revenue	23	**2,221,921**	2,091,471
Cost of sales	25	**(1,172,352)**	(1,026,068)
Gross profit		**1,049,569**	1,065,403
Selling and marketing costs	25	**(280,522)**	(262,716)
General and administrative expenses	25	**(277,992)**	(221,658)
Other gains — net	24	**50,485**	40,475
Operating profit		**541,540**	621,504
Finance income	27	**3,430**	8,425
Finance costs	27	**(65,118)**	(49,779)
Finance costs — net		**(61,688)**	(41,354)
Share of loss of investment in a joint venture	11	**(1,540)**	—
Profit before income tax		**478,312**	580,150
Income tax expense	28	**(74,859)**	(88,582)
Profit for the year from continuing operations		**403,453**	491,568
Discontinued operations			
Profit for the year from discontinued operations		**—**	111,404
Profit for the year		**403,453**	602,972
Profit attributable to:			
Equity holders of the Company		**403,416**	602,929
Non-controlling interests		**37**	43
		403,453	602,972
Profit attributable to equity holders of the Company arises from:			
Continuing operations		**403,416**	491,525
Discontinued operations		**—**	111,404
		403,416	602,929

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Note	**2015** **HK$'000**	2014 HK$'000
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Currency translation differences		**(178,302)**	(16,889)
Total comprehensive income for the year		**225,151**	586,083
Total comprehensive income attributable to:			
Equity holders of the Company		**225,156**	586,042
Non-controlling interests		**(5)**	41
		225,151	586,083
Total comprehensive income attributable to:			
Continuing operations		**225,151**	475,430
Discontinued operations		**—**	110,653
		225,151	586,083
Earnings per share from continuing and discontinued operations attributable to equity holders of the Company for the year (expressed in HK$ per share)			
Basic earnings per share			
From continuing operations	*29(a)*	**0.1384**	0.1669
From discontinued operations	*29(a)*	**—**	0.0378
From profit for the year		**0.1384**	0.2047
Diluted earnings per share			
From continuing operations	*29(b)*	**0.1381**	0.1660
From discontinued operations	*29(b)*	**—**	0.0376
From profit for the year		**0.1381**	0.2036

The notes on pages 42 to 117 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to equity holders of the Company				
	Share capital *HK$'000*	Reserves *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
Balance at 1 January 2014	65,405	2,800,864	2,866,269	627	2,866,896
Comprehensive income					
Profit for the year	—	602,929	602,929	43	602,972
Other comprehensive income					
Currency translation differences	—	(16,887)	(16,887)	(2)	(16,889)
Total comprehensive income	—	586,042	586,042	41	586,083
Transactions with equity holders					
Purchase of treasury shares	—	(34,838)	(34,838)	—	(34,838)
Cancellation of shares	(188)	188	—	—	—
Issurance of shares — exercise of share options	960	70,240	71,200	—	71,200
Dividends paid to equity holders of the Company	—	(236,171)	(236,171)	—	(236,171)
Total transactions with equity holders	772	(200,581)	(199,809)	—	(199,809)
Balance at 31 December 2014	66,177	3,186,325	3,252,502	668	3,253,170
Balance at 1 January 2015	66,177	3,186,325	3,252,502	668	3,253,170
Comprehensive income					
Profit for the year	—	403,416	403,416	37	403,453
Other comprehensive income					
Currency translation differences	—	(178,260)	(178,260)	(42)	(178,302)
Total comprehensive income	—	225,156	225,156	(5)	225,151
Transactions with equity holders					
Purchase of treasury shares	—	(541,523)	(541,523)	—	(541,523)
Cancellation of shares	(3,326)	3,326	—	—	—
Grant of share options	—	39,431	39,431	—	39,431
Dividends paid to equity holders of the Company	—	(581,050)	(581,050)	—	(581,050)
Total transactions with equity holders	(3,326)	(1,079,816)	(1,083,142)	—	(1,083,142)
Balance at 31 December 2015	62,851	2,331,665	2,394,516	663	2,395,179

The notes on pages 42 to 117 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
Cash flows from operating activities			
Cash generated from operations	31(a)	**703,754**	508,688
Interest paid		**(54,302)**	(73,499)
Income tax paid		**(86,758)**	(127,582)
Net cash generated from operating activities		**562,694**	307,607
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	36	**(127,991)**	—
Cash paid for the acquisition of equity interest in a joint venture		**(24,883)**	—
Purchase of land use rights		**(52,605)**	(60,619)
Purchase of property, plant and equipment		**(363,264)**	(767,488)
Purchase of intangible assets		**(14,058)**	(24,853)
Proceeds from disposals of property, plant and equipment	31(b)	**41,418**	66,186
Purchase of financial assets at fair value through profit or loss		**—**	(44,943)
Proceeds from sale of financial assets at fair value through profit or loss		**—**	45,196
Interest received		**3,371**	4,233
Proceeds from government grants related to equipment		**1,157**	10,135
Proceeds from disposal of a subsidiary	35	**272,000**	375,748
Net cash used in investing activities		**(264,855)**	(396,405)
Cash flows from financing activities			
Proceeds from exercise of share options		**—**	71,200
Purchase of treasury shares		**(541,523)**	(34,838)
Proceeds from bank borrowings		**1,663,636**	1,177,359
Repayments of bank borrowings		**(830,151)**	(993,890)
Dividends paid to equity shareholders of the Company		**(581,050)**	(236,171)
Proceeds from suppliers' cash discount		**—**	4,518
Decrease of pledged bank deposits		**13,030**	90,051
Net cash (used in)/generated from financing activities		**(276,058)**	78,229
Net increase/(decrease) in cash and cash equivalents		**21,781**	(10,569)
Cash and cash equivalents at beginning of the year		**325,224**	336,928
Effect of foreign exchange rate changes on cash and cash equivalents		**(8,041)**	(1,135)
Cash and cash equivalents at end of the year		**338,964**	325,224

The notes on pages 42 to 117 are an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

SSY Group Limited (the "Company") and its subsidiaries (together, the "Group") are engaged in the research, development, manufacturing and selling of a wide range of finished medicines, bulk pharmaceutical products and medical materials. The Group has manufacturing plants in Hebei Province and Jiangsu Province, the People's Republic of China ("PRC" or the "Mainland China"), and sells to customers mainly in the Mainland China. The Company's previous name was Lijun International Pharmaceutical (Holding) Co., Ltd., which was changed to its current name in May 2015.

The Company is an exempted company with limited liability established under the Companies Law, Cap.22 (Law 3 of 1961, as combined and revised) of Cayman Islands. The address of the Company's registered office is Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company's shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 20 December 2005.

These consolidated financial statements are presented in Hong Kong Dollars ("HK$"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Company's Board of Directors on 30 March 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

Changes in accounting policy and disclosures

(a) *New and amended standards adopted by the Group*

The following new and amended standards are mandatory for the first time for the financial year beginning 1 January 2015:

(i) Annual improvements 2012 include changes from the 2010 – 2012 cycle of the annual improvements project that are effective for relevant transactions executed on or after 1 July 2014:

— Amendment to HKFRS 8 'Operating Segments' require disclosure of the judgements made by management in aggregating operating segments and a reconciliation of segment assets to the entity's assets when segment assets are reported.

— Amendment to HKAS 24 'Related Party Disclosures' clarify that the reporting entity is not required to disclose the compensation paid by the management entity (as a related party) to the management entity's employee or directors, but it is required to disclose the amounts charged to the reporting entity by the management entity for services provided.

(ii) Annual improvements 2013 include changes from the 2011 – 2013 cycle of the annual improvements project, that are effective for relevant transactions executed on or after 1 July 2014:

— Amendment to HKFRS13 'Fair Value Measurement' clarify the portfolio exception allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of HKAS 39 or HKFRS 9.

(iii) Amendment to HKAS 19 regarding defined benefit plans is effective for annual periods beginning on or after 1 July 2014. It applies to contributions from employees or third parties to defined benefit plans. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

Changes in accounting policy and disclosures *(continued)*

(a) *New and amended standards adopted by the Group (continued)*

(iv) Amendment to HKFRS 3 'Business Combinations' is effective for relevant transactions executed on or after 1 July 2014. It clarifies that HKFRS 3 does not apply to the accounting for the formation of any joint arrangement under HKFRS 11 in the financial statements of the joint arrangement.

The following new amendments of HKFRSs are effective for the first time for the financial year beginning on 1 January 2015 and not relevant to the Group's operations (although they may affect the accounting for future transactions and events):

(i) Amendment to HKAS 40 'Investment Property' clarifies that the interrelationship between HKAS 40 and HKFRS 3 when classifying property as investment property or owner-occupied property.

The adoption of the above new amendments of HKFRSs starting from 1 January 2015 did not give rise to any significant impact on the Group's results of operations and financial position for the year ended 31 December 2015.

(b) *New standards and amendments issued but are not effective for the financial year beginning on 1 January 2015 and have not been early adopted by the Group*

A number of new standards and amendments to existing standards have been issued but are not yet effective for the financial year beginning on 1 January 2015, and have not been early adopted by the Group in preparing these consolidated financial statements:

HKFRS 14 'Regulatory Deferral Accounts', effective for annual periods beginning on or after 1 January 2016.

Amendment to HKFRS 11 'Accounting for Acquisitions of Interests in Joint Operation', effective for annual periods beginning on or after 1 January 2016.

Amendments to HKAS 16 and HKAS 38 'Clarification of Acceptable Methods of Depreciation and Amortisation', effective for annual periods beginning on or after 1 January 2016.

Amendments to HKAS 16 and HKAS 41 'Agriculture: Bearer Plants', effective for annual periods beginning on or after 1 January 2016.

Amendments to HKFRS 10 and HKAS 28 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture', originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred/removed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

Changes in accounting policy and disclosures *(continued)*

(b) New standards and amendments issued but are not effective for the financial year beginning on 1 January 2015 and have not been early adopted by the Group (continued)

Amendment to HKAS 27 'Equity Method in Separate Financial Statements', effective for annual periods beginning on or after 1 January 2016.

Annual improvements 2014 that affect the following standards: HKFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', HKFRS 7 'Financial instruments: Disclosures', HKAS 19 'Employee Benefits' and HKAS 34 'Interim Financial Reporting', effective for annual periods beginning on or after 1 January 2016.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 'Investment Entities: Applying the Consolidation Exception', effective for annual periods beginning on or after 1 January 2016.

Amendments to HKAS 1 'Disclosure Initiative', effective for annual periods beginning on or after 1 January 2016.

HKFRS 15 'Revenue from Contracts with Customers', effective for annual periods beginning on or after 1 January 2018.

HKFRS 9 'Financial Instruments', effective for annual periods beginning on or after 1 January 2018.

The Group is yet to assess the full impact of these new amendments and standards, and intends to adopt the amendments no later than the respective effective dates of the amendments.

(c) New Hong Kong Companies Ordinance (Cap.622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Subsidiaries *(continued)*

2.2.1 Consolidation *(continued)*

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Subsidiaries *(continued)*

2.2.1 Consolidation *(continued)*

(a) Business combinations (continued)

Inter-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts represented by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transaction that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of loss in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency of the Company and New Orient Investments Pharmaceutical Holding (Hong Kong) Limited is HK dollars (HK$) and the functional currency of other Group's companies is Renminbi ("RMB"). The consolidated financial statements are presented in HK$.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5 Foreign currency translation *(continued)*

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within 'other gains — net'.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2.6 Property, plant and equipment

Property, plant and equipments are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Property, plant and equipment *(continued)*

Depreciation is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

– Buildings	10-40 years
– Plant, machinery and tools	5-18 years
– Furniture, fixtures, office equipment and others	5-10 years
– Vehicles	5-10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other gains – net', in the consolidated statement of comprehensive income.

Construction-in-progress ("CIP") represents buildings, plant and machinery under construction or pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction of buildings, costs of plant and machinery, and interest charges arising from borrowings used to finance these assets during the period of construction or installation and testing. No provision for depreciation is made on CIP until such time as the relevant assets are completed and ready for the intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

2.7 Land use rights

All land in the Mainland China is state-owned or collectively-owned and no individual land ownership right exists. The Group acquired the rights to use certain land. The premiums paid for such rights are treated as prepayment for operating leases and recorded as land use rights, which are amortised to the consolidated statement of comprehensive income on a straight-line basis over the periods of the leases, or when there is impairment, the impairment losses is changed in the consolidated statement of comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.8 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGUs containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Trademarks and patents

Separately acquired trademarks and patents are shown at historical cost less accumulated amortisation and accumulated impairment losses, if any. Trademarks and patents acquired in a business combination are recognised at fair value at the date of acquisition. Trademarks and patents have finite useful lives. Amortisation is calculated using the straight-line method to allocate the costs over their estimated useful lives, as follows:

– Trademarks	50 years
– Patents	6-10 years

(c) Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date attributable to customer base or existing contractual bids with customers taken over in connection with business combinations. Customer relationships have finite useful lives. Amortisation is calculated using the straight-line method to allocate their costs over their estimated useful lives of 5 — 5.25 years.

(d) Computer softwares

Acquired computer softwares are capitalised on the basis of the costs incurred to acquire and bring to use the specific softwares. These costs are amortised over their estimated useful lives of 5 years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.8 Intangible assets *(continued)*

(e) Research and development costs

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

(i) it is technically feasible to complete the intangible asset so that it will be available for use;

(ii) management intends to complete the intangible asset and use it;

(iii) there is an ability to use the intangible asset;

(iv) it can be demonstrated how the intangible asset will generate probable future economic benefits;

(v) adequate technical, financial and other resources to complete the development and to use the intangible asset are available; and

(vi) the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding ten years.

2.9 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.10 Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the consolidated statement of comprehensive income, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

2.11 Financial assets

2.11.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current. The Group did not have any such assets as at 31 December 2015 and 2014.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. The Group's loans and receivables comprise 'trade and bill receivables', other receivables in the 'prepayments, deposits and other receivables', 'pledged bank deposits', and 'cash and cash equivalents' in the balance sheet (Notes 2.15 and 2.16 respectively).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.11 Financial assets *(continued)*

2.11.1 Classification *(continued)*

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the end of the reporting period. The Group did not have any such assets as at 31 December 2015 and 2014.

2.11.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value, except for investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, which are measured at cost. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the consolidated statement of comprehensive income within 'other gains – net', in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated statement of comprehensive income as part of other gains and income when the Group's right to receive payments is established.

Dividends on available-for-sale equity instruments are recognised in the consolidated statement of comprehensive income as part of 'other gains – net' when the Group's right to receive payments is established.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.13 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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 (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in process comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.15 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.16 Cash and cash equivalents

In the consolidated cash flow statement, cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.17 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to owners of the Company until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

2.18 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.19 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.20 Borrowing costs

General and specific borrowing 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 of 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.

Borrowing costs include interest expense and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on interest rates on similar borrowings in the entity's functional currency.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined for each annual period and are limited to the difference between the hypothetical interest amount for the functional currency borrowings and the actual interest incurred for foreign currency borrowings. Foreign exchange differences that did not meet the criteria for capitalisation in previous years should not be capitalised in subsequent years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.21 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the places where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.21 Current and deferred income tax *(continued)*

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxe assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.22 Employee benefits

(a) Pension obligations

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined contribution and defined benefit plans.

(i) Defined contribution plan

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The Group has arranged for its Hong Kong employees to join the Hong Kong Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, the Group and its Hong Kong employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation, subject to a cap of HK$ 1,500 (changed from HK$ 1,250 since July 2014) per person per month and any excess contributions are voluntary. The Group has no further obligations for post-retirement benefit beyond the contributions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.22 Employee benefits *(continued)*

(a) Pension obligations *(continued)*

(i) Defined contribution plan (continued)

As stipulated by the rules and regulations in the Mainland China, the Group has participated in state-sponsored defined contribution retirement schemes for its employees in Mainland China. The Group's employees make monthly contributions to the schemes at approximately 8% of the relevant income (comprising wages, salaries, allowances and bonus, and subject to a cap), while the Group contributes 20% of such income and has no further obligations for the actual payment of post-retirement benefits beyond the contributions. The state-sponsored retirement plans are responsible for the entire pension obligations payable to retired employees.

(ii) Post-employment benefits

Some group companies provide post-retirement benefits to their employees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period.

The liability recognised in the balance sheet in respect of post-employment benefits is the present value of these benefits obligations at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. These obligations are calculated annually by independent actuaries using the projected unit credit method. The present value of these obligations is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related benefit obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The current service cost of the defined benefit plan, recognised in the consolidated statement of comprehensive income in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation results from employee service in the current year, benefit changes, curtailments and settlements.

Past-service costs are recognised immediately in consolidated statement of comprehensive income.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the consolidated statement of comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.22 Employee benefits *(continued)*

(a) Pension obligations *(continued)*

(ii) Post-employment benefits (continued)

Remeasurement arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Share-based compensation

(i) Equity-settled share-based payment transactions

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statement of comprehensive income, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.22 Employee benefits *(continued)*

(b) Share-based compensation *(continued)*

(i) Equity-settled share-based payment transactions (continued)

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

(ii) Share-based payment transactions among group entities

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

(c) Employee leave entitlements

Employee entitlements to annual leave are recognised when they are accrued to employees. A provision is made for the estimated liability for annual leave as a result of service rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(d) Bonus plan

The Group recognises a provision for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

2.23 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one items included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.24 Government grants

Government grants in the form of subsidy or financial refund are recognised when there is a reasonable assurance that the Group will comply with the conditions attached to the grants and that the grants will be received.

Grants relating to costs are deferred and recognised in the consolidated statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Grants relating to purchases of land use rights and property, plant and equipment are included in non-current liabilities and recognised in the consolidated statement of comprehensive income over the life of depreciable assets by way of a reduced depreciation or amortisation charge.

2.25 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Revenue from the sale of goods is recognised upon the transfer of risks and rewards of ownership, which generally coincides with the time when a group company has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

(ii) Rental income is recognised on a straight-line basis over the terms of the leases.

(iii) Services income is recognised in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction and assessed on the basis of actual services provided as a proportion of the total service to be provided.

2.26 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

2.27 Dividend income

Dividend income is recognised when the right to receive payment is established.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.28 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(a) As a lessee

Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

(b) As a lessor

When assets are leased out under an operating lease, the asset is included in the balance sheet based on the nature of the asset. The revenue from operating lease is charge to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

2.29 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

2.30 Dividend distributions

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by certain board members under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in the Mainland China, with most of its transactions denominated and settled in RMB. The Group is exposed to foreign exchange risk primarily arising from HK$ since certain cash and cash equivalents and borrowings are denominated in HK$. The Group is also exposed to foreign exchange risk through transactions that are denominated in a currency other than the functional currencies of the Company and its subsidiaries.

The presentation currency of the Group is HK$. The financial statements of subsidiaries with the functional currencies of RMB are translated into HK$, which will bring a foreign currency translation risk.

The Group manages its foreign exchange risks by performing regular review and monitoring its foreign currency exposures. It has not used any forward contracts, currency borrowings or other means to hedge its foreign currency exposure.

As at 31 December 2015, if RMB had strengthened/weakened by 5% against the HK$ with all other variables held constant, the Group's profit before tax for the year would have been HK$11,292,000 (31 December 2014: HK$15,214,000 higher/lower) higher/lower, mainly as a result of foreign exchange gains/losses on translation of cash and cash equivalents, other receivables, borrowings and other financial assets and liabilities that are denominated in a currency other than the functional currencies of the Company and its subsidiaries.

As at 31 December 2015, if RMB had strengthened/weakened by 5% against the HK$ with all other variables held constant, the Group's other comprehensive income for the year would have been HK$149,659,000 (31 December 2014: HK$118,191,000 higher/lower) higher/lower, mainly as a result of foreign currency translation differences on the financial statement of the subsidiaries with the functional currencies of RMB.

3. **FINANCIAL RISK MANAGEMENT** *(continued)*

3.1 **Financial risk factors** *(continued)*

(a) ***Market risk*** *(continued)*

(ii) *Cash flow and fair value interest rate risk*

Except for its pledged bank deposits and cash at banks totalled HK$339,678,000 as at 31 December 2015 (31 December 2014: HK$325,216,000), which carried a weighted average interest rate of 1.01% (31 December 2014: 1.22%) per annum, the Group has no significant interest-bearing assets.

The Group's interest bearing liabilities are bank borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest-rate risk which is partially offset by cash held at variable rates. Borrowings obtained at fixed rates expose the Group to fair value interest-rate risk.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

As at 31 December 2015, if interest rate had increased/decreased by 0.5 percentage-point and all other variables were held constant, the Group's profit before tax for the year ended 31 December 2015 would have been decreased/increased by approximately HK$9,152,000 (31 December 2014: 0.5 percentage-point, HK$2,075,000). This relates primarily to interest expense on floating rate bank borrowings.

(b) ***Credit risk***

The Group has no significant concentrations of credit risk. The carrying amounts of its pledged bank deposits, cash and cash equivalents, trade and bills receivables, and other receivables represent the Group's maximum exposure to credit risk in relation to its financial assets.

Debtors of the Group may be affected by the unfavourable economic conditions and the lower liquidity situation which could in turn impact their ability to repay the amounts owed. Deteriorating operating conditions for debtors may also have an impact on management's cash flow forecasts and assessment of the impairment of receivables. To the extent that information is available, management has properly reflected revised estimates of expected future cash flows in their impairment assessments.

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

As at 31 December 2015, 87% (31 December 2014: 93%) of the Group's bank deposits are placed in major financial institutions located in the PRC and Hong Kong, which management believes are of high credit quality without significant credit risk. The Group also has policies that limit the amount of credit exposure to any financial institution, subject to periodic review.

	2015	2014
	HK$'000	*HK$'000*
State-owned banks	**133,258**	82,522
Listed banks other than state-owned banks	**163,528**	221,436
Other financial institutions	**42,892**	21,258
Total	**339,678**	325,216

The Group has policies in place to ensure that sales are made to customers with an appropriate credit history. It performs periodic credit evaluations/reviews of its customers (Note 13). As at 31 December 2015, majority of trade receivables are due from customers having an appropriate credit history.

As at 31 December 2015, 27% (31 December 2014: 26%) of the Group's total trade and bills receivables are bank acceptance notes, the credit risks of which rest with the acceptance banks. The directors of the Company are satisfied that the risks arising from those notes are minimal considering the credit quality of the acceptance banks.

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Management monitors rolling forecasts of the Group's liquidity reserve comprising undrawn borrowing facility and cash and cash equivalents on the basis of expected cash flow. The Group aims to maintain flexibility in funding by keeping adequate banking facilities available.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. For term loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion (Note18(i)), the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for other borrowings is prepared based on the scheduled repayment dates.

	Less than 1 year *HK$'000*	Between 1 and 2 years *HK$'000*	Between 2 and 5 years *HK$'000*	More than 5 years *HK$'000*	Total *HK$'000*
At 31 December 2015					
Term loans subject to repayment on demand clauses	**367,610**	**—**	**—**	**—**	**367,610**
Other borrowings	**320,132**	**283,845**	**834,344**	**7,162**	**1,445,483**
Interests payables on borrowings	**59,299**	**42,120**	**26,053**	**169**	**127,641**
Trade payables	**269,502**	**—**	**—**	**—**	**269,502**
Accruals and other payables	**326,977**	**—**	**—**	**—**	**326,977**
	1,343,520	**325,965**	**860,397**	**7,331**	**2,537,213**
At 31 December 2014					
Borrowings	507,681	175,369	143,243	45,634	871,927
Interests payables on borrowings	33,241	15,087	21,550	2,780	72,658
Trade payables	287,720	—	—	—	287,720
Accruals and other payables	244,722	—	—	—	244,722
	1,073,364	190,456	164,793	48,414	1,477,027

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk *(continued)*

The following table summarises the maturity analysis of a term loan with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreement. The amounts include interest payments computed using contractual rates. Taking into account the Group's financial position, the directors do not consider that it was probable that the bank would exercise its discretion to demand immediate repayment. The directors believe that such term loan will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Less than 1 year *HK$'000*	Between 1 and 2 years *HK$'000*	Between 2 and 5 years *HK$'000*	More than 5 years *HK$'000*	Total *HK$'000*
At 31 December 2015					
Term loans subject to a repayment on demand clauses	167,292	73,958	126,360	—	367,610
Interests payables on term loans subject to a repayment on demand clauses	7,951	6,442	1,571	—	15,964
	175,243	80,400	127,931	—	383,574

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the Company's shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital less non-controlling interests. Net debt is calculated as total borrowings (including current and non-current borrowings) less cash and cash equivalents. Total capital less non-controlling interests is calculated as total equity less non-controlling interests plus net debt.

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Capital risk management *(continued)*

The gearing ratios at 31 December 2015 and 2014 were as follows:

	2015 **HK$'000**	2014 HK$'000
Total borrowings *(Note 18)*	**1,813,093**	871,927
Less: Cash and cash equivalents *(Note 15)*	**(338,964)**	(325,224)
Net debt	**1,474,129**	546,703
Total equity less non-controlling interests	**2,394,516**	3,252,502
Total capital less non-controlling interests	**3,868,645**	3,799,205
Gearing ratio	**38.1%**	14.4%

The increase in the gearing ratio during 2015 resulted primarily from increase of bank borrowings and the decrease of total equity arising from repurchase of the Company's own shares and dividend payments.

3.3 Fair value estimation

The carrying values of receivables (net of impairment provision) and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As of 31 December 2015, the Group did not have any financial instruments carried at fair value (31 December 2014: Nil).

The carrying values of receivables (net of impairment provision) and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of goodwill

The Group's management tests annually whether goodwill has suffered any impairment. In accordance with the accounting policy stated in Note 2.8. The recoverable amount of CGUs has been determined based on the higher of value in use and fair value less costs of disposal.

The Group measured the value in use and fair value less costs of disposal of by discounting the future estimated cash flow deriving from the CGUs. These calculations required the Group to estimate the expected future cash flows from the CGUs and also to apply a suitable discount rate in order to calculate the present value of those cash flows.

There are a number of assumptions and estimates involved in the preparation of cash flow projections for the period covered by the approved budgets. Key assumptions include the growth rates and selection of discount rates to reflect the risks involved. Management prepares the financial budgets reflecting actual and prior year performance and market development expectations. Judgment is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections and therefore the results of the impairment reviews.

(b) Useful lives of property, plant and equipments

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management reassesses the useful lives on a regular basis. Management will increase the depreciation charge where useful lives are shorter than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(c) Impairment of receivables

The Group's management determines the provision for impairment of trade, bills and other receivables based on an assessment of the recoverability of the receivables. These estimates are based on the credit history of its customers and other debtors and current market condition. The Group's management reassesses the provision at each balance sheet date.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(d) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in industry environment and competitor actions. Management reassesses the estimates at each balance sheet date.

(e) Current tax and deferred tax

The Group is subject to income taxes in different jurisdictions. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and taxation in the periods in which such estimate is changed.

(f) Estimated impairment of property, plant and equipment

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or market valuations. These calculations require the use of judgments and estimates.

Management judgment is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related assets values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value in the impairment test and as a result affect the Group’s financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the consolidated statement of comprehensive income.

5. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive directors. The executive directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The executive directors consider the business from a product perspective, which assesses the performance of three product segments, namely intravenous infusion solution and others, antibiotics and others, and medical materials. The entire product segment of medical materials was acquired during the year ended 31 December 2015, while the entire product segment of antibiotics and others was disposed during the year ended 31 December 2014 along with the disposal of a subsidiary.

The executive directors assess the performance of the operating segments based on a measure of revenue and profit. This measurement is consistent with that in the annual consolidated financial statements.

Unallocated operating loss was mainly attributable to corporate expenses.

Segment assets consist primarily of land use rights, property, plant and equipment, intangible assets, inventories, trade and bill receivables, prepayments, deposits and other receivables, pledged bank deposits and cash and cash equivalents. Unallocated assets mainly comprise corporate cash.

Segment liabilities comprise mainly operating liabilities. Unallocated liabilities mainly comprise corporate borrowings.

The revenue from external parties reported to the management is measured in a manner consistent with that in the consolidated statement of comprehensive income.

5. SEGMENT INFORMATION *(continued)*

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2015 is as follows:

	Continuing operations				
	Intravenous infusion solution and others *HK$'000*	Medical materials *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*	Discontinued operations — Antibiotics and others *HK$'000*
Revenue	2,175,536	46,385	—	2,221,921	—
Operating profit/(loss) segment results	568,565	6,376	(33,401)	541,540	—
Finance income	2,155	237	1,038	3,430	—
Finance costs	(55,855)	(1,127)	(8,136)	(65,118)	—
Profit/(loss) before income tax	513,325	5,486	(40,499)	478,312	—
Income tax expense	(74,255)	(604)	—	(74,859)	—
Profit/(loss) for the year	439,070	4,882	(40,499)	403,453	—

Other segment items included in the consolidated statement of comprehensive income for the year ended 31 December 2015 are as follows:

	Continuing operations				
	Intravenous infusion solution and others *HK$'000*	Medical materials *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*	Discontinued operations — Antibiotics and others *HK$'000*
Amortisation of land use rights	4,983	98	—	5,081	—
Depreciation of property, plant and equipment	198,410	6,443	812	205,665	—
Amortisation of intangible assets	4,070	1,370	—	5,440	—
Provision for write-down of inventories	—	238	—	238	—
Provision/(reversal of provision) for impairment of receivables	569	(499)	—	70	—

5. **SEGMENT INFORMATION** *(continued)*

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2014 is as follows:

	Continuing operations				
	Intravenous infusion solution and others *HK$'000*	Medical materials *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*	Discontinued operations — Antibiotics and others *HK$'000*
Revenue	2,091,471	—	—	2,091,471	831,904
Operating profit/(loss) segment results	639,577	—	(18,073)	621,504	74,619
Finance income	7,956	—	469	8,425	326
Finance costs	(46,276)	—	(3,503)	(49,779)	(15,309)
Profit/(loss) before income tax	601,257	—	(21,107)	580,150	59,636
Income tax expense	(75,217)	—	(13,365)	(88,582)	(9,296)
Profit/(loss) for the year	526,040	—	(34,472)	491,568	50,340
Net gain on disposal of investments in a subsidiary — net	—	—	—	—	80,512
Withholding tax charge related to dividends from a disposed subsidiary and other disposal related expenses	—	—	—	—	(19,448)
Total profit/(loss) for the year	526,040	—	(34,472)	491,568	111,404

Other segment items included in the consolidated statement of comprehensive income for the year ended 31 December 2014 are as follows:

	Continuing operations				
	Intravenous infusion solution and others *HK$'000*	Medical materials *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*	Discontinued operations — Antibiotics and others *HK$'000*
Amortisation of land use rights	4,176	—	—	4,176	4,999
Depreciation of property, plant and equipment	152,327	—	437	152,764	26,214
Amortisation of intangible assets	3,550	—	—	3,550	1,080
Reversal of provision for write-down of inventories	—	—	—	—	(1,927)
Provision/(reversal of provision) for impairment of receivables	741	—	—	741	(680)

5. SEGMENT INFORMATION *(continued)*

The segment assets and liabilities at 31 December 2015 are as follows:

	Continuing operations				
	Intravenous infusion solution and others *HK$'000*	Medical materials *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*	Discontinued operations — Antibiotics and others *HK$'000*
Total assets	**4,575,882**	**376,138**	**56,074**	**5,008,094**	**—**
Total liabilities	**1,836,395**	**79,141**	**697,379**	**2,612,915**	**—**
Additions to non-current assets	**468,258**	**5,680**	**91**	**474,029**	**—**

The segment assets and liabilities at 31 December 2014 are as follows:

	Continuing operations				
	Intravenous infusion solution and others *HK$'000*	Medical materials *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*	Discontinued operations — Antibiotics and others *HK$'000*
Total assets	4,341,102	—	456,553	4,797,655	—
Total liabilities	1,532,119	—	12,366	1,544,485	—
Additions to non-current assets	872,047	—	1,956	874,003	46,610

The total of non-current assets were as follows:

	2015 **HK$'000**	2014 *HK$'000*
Total non-current assets other than deferred tax assets		
— Mainland China	**3,369,217**	3,112,294
— Hong Kong	**1,432**	2,153
Deferred tax assets	**4,147**	2,591
Total non-current assets	**3,374,796**	3,117,038

The executive directors have also determined that no geographical segment information is presented as over 95% of the Group's sales and operating profits are derived within the PRC and over 95% operating assets of the Group are located in the PRC, which is considered as one geographic location with similar risks and returns.

6. LAND USE RIGHTS

	2015 HK$'000	2014 HK$'000
At 1 January		
Cost	**241,346**	420,351
Accumulated amortisation	**(17,631)**	(34,056)
Net book amount	**223,715**	386,295
Year ended 31 December		
Opening net book amount	**223,715**	386,295
Additions	**52,605**	60,619
Amortisation	**(5,081)**	(9,175)
Acquisition of a subsidiary *(Note 36)*	**15,870**	—
Disposal of a subsidiary	**—**	(211,654)
Currency translation differences	**(15,315)**	(2,370)
Closing net book amount	**271,794**	223,715
At 31 December		
Cost	**295,804**	241,346
Accumulated amortisation	**(24,010)**	(17,631)
Net book amount	**271,794**	223,715

Land use rights are located in Hebei Province and Jiangsu Province, the Mainland China, and are held on leases of 37 to 50 years from the dates of acquisition.

As at 31 December 2015, the Group's land use rights with net book amount of HK$ 49,247,000 (31 December 2014: HK$ 60,760,000) were pledged as collateral for the Group's bank borrowings (Note 18).

As at 31 December 2015, the Group's land use rights with net book amount of HK$ 6,449,000 (31 December 2014: Nil) were pledged as collateral for the Group's bank borrowing facility (Note 18).

For the year ended 31 December 2015, amortisation of land use rights of HK$ 5,081,000 was recognised in general and administrative expenses (2014: HK$ 4,176,000 was recognised in general and administrative expenses and remaining HK$ 4,999,000 was included in "profit for the year from discontinued operations").

7. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant, Machinery and tools	Furniture, Fixtures, office equipment and others	Vehicles	Construction-In-progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2014						
Opening net book amount	576,885	750,778	64,714	27,647	1,018,384	2,438,408
Additions	85,464	349,588	56,327	7,637	336,125	835,141
Transfers	533,070	299,629	23,900	—	(856,599)	—
Disposals	(4,976)	(53,891)	(2,832)	(365)	—	(62,064)
Depreciation	(39,667)	(122,839)	(9,931)	(6,541)	—	(178,978)
Disposal of a subsidiary	(238,848)	(184,550)	(6,482)	(9,695)	(29,438)	(469,013)
Currency translation differences	(3,831)	(4,304)	(360)	(143)	(2,958)	(11,596)
Closing net book amount	908,097	1,034,411	125,336	18,540	465,514	2,551,898
At 31 December 2014						
Cost	1,016,819	1,346,805	160,600	35,082	465,514	3,024,820
Accumulated depreciation	(108,722)	(312,394)	(35,264)	(16,542)	—	(472,922)
Net book amount	908,097	1,034,411	125,336	18,540	465,514	2,551,898
Year ended 31 December 2015						
Opening net book amount	**908,097**	**1,034,411**	**125,336**	**18,540**	**465,514**	**2,551,898**
Additions	**—**	**78,459**	**53,915**	**203**	**274,789**	**407,366**
Transfers	**167,437**	**14,257**	**10,759**	**—**	**(192,453)**	**—**
Disposals	**(366)**	**(39,404)**	**(223)**	**(339)**	**—**	**(40,332)**
Depreciation	**(43,398)**	**(136,059)**	**(21,365)**	**(4,843)**	**—**	**(205,665)**
Acquisition of a subsidiary *(Note 36)*	**52,583**	**67,544**	**758**	**989**	**16,951**	**138,825**
Currency translation differences	**(58,934)**	**(58,345)**	**(8,196)**	**(1,497)**	**(31,308)**	**(158,280)**
Closing net book amount	**1,025,419**	**960,863**	**160,984**	**13,053**	**533,493**	**2,693,812**
At 31 December 2015						
Cost	**1,169,364**	**1,357,743**	**208,684**	**33,713**	**533,493**	**3,302,997**
Accumulated depreciation	**(143,945)**	**(396,880)**	**(47,700)**	**(20,660)**	**—**	**(609,185)**
Net book amount	**1,025,419**	**960,863**	**160,984**	**13,053**	**533,493**	**2,693,812**

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

The buildings are located in Hebei Province and Jiangsu Province, the Mainland China.

Construction-in-progress represents buildings under construction and plant and machinery pending installation. The buildings under construction are located in Hebei Province and Jiangsu Province, the Mainland China.

Depreciation expense recognised in the consolidated statement of comprehensive income is analysed as follows:

	2015	2014
	HK$'000	*HK$'000*
Continuing operations		
— Cost of sales	**167,792**	119,942
— Selling and marketing costs	**1,010**	3,242
— General and administrative expenses	**36,863**	29,580
	205,665	152,764
Discontinued operations	**—**	26,214
	205,665	178,978

As at 31 December 2015, buildings, plant, machinery and tools with a net book amount of HK$57,119,000 (31 December 2014: HK$301,820,000) were pledged as collateral for the Group's bank borrowings (Note 18).

As at 31 December 2015, buildings, plant, machinery and tools with a net book amount of HK$68,057,000 (31 December 2014: Nil) were pledged as collateral for the Group's bank borrowing facility (Note 18).

During the year, the Group has capitalised borrowing costs amounted to interest expense of bank borrowings of HK$10,851,000 (2014: HK$15,761,000) and foreign exchange loss of HK$ 4,441,000 (2014: Nil) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of its borrowings of 7.02% (2014: 6.29%) per annum.

8. INTANGIBLE ASSETS

	Goodwill	Trademark and patents	Softwares	Customer relationships	Internally generated research and development costs	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2014						
Cost	511,017	74,122	8,593	—	6,227	599,959
Accumulated amortisation	—	(19,748)	(2,547)	—	—	(22,295)
Impairment losses	(254,669)	—	—	—	—	(254,669)
Net book amount	256,348	54,374	6,046	—	6,227	322,995
Year ended 31 December 2014						
Opening net book amount	256,348	54,374	6,046	—	6,227	322,995
Addition	—	13,833	322	—	10,698	24,853
Amortisation	—	(3,259)	(1,113)	—	(258)	(4,630)
Disposal of a subsidiary	—	—	(3,252)	—	—	(3,252)
Currency translation differences	(858)	(201)	(35)	—	(38)	(1,132)
Closing net book amount	255,490	64,747	1,968	—	16,629	338,834
At 31 December 2014						
Cost	509,307	87,641	4,177	76,489	16,629	694,243
Accumulated amortisation	—	(22,894)	(2,209)	(76,489)	—	(101,592)
Impairment losses	(253,817)	—	—	—	—	(253,817)
Net book amount	255,490	64,747	1,968	—	16,629	338,834
Year ended 31 December 2015						
Opening net book amount	**255,490**	**64,747**	**1,968**	**—**	**16,629**	**338,834**
Addition	**—**	**—**	**1,570**	**—**	**12,488**	**14,058**
Acquisition of a subsidiary *(Note 36)*	**24,052**	**21,083**	**—**	**11,227**	**—**	**56,362**
Amortisation	**—**	**(4,107)**	**(802)**	**(531)**	**—**	**(5,440)**
Disposal	**—**	**—**	**—**	**—**	**(1,094)**	**(1,094)**
Currency translation differences	**(15,403)**	**(4,063)**	**(146)**	**(220)**	**(1,434)**	**(21,266)**
Closing net book amount	**264,139**	**77,660**	**2,590**	**10,476**	**26,589**	**381,454**
At 31 December 2015						
Cost	**503,138**	**94,692**	**5,440**	**83,023**	**26,589**	**712,882**
Accumulated amortisation	**—**	**(17,032)**	**(2,850)**	**(72,547)**	**—**	**(92,429)**
Impairment losses	**(238,999)**	**—**	**—**	**—**	**—**	**(238,999)**
Net book amount	**264,139**	**77,660**	**2,590**	**10,476**	**26,589**	**381,454**

8. INTANGIBLE ASSETS *(continued)*

For the year ended 31 December 2015, amortisation of intangible assets of HK$5,440,000 was recognised in general and administrative expenses (2014: HK$3,550,000 was recognised in general and administrative expenses and remaining HK$1,080,000 was included in "profit for the year from discontinued operations").

Impairment test of goodwill:

Goodwill is allocated to the intravenous infusion solution and others segment, as well as the medical materials segment in the Mainland China, the CGUs identified. Goodwill is monitored by the management at the operating segment level. The following is a summary of goodwill allocation for each operating segment:

2015	**Opening** *HK$'000*	**Addition** *HK$'000*	**Currency translation differences** *HK$'000*	**Closing** *HK$'000*
Intravenous infusion solution and others *(i)*	**255,490**	**—**	**(14,916)**	**240,574**
Medical materials *(ii)*	**—**	**24,052**	**(487)**	**23,565**
	255,490	**24,052**	**(15,403)**	**264,139**

2014	Opening *HK$'000*	Addition *HK$'000*	Currency translation differences *HK$'000*	Closing *HK$'000*
Intravenous infusion solution and others	256,348	—	(858)	255,490

The CGUs' annual impairment review resulted in no impairment charge for 2015 (2014: Nil). The recoverable amount of the CGUs have been assessed by reference to fair value less costs of disposal.

(i) Goodwill allocated to the intravenous infusion solution and others segment

In arriving at fair value less costs of disposal, a post-tax discount rate of 12.1 per cent has been applied to the post-tax cash flows expressed in nominal terms. Fair value less costs of disposal was determined by using cash flows projection based on financial budgets covering a period of 5 years, taking into account of past experience, long term production plans, market condition and industry trend. These cash flows are then aggregated with a "terminal value". The terminal value represents the value of cash flows beyond the 5th year, incorporating an annual nominal-term growth rate of 3 per cent, with a corresponding increase in capital expenditure to support the nominal-term growth rate. The operating cost levels included in the fair value assessment are calculated based on intravenous infusion solution and others segment's long term production plans.

8. INTANGIBLE ASSETS *(continued)*

Impairment test of goodwill: *(continued)*

(i) Goodwill allocated to the intravenous infusion solution and others segment *(continued)*

The key assumptions used for fair value less costs of disposal calculations are as follows:

	2015	2014
Gross profit margin in the next five years	**44.7%-49.9%**	43.7%-47.8%
Growth rate in the next five years	**13%-18%**	12%-24%
Other operating costs (as of revenue)	**23%-27%**	20%-23%
Perpetual growth rate	**3%**	3%
Post-tax discount rate	**12.1%**	12.3%

(ii) Goodwill allocated to the medical materials segment

In arriving at fair value less costs of disposal, a post-tax discount rate of 12.3 per cent has been applied to the post-tax cash flows expressed in nominal terms. Fair value less costs of disposal was determined by using cash flows projection based on financial budgets covering a period of 4 years, taking into account of past experience, long term production plans, market condition and industry trend. These cash flows are then aggregated with a "terminal value". The terminal value represents the value of cash flows beyond the 4th year, incorporating an annual nominal-term growth rate of 3 per cent, with a corresponding increase in capital expenditure to support the nominal-term growth rate. The operating cost levels included in the fair value assessment are calculated based on medical materials segment's long term production plans.

The key assumptions used for fair value less costs of disposal calculations are as follows:

	2015
Gross profit margin in the next four years	**31.1%-33.4%**
Growth rate in the next four years	**4%-31%**
Other operating costs (as of revenue)	**11%**
Perpetual growth rate	**3%**
Post-tax discount rate	**12.3%**

The growth rate used is consistent with the forecasts included in industry reports. The discount rate used is post-tax and reflect specific risks relating to the operating segment.

The recoverable amount of the CGUs calculated based on fair value less costs of disposal well exceeds its carrying value as at 31 December 2015.

9. SUBSIDIARIES

The details of the Company's principal subsidiaries at 31 December 2015 and 2014, all of which are unlisted, are as follow:

Name	Place of incorporation and type of legal entity	Principal activities and place of operations	Particulars of issued and fully paid share capital	Interest held	
				2015	2014
New Orient Investments Pharmaceutical Holding (Hong Kong) Limited	Limited liability company incorporated in Samoa	Investment holding company in Hong Kong	United States Dollar ("USD") 1	**100% (Directly held)**	100% (Directly held)
Shijiazhuang No.4 Pharmaceutical Co., Ltd.	Limited liability company incorporated in Mainland China	Manufacturing and sale of pharmaceutical products in Hebei Province, Mainland China	RMB 400,000,000	**100% (Indirectly held)**	100% (Indirectly held)
Hebei Guolong Pharmaceutical Co., Ltd.	Limited liability company incorporated in Mainland China	Manufacturing and sale of pharmaceutical products in Hebei Province, Mainland China	RMB 50,000,000	**100% (Indirectly held)**	100% (Indirectly held)
Hebei Jinmen Pharmaceutical Import & Export Co., Ltd.	Limited liability company incorporated in Mainland China	Trading in Mainland China	RMB 5,000,000	**100% (Indirectly held)**	100% (Indirectly held)
Hebei Guangxiang Pharmaceutical Technology Co., Ltd.	Limited liability company incorporated in Mainland China	Pharmaceutical technology research and development and consulting	RMB 3,000,000	**100% (Indirectly held)**	100% (Indirectly held)
Hebei Guangxiang Logistics Co., Ltd.	Limited liability company incorporated in Mainland China	Logistics of pharmaceutical products in Mainland China	RMB 3,000,000	**83.33% (Indirectly held)**	83.33% (Indirectly held)

9. SUBSIDIARIES *(continued)*

Name	Place of incorporation and type of legal entity	Principal activities and place of operations	Particulars of issued and fully paid share capital	Interest held	
				2015	2014
Shijiazhuang Guangxiang Catering Co., Ltd.	Limited liability company incorporated in Mainland China	Food and beverages	RMB 500,000	**100% (Indirectly held)**	100% (Indirectly held)
Jiangsu Best New Medical Material Co, Ltd.(i)	Limited liability company incorporated in Mainland China	Manufacturing and sale of medical materials in Jiangsu Province, Mainland China	RMB 49,980,000	**100% (Indirectly held)**	Nil

(i) On 30 September 2015, the Group acquired 100% equity interests in Jiangsu Best New Medical Material Co, Ltd. (Note 36).

10. DEFERRED INCOME TAX

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2015 HK$'000	2014 HK$'000
Deferred tax assets:		
— to be recovered after more than 12 months	**1,876**	1,627
— to be recovered within 12 months	**2,271**	964
	4,147	2,591
Deferred tax liabilities:		
— to be settled after more than 12 months	**22,051**	23,667
— to be settled within 12 months	**1,580**	430
	23,631	24,097
Deferred tax liabilities — net	**19,484**	21,506

The gross movements in the deferred income tax account are as follows:

	2015 HK$'000	2014 HK$'000
At 1 January	**21,506**	1,855
Acquisition of a subsidiary *(Note 36)*	**7,479**	—
Credited to income tax expense *(Note 28)*	**(8,420)**	(1,030)
Credited to profit for the year from discontinued operations	**—**	(1,402)
Reduction of deferred tax assets upon disposal of a subsidiary	**—**	21,990
Currency translation differences	**(1,081)**	93
At 31 December	**19,484**	21,506

10. DEFERRED INCOME TAX *(continued)*

The movements in deferred tax assets, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Accrued expenses *HK$'000*	Deferred revenue *HK$'000*	Provision for asset impairment *HK$'000*	Post-employment benefits *HK$'000*	Amortisation of assets *HK$'000*	Deductible losses *HK$'000*	Total *HK$'000*
At 1 January 2014	11,968	1,378	9,344	2,333	—	27	25,050
(Charged)/credited to the consolidated statement of comprehensive income	(1,587)	74	876	349	—	—	(288)
Disposal of a subsidiary	(9,571)	—	(9,757)	(2,662)	—	—	(21,990)
Currency translation differences	(81)	(4)	(76)	(20)	—	—	(181)
At 31 December 2014	729	1,448	387	—	—	27	2,591
Acquisition of a subsidiary *(Note 36)*	—	—	1,202	—	1,830	—	3,032
Credited/(charged) to the consolidated statement of comprehensive income	158	(696)	(702)	—	(59)	(9)	(1,308)
Currency translation differences	(35)	(56)	(40)	—	(36)	(1)	(168)
At 31 December 2015	852	696	847	—	1,735	17	4,147

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profit is probable. The Group did not recognise cumulative deferred tax assets of HK$10,901,000 (31 December 2014: HK$9,593,000) in respect of losses amounted to HK$66,069,000 (31 December 2014: HK$58,142,000) that can be carried forward against future taxable income as at 31 December 2015. The tax loss above is arising from the entities operating in Hong Kong, which has no expiry dates, in accordance with Hong Kong tax laws.

10. DEFERRED INCOME TAX *(continued)*

The movements in deferred tax liabilities, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Revaluation of assets on acquisition *HK$'000*	**Withholding tax** *HK$'000*	**Total** *HK$'000*
At 1 January 2014	23,975	2,930	26,905
Credited to the consolidated statement of comprehensive income	(1,210)	(1,509)	(2,719)
Currency translation differences	(123)	34	(89)
At 31 December 2014	22,642	1,455	24,097
Acquisition of a subsidiary *(Note 36)*	10,511	—	10,511
Credited to the consolidated statement of comprehensive income	(9,728)	—	(9,728)
Currency translation differences	(1,164)	(85)	(1,249)
At 31 December 2015	22,261	1,370	23,631

As at 31 December 2015, deferred income tax liabilities of HK$97,618,000 (31 December 2014: HK$76,922,000) have not been recognised for the withholding tax that would be payable on the unremitted earnings of certain subsidiaries. Such amounts are permanently reinvested. Unremitted earnings totalled HK$1,952,361,000 (31 December 2014: HK$1,538,443,000) at 31 December 2015.

11. INVESTMENT IN A JOINT VENTURE

On 13 February 2015, Shijiazhuang No. 4 Pharmaceutical Co., Ltd., a subsidiary of the Group, acquired a 50% equity interest in a joint venture company named Hebei Hanlin Biotechnology Co., Ltd., at a consideration of RMB20,000,000. The joint venture company is engaged in the research and development of biotechnology and related products.

	31 December 2015 ***HK$'000***
At 1 January 2015	—
Addition	**24,883**
Share of loss	**(1,540)**
Currency translation differences	**(948)**
At 31 December 2015	**22,395**

11. INVESTMENT IN A JOINT VENTURE *(continued)*

The Group's share of the results in Hebei Hanlin Biotechnology Co., Ltd. and its aggregated assets and liabilities are shown below:

	31 December 2015 *HK$'000*
Assets	**24,545**
Liabilities	**226**
Revenues	**18**
Share of loss	**(1,540)**
Percentage held	**50%**

There is no impairment charge of the investment in a joint venture for the year ended 31 December 2015.

12. INVENTORIES

	2015 *HK$'000*	2014 *HK$'000*
Raw materials	**108,998**	123,327
Work in progress	**17,270**	7,174
Finished goods	**156,250**	149,056
	282,518	279,557

The Group recorded a provision for write-down of inventories of HK$238,000 during the year ended 31 December 2015. The provision has been included in cost of sales (2014: reversal of provision for write-down of inventories of HK$1,927,000 was recognised in "profit for the year from discontinued operations").

The cost of inventories recognised as expense and included in cost of sales amounted to HK$ 697,654,000 (2014: HK$652,332,000 was recognised as expense and included in cost of sales and HK$371,977,000 in "profit for the year from discontinued operations" respectively).

13. TRADE AND BILLS RECEIVABLES

	2015 HK$'000	2014 HK$'000
Trade receivables	688,705	520,114
Bills receivables	251,500	185,753
	940,205	705,867
Less: Provision for impairment	(4,779)	(2,580)
	935,426	703,287

The fair values of trade and bills receivables approximate their carrying amounts.

The Group generally requires its customers to settle sales invoices within 3 months. Ageing analysis of trade and bills receivables based on invoice date is as follows:

	2015 HK$'000	2014 HK$'000
Within 3 months	824,016	622,886
4 to 6 months	95,599	67,093
7 to 12 months	19,171	14,791
1 to 2 years	1,419	1,097
	940,205	705,867

As at 31 December 2015, trade receivables of HK$111,410,000 (2014: HK$80,401,000) were past due but not impaired. These relate to a number of independent customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered. The ageing analysis of these trade receivables is as follows:

	2015 HK$'000	2014 HK$'000
4 to 6 months	95,599	67,093
7 to 12 months	15,811	13,308
	111,410	80,401

13. TRADE AND BILLS RECEIVABLES *(continued)*

As at 31 December 2015, impaired trade receivables amounting to approximately HK$4,779,000 (31 December 2014: HK$2,580,000) were assessed for impairment and a provision of HK$4,779,000 (31 December 2014: HK$2,580,000) for impaired receivables was recorded, covering individually impaired receivables and groups of receivables subject to collective review. Those individually impaired receivables mainly relate to customers in unexpected difficult economic situations and items aged over one year.

The ageing of individually impaired receivables and an estimate of expected recovery are as follows:

	2015	2014
	HK$'000	*HK$'000*
7 to 12 months	**3,360**	1,483
1 to 2 years	**1,419**	1,097
	4,779	2,580
Less: Expected recovery	**—**	—
Impairment provision made	**4,779**	2,580

The expected recovery was assessed, based on the collateral or other credit enhancement held by the Group, repayment progress, and available information on subsequent repayment.

Movements of provision for impairment of trade receivables are as follows:

	2015	2014
	HK$'000	*HK$'000*
At 1 January	**2,580**	32,599
Provision for impairment of trade receivables	**375**	1,178
Receivables written off	**(209)**	—
Disposal of a subsidiary	**—**	(30,944)
Acquisition of a subsidiary	**2,249**	—
Currency translation differences	**(216)**	(253)
At 31 December	**4,779**	2,580

The creation and release of provision for impaired receivables have been included in general and administrative expenses. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash.

13. TRADE AND BILLS RECEIVABLES *(continued)*

The Group's trade and bills receivables were denominated in the following currencies:

	2015	2014
	HK$'000	*HK$'000*
RMB	**939,642**	701,817
USD	**563**	4,050
	940,205	705,867

The maximum exposure to credit risk at the reporting date is the fair value of the receivables mentioned above. The Group does not hold any collateral as security.

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015	2014
	HK$'000	*HK$'000*
Amounts due from agent companies *(Note 22(a))*	**51,615**	54,116
Prepayments for purchases of inventories	**6,199**	9,108
Deposits	**2,737**	9,058
Staff advances	**1,333**	1,012
Amounts due from related parties *(Note 32(c))*	**940**	—
Disposal consideration receivable *(Note 35)*	**—**	272,000
Others	**12,819**	27,339
	75,643	372,633
Less: Provision for impairment	**(112)**	(84)
	75,531	372,549

15. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	2015 HK$'000	2014 HK$'000
Pledged bank deposits	**859**	—
Cash and cash equivalents		
— cash in hand	**145**	8
— cash at bank	**338,819**	325,216
	339,823	325,224

Pledged bank deposits are pledged for:

	2015 HK$'000	2014 HK$'000
Letters of credit facilities	**859**	—

The interest-bearing bank deposits (included in pledged bank deposits and cash at bank) carried a weighted average interest rate of 1.01% (31 December 2014: 1.22%) per annum for the year ended 31 December 2015.

The maximum exposure to credit risk at the reporting date approximates the carrying value of the pledged bank deposits and cash and cash equivalents.

The Group's pledged bank deposits and cash at bank denominated in RMB were deposited with banks in the Mainland China. The conversion of these RMB denominated balances into foreign currencies and the remittance of funds out of the Mainland China are subject to the rules and regulations of foreign exchange control promulgated by the Mainland China Government.

Pledged bank deposits and cash and cash equivalents were denominated in the following currencies:

	2015 HK$'000	2014 HK$'000
RMB	**268,828**	137,582
HK$	**64,672**	182,580
USD	**5,309**	5,062
EUR	**1,014**	—
	339,823	325,224

16. SHARE CAPITAL

	Number of shares *'000*	Ordinary shares *HK$'000*
Issued and fully paid up		
At 1 January 2014	2,929,925	65,405
Cancelation of shares	(9,398)	(188)
Issuance of shares		
– exercise of share options	48,000	960
At 31 December 2014	2,968,527	66,177
At 1 January 2015	2,968,527	66,177
Cancelation of shares (a)	(166,336)	(3,326)
At 31 December 2015	2,802,191	62,851

(a) On 31 August and from 20 October to 3 November 2015, the Company repurchased 150,000,000 and 16,336,000 ordinary shares of the Company respectively through the Stock Exchange at an aggregate consideration of approximately HK$541,523,000 (including HK$14,770,000 expenses directly attributable to the repurchases).

On 10 September and 17 November 2015, the Company cancelled 150,000,000 and 16,336,000 ordinary shares repurchased respectively.

17. RESERVES

	Share premium *HK$'000*	Capital reserve *HK$'000*	Statutory reserve *HK$'000*	Share-based payment reserve *HK$'000*	Currency translation differences *HK$'000*	Retained earnings *HK$'000*	Total *HK$'000*
At 1 January 2014	1,262,730	176,819	273,859	15,530	161,407	910,519	2,800,864
Profit for the year	—	—	—	—	—	602,929	602,929
Purchase of treasury shares	—	—	—	—	—	(34,838)	(34,838)
Cancellation of shares	(34,650)	—	—	—	—	34,838	188
Issurance of shares — exercise of share options	85,770	—	—	(15,530)	—	—	70,240
Dividends paid to equity holders of the Company	—	—	—	—	—	(236,171)	(236,171)
Disposal of a subsidiary *(Note (b))*	—	—	(146,196)	—	—	146,196	—
Transfer to statutory reserve *(Note (b))*	—	—	50,063	—	—	(50,063)	—
Currency translation differences	—	—	(1,677)	—	(15,210)	—	(16,887)
At 31 December 2014	1,313,850	176,819	176,049	—	146,197	1,373,410	3,186,325
Profit for the year	—	—	—	—	—	403,416	403,416
Purchase of treasury shares	(541,523)	—	—	—	—	—	(541,523)
Cancellation of shares	3,326	—	—	—	—	—	3,326
Grant of share options *(Note (c))*	—	—	—	39,431	—	—	39,431
Dividends paid to equity holders of the Company *(Note (a))*	(282,588)	—	—	—	—	(298,462)	(581,050)
Transfer to statutory reserve *(Note (b))*	—	—	49,879	—	—	(49,879)	—
Currency translation differences	—	—	(1,931)	—	(176,329)	—	(178,260)
At 31 December 2015	493,065	176,819	223,997	39,431	(30,132)	1,428,485	2,331,665

17. RESERVES *(continued)*

(a) Dividends paid to equity holders of the Company

On 27 March 2015, a special dividend of HK$0.172 per ordinary share, amounted to a total dividend of HK$510,587,000 calculated based on 2,968,527,000 outstanding ordinary shares, has been approved by the directors and endorsed by shareholders of the Company and was paid out of the Company's retained earnings and share premium account on 22 May 2015. Pursuant to Section 34 of the Cayman Companies Law (2003 Revision) and the Articles of Association of the Company, balance in share premium account of the Company is available for distribution to shareholders subject to a solvency test on the Company. The dividend has been reflected as an appropriation from the retained earnings and share premium account for the year ended 31 December 2015.

On 25 September 2015, the interim dividends of HK$2.5 cents per share, amounted to a total dividend of HK$70,463,000, was paid.

(b) Statutory reserve

As stipulated by regulations in the Mainland China and the Articles of Association of the Company's subsidiaries established in the Mainland China, the subsidiaries established in the Mainland China are required to appropriate 10% of their after-tax profit (after offsetting prior years' losses) to statutory surplus reserve fund before distributing their profit. When the balance of such reserve reaches 50% of each subsidiary's share capital, any further appropriation is optional. The statutory surplus reserve fund can be utilised to offset prior years' losses or to issue bonus shares.

The statutory reserve of HK$146,196,000 has been transferred out as the result of the disposal of a subsidiary in 2014.

(c) Share-based payments

As approved by a resolution of the Board of Directors on 19 October 2015, 122,000,000 share options were granted to selected directors and employees at an exercise price of HK$1.98 per share, which represents the highest of (i) the closing price of HK$1.98 per share as stated in the daily quotations sheet issued by the Stock Exchange on 19 October 2015, (ii) the average closing price of HK$1.92 per share as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding 19 October 2015, and (iii) the nominal value of a Share. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

17. RESERVES *(continued)*

(c) Share-based payments *(continued)*

As at 31 December 2015, all of the share options is vested, and are exercisable starting 3 years from the grant date.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2015		2014	
	Average exercise Price (HK$ per share)	**Number of Options (thousands)**	Average exercise Price (HK$ per share)	Number of Options (thousands)
At 1 January	—	—	1.48	48,000
Granted	**1.98**	**122,000**	—	—
Exercised	—	—	1.48	(48,000)
At 31 December	**1.98**	**122,000**	—	—

The weighted average fair value of options granted in 2015 determined using the Binomial Model valuation model was HK$0.32 per option. The significant inputs into the model were weighted average share price of HK$1.98 at the grant date, exercise price shown above, volatility of 41%, dividend yield of 2.31%, an expected option life of three years, an exercise multiple of 1.26 and an annual risk-free interest rate of 0.98%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last three years. See Note 26 for the total expense recognised in the consolidated statement of comprehensive income for share options granted to directors and employees.

18. BORROWINGS

	2015 HK$'000	2014 HK$'000
Non-current		
Non-current portion of long-term bank borrowings	**1,125,351**	364,246
Current		
Current portion of long-term bank borrowings	**1,432**	190,772
Short-term bank borrowings *(i)*	**655,275**	316,909
Entrusted loan from third party *(iv)*	**31,035**	—
	687,742	507,681
Total borrowings	**1,813,093**	871,927
Representing:		
Unsecured *(ii)*	**1,490,813**	554,981
Secured *(iii)*	**322,280**	316,946
	1,813,093	871,927

(i) As at 31 December 2015, the Group's bank borrowings of HK$367,610,000 (31 December 2014: Nil) with repayment on demand clause were reclassified to short-term bank borrowings, regardless of their scheduled repayment dates.

(ii) As at 31 December 2015, the Group's bank borrowings of HK$1,052,750,000 (31 December 2014: HK$238,072,000) borrowed by subsidiaries were guaranteed by the Company.

(iii) As at 31 December 2015, the Group's bank borrowings of HK$322,280,000 (31 December 2014: HK$316,946,000) were secured by the Group's land use rights with a net book amount of HK$49,247,000 (31 December 2014: HK$60,760,000), and the Group's buildings, plant, machinery and tools with a net book amount of HK$57,119,000 (31 December 2014: HK$301,820,000).

(iv) The entrusted loan, amounting to RMB 26,000,000, was borrowed from a third party through a bank.

18. BORROWINGS *(continued)*

As at 31 December 2015, the Group's borrowings were repayable as follows:

	2015 HK$'000	2014 HK$'000
Within 1 year	687,742	507,681
Between 1 and 2 years	283,845	175,369
Between 2 and 5 years	834,344	143,243
More than 5 years	7,162	45,634
	1,813,093	871,927

The borrowings were denominated in the following currencies:

	2015 HK$'000	2014 HK$'000
RMB	760,343	576,204
HK$	1,052,750	201,008
USD	—	94,715
	1,813,093	871,927

The effective interest rates (per annum) at the balance sheet date were as follows:

	2015			2014		
	RMB	HK$	USD	RMB	HK$	USD
Bank borrowings	4.74%	3.20%	—	6.00%	3.93%	3.12%

The carrying amounts and fair value of the non-current borrowings are as follows:

	Carrying amount		Fair value	
	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000
Bank borrowings	1,125,351	364,246	1,110,733	356,768

The fair value of short-term borrowings equals their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the prevailing market rate of interest allocated to the Group for financial instrument with substantially the same terms and characteristics at the respective balance sheet dates and are within level 2 of the fair value hierarchy.

18. BORROWINGS *(continued)*

As at 31 December 2015, the Group has the following undrawn borrowing facilities:

	2015	2014
	HK$'000	*HK$'000*
Fixed rates		
— Expiring within one year	**—**	590,021
— Expiring beyond one year	**—**	697,200
Floating rates		
— Expiring within one year *(i)*	**608,754**	211,145
— Expiring beyond one year	**393,898**	353,992
	1,002,652	1,852,358

(i) As at 31 December 2015, the Group's borrowing facility of HK$120,000,000 (31 December 2014: Nil) was secured by the Group's land use rights with a net book amount of HK$6,449,000 (31 December 2014: Nil), and the Group's buildings, plant, machinery and tools with a net book amount of HK$68,057,000 (31 December 2014: Nil).

19. DEFERRED REVENUE

Government grants received from municipal governments represented subsidies for construction of the laboratories and plants of the Group, and are recognised in consolidated statement of comprehensive income when the depreciation expense of the laboratories and plants are recognised in the consolidated statement of comprehensive income.

Movements of deferred revenue are as follows:

	2015	2014
	HK$'000	*HK$'000*
At 1 January	**8,153**	10,863
Current year additions	**1,157**	12,058
Recognised in the consolidated statement of comprehensive income	**(3,172)**	(8,591)
Disposal of a subsidiary	**—**	(6,110)
Currency translation differences	**(395)**	(67)
At 31 December	**5,743**	8,153

20. OTHER NON-CURRENT LIABILITIES

On 30 September 2015, the Group acquired a subsidiary (Note 36). In accordance with the scheduled payment dates, part of the consideration will be paid after more than 12 months since 31 December 2015, which was recognised as other non-current liabilities.

21. TRADE PAYABLES

	2015 HK$'000	2014 HK$'000
Trade payables	**269,502**	287,720

Credit terms for trade payables range from 90 to 180 days. The ageing analysis of the trade payables based on invoice date is as follows:

	2015 HK$'000	2014 HK$'000
Within 3 months	**186,821**	232,963
4 to 6 months	**55,824**	41,608
7 to 12 months	**22,481**	10,679
1 to 3 years	**3,520**	1,942
More than 3 years	**856**	528
	269,502	287,720

The Group's trade payables were denominated in the following currencies:

	2015 HK$'000	2014 HK$'000
RMB	**249,016**	270,057
USD	**20,486**	17,663
	269,502	287,720

22. ACCRUALS AND OTHER PAYABLES

	2015 HK$'000	2014 HK$'000
Payables for purchase of property, plant and equipment	**243,362**	211,894
Withholding individual income tax payables *(a)*	**61,192**	63,693
Accrued salaries and wages	**27,558**	14,856
Deposits from constructors	**5,265**	4,202
Value added tax payable	**20,117**	3,427
Other taxes payables	**3,481**	3,251
Welfare payables	**3,542**	2,321
Professional fee payables	**2,131**	2,258
Payables for advertising expenses	**257**	814
Current portion of post-employment benefit obligation	**14**	40
Acquisition consideration payable *(Note 36)*	**64,152**	—
Others	**14,083**	13,353
	445,154	320,109

22. ACCRUALS AND OTHER PAYABLES *(continued)*

(a) Withholding individual income tax payables

According to the relevant PRC tax laws and regulations, the PRC subsidiaries of the Group are responsible for withholding individual income tax for directors and employees' gain from the disposal of their shares of the Company acquired through the option scheme. Settlement of such individual income tax is handled through certain agent companies. In this regard, HK$51,615,000 (31 December 2014: HK$54,116,000) payables relating to PRC individual income taxes in total have been recorded in the consolidated financial statements. Meanwhile, the same amount of receivables is also recorded (Note 14).

As at 31 December 2015, an amount of HK$9,577,000 (31 December 2014: HK$9,577,000) for the withholding individual income tax of exercising the share options under Hong Kong tax laws has been collected by the Group, and will be paid in the future.

23. REVENUE

The Group is principally engaged in the manufacturing and sale of pharmaceutical products.

Revenue recognised is as follows:

	2015 ***HK$'000***	2014 *HK$'000*
Revenue:		
— Sales of pharmaceutical products	**2,152,290**	2,087,355
— Sales of medical materials	**45,324**	—
— Services income	**14,144**	—
— Rental income	**3,718**	2,809
— Processing income	**4,423**	1,218
— Sales of raw materials and by products	**2,022**	89
	2,221,921	2,091,471

24. OTHER GAINS — NET

	2015 ***HK$'000***	2014 *HK$'000*
Government grants	**49,399**	36,412
Gain on disposals of property, plant and equipment	**1,086**	4,063
	50,485	40,475

Government grants mainly represent subsidy income received from various government organisations to compensate the Group's research and development expenditures, and other incentives to support the operations of the Group.

25. EXPENSES BY NATURE

	2015 *HK$'000*	2014 *HK$'000*
Raw materials and consumables used	**666,040**	680,993
Changes in inventories of finished goods and work in progress	**31,614**	(28,661)
Staff costs *(Note 26)*	**308,273**	234,295
Utility expenses	**133,329**	118,602
Advertising expenses	**3,879**	4,672
Travelling, meeting and entertainment expenses	**35,595**	46,985
Operating leases rental expenses	**9,663**	12,804
Depreciation of property, plant and equipment	**205,665**	152,764
Provision for write-down of inventories	**238**	—
Provision for impairment of trade receivables	**375**	741
Reversal of provision for impairment of other receivables	**(305)**	—
Amortisation of land use rights	**5,081**	4,176
Amortisation of intangible assets	**5,440**	3,550
Auditors' remuneration		
— Audit services	**1,920**	2,413
— Non-audit services	**798**	860
Transportation expenses	**205,842**	170,053
Research and development costs	**38,201**	37,249
Business taxes, surcharges and other tax expenses	**43,800**	25,657
Others	**35,418**	43,289
Total cost of sales, selling and marketing costs and general and administrative expenses	**1,730,866**	1,510,442

26. EMPLOYEE BENEFIT EXPENSE

	2015 *HK$'000*	2014 *HK$'000*
Wages and salaries	**198,208**	166,158
Pension costs	**31,919**	26,661
Welfare expenses	**38,715**	41,476
Share options granted to directors and employees *(Note 17(c))*	**39,431**	—
Total employee benefit expense	**308,273**	234,295

26. EMPLOYEE BENEFIT EXPENSE *(continued)*

(a) Five highest paid individuals

The five Individuals whose emoluments were the highest in the Group for the year ended 31 December 2015 include three (2014: four) directors whose emoluments are reflected in the analysis show in Note 39. The emoluments payable to the remaining two (2014: one) individuals for the year ended 31 December 2015 is as follows:

	2015 ***HK$'000***	2014 *HK$'000*
Basic salaries, housing allowances, other allowances and benefits in kind	**1,235**	1,023
Share options	**7,788**	—
Contribution to pension scheme	**66**	17
Bonuses	**54**	—
	9,143	1,040

The emoluments fell within the following bands:

	Number of individuals	
	2015	2014
Emolument bands (in HK dollar)		
HK$1,000,001 — HK$1,500,000	**1**	1
HK$7,000,000 — HK$8,000,000	**1**	—

27. FINANCE INCOME AND COSTS

	2015 ***HK$'000***	2014 *HK$'000*
Finance income:		
— Interest income on bank deposits	**3,371**	3,907
— Cash discount income	**59**	4,518
Finance income	**3,430**	8,425
Finance costs:		
— Interest expense of bank borrowings	**(58,245)**	(60,497)
— Discount costs for bills receivables	**(2,581)**	—
— Net foreign exchange loss	**(19,584)**	(5,043)
Finance costs	**(80,410)**	(65,540)
Less: amounts capitalised on qualifying assets	**15,292**	15,761
Total finance costs	**(65,118)**	(49,779)
Finance costs — net	**(61,688)**	(41,354)

28. INCOME TAX EXPENSE

The Company is incorporated in Cayman Islands as an exempted company and, accordingly, is exempted from payment of Cayman Islands income tax.

The Company had no assessable profits in Hong Kong and, accordingly, no Hong Kong profits tax was provided.

New Orient Investments Pharmaceutical Holding (Hong Kong) Limited, the subsidiary of the Company, is subject to Hong Kong profits tax at the rate of 16.5% (2014: 16.5%) on its estimated assessable profit.

All subsidiaries of the Company established and operate in PRC are subject to the Mainland China Corporate Income Tax ("CIT") at an applicable rate of 25%.

Shijiazhuang No. 4 Pharmaceutical Co. Ltd., Jiangsu Best New Medical Material Co, Ltd. and Hebei Guolong Pharmaceutical Co., Ltd. have been recognised as High and New Technology Enterprises in 2015, 2014 and 2014 respectively. According to the tax incentives rules of the CIT Law of the People's Republic of China (the "CIT Law") for High and New Technology Enterprises, these companies are subject to a reduced corporate income tax rate of 15% for three years.

According to the PRC CIT Law, the profits of the PRC subsidiaries of the Group derived since 1 January 2008 will be subject to withholding tax at a rate of 5% upon the distribution of such profits to foreign investors in Hong Kong. Deferred income tax liabilities have been provided for in this regard based on the expected dividends to be distributed from the Group's PRC subsidiaries in the foreseeable future in respect of the profits generated since 1 January 2008.

The amounts of taxation charged to the consolidated statement of comprehensive income:

	2015 ***HK$'000***	2014 *HK$'000*
Current income taxation — Mainland China CIT	**83,279**	89,612
Deferred taxation	**(8,420)**	(1,030)
	74,859	88,582

28. INCOME TAX EXPENSE *(continued)*

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2015 *HK$'000*	2014 *HK$'000*
Profit before income tax	**478,312**	580,150
Tax calculated at the tax rates applicable to the Group companies	**70,407**	86,544
Tax exemption and reduction	**(3,142)**	(2,593)
Tax effects of:		
— Joint venture's results reported net of tax	**231**	—
— Expenses not deductible	**13,598**	4,075
— Income not subject to tax	**(191)**	(77)
— Tax losses for which no deferred tax assets were recognised	**1,308**	633
Re-measurement of deferred tax — change in the tax rate	**(8,149)**	—
Withholding tax charge related to interests income	**797**	—
Tax expense	**74,859**	88,582
Effective tax rate	**15.65%**	15.27%

29. EARNINGS PER SHARE

(a) Basic

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2015 *HK$'000*	2014 *HK$'000*
Profit from continuing operations attributable to equity holders of the Company	**403,416**	491,525
Profit from discontinued operations attributable to equity holders of the Company	**—**	111,404
	403,416	602,929
Weighted average number of ordinary shares in issue (thousands)	**2,915,556**	2,944,740
Basic earnings per share (HK$ per share)		
Profit from continuing operations attributable to equity holders of the Company	**0.1384**	0.1669
Profit from discontinued operations attributable to equity holders of the Company	**—**	0.0378
	0.1384	0.2047

29. EARNINGS PER SHARE *(continued)*

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The dilutive potential ordinary shares of the Company are share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2015	2014
	HK$'000	*HK$'000*
Profit from continuing operations attributable to equity holders of the Company	**403,416**	491,525
Profit from discontinued operations attributable to equity holders of the Company	—	111,404
	403,416	602,929
Weighted average number of ordinary shares in issue (thousands)	**2,915,556**	2,944,740
Adjustment for share options (thousands)	**6,483**	16,111
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**2,922,039**	2,960,851
Diluted earnings per share (HK$ per share)		
Profit from continuing operations attributable to equity holders of the Company	**0.1381**	0.1660
Profit from discontinued operations attributable to equity holders of the Company	—	0.0376
	0.1381	0.2036

30. DIVIDENDS

	2015	2014
	HK$'000	*HK$'000*
Interim dividend of HK$2.5 cents (2014: HK$6 cents) per ordinary share	**70,463**	177,572
Proposed zero final dividend (2014: HK$ zero) per ordinary share	—	—
HK$0.172 special dividend per ordinary share to be declared	—	510,587
	70,463	688,159

30. DIVIDENDS *(continued)*

The interim dividends paid in 2015 and 2014 were HK$70,463,000 (HK$2.5 cents per share) and HK$177,572,000 (HK$6 cents per share) respectively. A special dividend proposed in the year ended 31 December 2014 of HK$0.172 per share, amounted to a total dividend of HK$510,587,000, was paid on 22 May 2015.

At a meeting held on 30 March 2016, the directors recommended that no dividend be proposed for the year ended 31 December 2015.

31. CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of cash generated from operations

	2015	2014
	HK$'000	*HK$'000*
Profit before income tax including discontinued operations	**478,312**	729,318
Adjustments for:		
Provision for impairment of trade receivables *(Note 13)*	**375**	1,178
Reversal of provision for impairment of other receivables	**(305)**	(1,117)
Provision/(reversal of provision) for write-down of inventories *(Note 12)*	**238**	(1,927)
Depreciation of property, plant and equipment *(Note 7)*	**205,665**	178,978
Gain on disposal of property, plant and equipment *(Note 24)*	**(1,086)**	(4,122)
Gain on disposal of a subsidiary	**—**	(94,959)
Amortisation of land use rights *(Note 6)*	**5,081**	9,175
Amortisation of intangible assets *(Note 8)*	**5,440**	4,630
Amortisation of deferred revenue *(Note 19)*	**(3,172)**	(7,955)
Gain on disposal of financial assets at fair value through profit	**—**	(253)
Share of loss of investment in a joint venture *(Note 11)*	**1,540**	—
Grant of share options *(Note 17)*	**39,431**	—
Interest income *(Note 27)*	**(3,371)**	(8,751)
Interest expenses *(Note 27)*	**47,394**	62,667
Operating profit before working capital changes	**775,542**	866,862
Changes in working capital:		
Decrease/(increase) in inventories	**29,395**	(27,886)
Increase in trade receivables	**(145,968)**	(209,749)
Decrease in prepayments, deposits and other receivables	**82,892**	29,066
Decrease in trade and bills payables	**(29,346)**	(106,545)
Increase/(decrease) in advance receipts from customers	**2,072**	(4,348)
Decrease in accruals and other payables	**(10,833)**	(38,712)
Net cash inflow generated from operations	**703,754**	508,688

31. CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(b) Proceeds from disposals of property, plant and equipment

In the cash flow statement, proceeds from disposal of property, plant and equipment comprise:

	2015	2014
	HK$'000	*HK$'000*
Net book amount disposed *(Note 7)*	**40,332**	62,064
Gain on disposal of property, plant and equipment	**1,086**	4,122
	41,418	66,186

32. RELATED PARTY TRANSACTIONS AND BALANCES

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control.

(a) The directors are of the view that the following companies are related parties of the Group:

Name	**Relationship**
China Pharmaceutical Co., Ltd. ("CPCL")	Substantial shareholder of the Company
Rejoy Group Limited Liability Company ("Rejoy Group")	An entity significantly influenced by certain key management personnel of the Group before 4 June 2014
Xi'an Rejoy Technology Investment Co., Ltd. ("Rejoy Technology")	Majority owned by shareholders of Prime United Industries Limited ("PUI"), which owned approximately 26.28% interest in the Company before 4 June 2014
Xi'an Rejoy Packaging Materials Co., Ltd. ("Rejoy Packaging")	Subsidiary of Rejoy Technology
Xi'an Rejoy Medicine Co., Ltd. ("Rejoy Medicine")	Subsidiary of Rejoy Group

PUI sold all its shares of the Company at 4 June 2014. Meanwhile, certain key management personnel of the Group have resigned on the same day from the Company. Accordingly, Rejoy Group, Rejoy Technology, Rejoy Packaging and Rejoy Medicine are no longer considered to be related parties of the Group after 4 June 2014.

32. RELATED PARTY TRANSACTIONS AND BALANCES *(continued)*

(b) Saved as disclosed elsewhere in these consolidated financial statements, the Group had the following significant transactions with related parties:

Nature of transactions	Name of related party	2015 HK$'000	2014 HK$'000
Purchasing of raw materials and packaging materials from	— Rejoy Packaging	—	676
Sales of finished goods to	— Rejoy Medicine	—	2,396
Provision of utilities to	— Rejoy Packaging	—	1,557
Payment on behalf	— CPCL	**940**	—

In the opinion of the Company's directors and the Group's management, the above related party transactions were carried out in the ordinary course of business, and in accordance with the terms of the underlying agreements and/or the invoices issued by the respective parties.

(c) The Group had the following significant balances with related parties:

	2015 HK$'000	2014 HK$'000
Amounts due from related parties, included in other receivables		
— CPCL	**940**	—

The related party balances are unsecured, interest-free and have no pre-determined terms of repayment.

(d) Key management compensation

	2015 HK$'000	2014 HK$'000
Salaries, bonus and allowances	**17,746**	15,734
Share options	**16,429**	—
Pension	**116**	150
	34,291	15,884

33. COMMITMENTS

(a) Capital commitments

Capital expenditure at the balance sheet dates contracted but not yet provided for is as follows:

	2015 HK$'000	2014 HK$'000
— Plant and machineries	**9,327**	4,605

(b) Operating lease commitments

The future aggregate minimum lease rental expense in respect of office premises in Mainland China and Hong Kong under non-cancellable operating leases are payable as follows:

	2015 HK$'000	2014 HK$'000
Not later than one year	**3,059**	2,407
Later than one year and not later than five years	**3,586**	1,568
More than five years	**5,608**	7,966
	12,253	11,941

34. OPERATING LEASE

The future aggregate minimum lease rental receipts in respect of office premises and warehouses in Mainland China under non-cancellable operating leases are receivable as follows:

	2015 HK$'000	2014 HK$'000
Not later than one year	**2,434**	1,365
Later than one year and not later than five years	**3,715**	3,042
More than five years	**1,074**	1,901
	7,223	6,308

35. DISCONTINUED OPERATIONS

On 31 October 2014, the Group sold its 100% equity interest in Xi'an Lijun Pharmaceutical Co., Ltd. to United Investments Group Limited (the "Purchaser"), for a cash consideration of HK$772,000,000, net of the withholding corporate income tax of HK$14,447,000 withheld and paid by the Purchaser. After the completion of the transaction, the Group holds no equity interest in Xi'an Lijun Pharmaceutical Co., Ltd. As at 31 December 2014, the Group has received part of the consideration amounted to HK$500,000,000, and the remaining portion of HK$272,000,000 has been received in January 2015.

35. DISCONTINUED OPERATIONS *(continued)*

Analysis of the result of discontinued operations for the year ended 31 December 2014 was as follows:

	2014 *HK$'000*
Revenue	831,904
Cost of sales	(484,460)
Gross profit of discontinued operations	347,444
Selling and marketing costs	(177,171)
General and administrative expenses	(97,620)
Other gains — net	1,966
Operating profit of discontinued operations	74,619
Finance income	326
Finance costs	(15,309)
Finance costs — net	(14,983)
Profit before income tax of discontinued operations	59,636
Income tax expense	(9,296)
Profit for the year from discontinued operations	50,340
Gain on disposal of a subsidiary	94,959
Withholding corporate income tax withheld and paid by the Purchaser	(14,447)
Net gain on disposal of a subsidiary	80,512
Withholding tax charge related to dividends from a disposed subsidiary	(14,021)
Other disposal related expenses	(5,427)
Total profit for the year from discontinued operations	111,404

The cash flows of discontinued operations were as follows:

	2014 *HK$'000*
Operating cash flows	(172,783)
Investing cash flows	(22,371)
Financing cash flows	278,702
Effect of foreign exchange rate changes on cash and cash equivalents	(811)
Total cash flows	82,737

36. BUSINESS COMBINATION

On 30 September 2015, the Group acquired 100% equity interests in Jiangsu Best New Medical Material Co, Ltd., a manufacturer of medical materials in Mainland China.

As a result of the acquisition, the Group is expected to increase its presence in the medical materials markets. It also expects to guarantee the stability in supply and quality of relevant raw materials. The goodwill of HK$24,052,000 arising from the acquisition is attributable to the extension of medical materials markets. None of the goodwill recognised is expected to be deductible for income tax purposes.

The following table summarises the consideration paid for Jiangsu Best New Medical Material Co, Ltd., the fair value of assets acquired and liabilities assumed at the acquisition date.

	HK$'000
Consideration:	
At 30 September 2015:	
— Cash	131,281
— Contingent considerations *(i)*	89,845
Total consideration *(ii)*	221,126
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment *(Note 7)*	138,825
Intangible assets *(Note 8)*	32,310
Land use rights *(Note 6)*	15,870
Deferred income tax assets *(Note 10)*	3,032
Inventories	48,738
Trade and bills receivables	124,500
Prepayments, deposits and other receivables	67,172
Pledged bank deposits	14,011
Cash and cash equivalents	3,290
Trade and bills payables	(28,431)
Accruals and other payables	(62,733)
Advanced receipts from customers	(5)
Income taxes payable	(2,795)
Borrowings	(146,199)
Deferred tax liabilities *(Note 10)*	(10,511)
Total identifiable net assets	197,074
Goodwill *(Note 8)*	24,052
	221,126

The revenue included in the consolidated income statement since 30 September 2015 contributed by the above subsidiary and business was HK$46,385,000. Jiangsu Best New Medical Material Co, Ltd. also contributed profit of HK$ 4,882,000 over the same period.

Had the above subsidiary and business been consolidated from 1 January 2015, the consolidated statement of comprehensive income would show a pro-forma revenue of HK$2,376,911,000 and profit of HK$416,016,000.

36. BUSINESS COMBINATION *(continued)*

(i) Contingent considerations

The contingent consideration shall be payable by the Group to the former owners of Jiangsu Best New Medical Material Co, Ltd. ("Former Owners") under the conditions as below:

(a) The second part of the consideration shall be calculated according to the following formula, and in any event shall not exceed RMB 53,745,000 (equivalent to HK$ 65,479,000 as at 30 September 2015):

Second Payment = (ANP* of year 2015 x 9.5) – RMB126,755,000

*ANP = the actual audited profit after tax before extraordinary items of Jiangsu Best New Medical Material Co, Ltd.

(b) The remaining consideration of RMB 20,000,000 (equivalent to HK$ 24,366,000 as at 30 September 2015) shall be paid in 2017. If the ANP for the year ending 31 December 2016 falls below RMB25,000,000, the Former Owners shall make up the shortfall directly to the Jiangsu Best New Medical Material Co, Ltd., failing which the Group has the right to pay part or all of the remaining consideration payable to the the Former Owners directly to Jiangsu Best New Medical Material Co, Ltd. to make up the shortfall.

According to estimation of the management of the Group, the ANP of year 2015 and 2016 will meet the conditions above, and all the contingent consideration will be paid in the future.

(ii) Total consideration

According to the payment schedule in the equity sales and purchase agreement, the first payment consideration of HK$131,281,000 was paid in 2015, and the remaining RMB53,745,000 (equivalent to HK$65,479,000 as at 30 September 2015) and RMB20,000,000 (equivalent to HK$24,366,000 as at 30 September 2015), as determined in (i) above, should be paid in 2016 and 2017 respectively.

37. EVENTS AFTER THE BALANCE SHEET DATE

There are no other significant events after the balance sheet date saved as those disclosed elsewhere in these consolidated financial statements.

38. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	Note	As at 31 December 2015 HK$'000	As at 31 December 2014 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**1,432**	2,153
Investments in subsidiaries		**945,054**	813,926
Advance to a subsidiary		**—**	193,529
		946,486	1,009,608
Current assets			
Dividends receivable		**130,336**	130,336
Prepayments, deposits and other receivables		**1,326**	278,941
Amounts due from subsidiaries		**13,634**	270,214
Amounts due from related parties		**940**	—
Cash and cash equivalents		**52,375**	175,459
		198,611	854,950
Total assets		**1,145,097**	1,864,558
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**62,851**	66,177
Reserves	*Note (a)*	**673,744**	1,786,015
Total equity		**736,595**	1,852,192
LIABILITIES			
Current liabilities			
Accruals and other payables		**12,239**	12,366
Amounts due to subsidiaries		**396,263**	—
		408,502	12,366
Total liabilities		**408,502**	12,366
Total equity and liabilities		**1,145,097**	1,864,558

The balance sheet of the Company was approved by the Board of Directors on 30 March 2016 and was signed on its behalf.

QU JIGUANG
Director

WANG XIANJUN
Director

38. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY *(continued)*

Note (a) Reserve movement of the Company

	Share premium *HK$'000*	**Capital reserve** *HK$'000*	**Share-based payment reserve** *HK$'000*	**Retained earnings** *HK$'000*	**Total** *HK$'000*
At 1 January 2014	1,262,730	173,703	15,530	56,648	1,508,611
Purchase of treasury shares	—	—	—	(34,838)	(34,838)
Cancellation of shares	(34,650)	—	—	34,838	188
Issurance of shares — exercise of share options	85,770	—	(15,530)	—	70,240
Profit for the year	—	—	—	477,985	477,985
Dividends paid to equity holders of the Company	—	—	—	(236,171)	(236,171)
At 31 December 2014	1,313,850	173,703	—	298,462	1,786,015
Purchase of treasury shares	**(541,523)**	**—**	**—**	**—**	**(541,523)**
Cancellation of shares	**3,326**	**—**	**—**	**—**	**3,326**
Profit for the year	**—**	**—**	**—**	**(32,455)**	**(32,455)**
Grant of share options	**—**	**—**	**39,431**	**—**	**39,431**
Dividends paid to equity holders of the Company	**(282,588)**	**—**	**—**	**(298,462)**	**(581,050)**
At 31 December 2015	**493,065**	**173,703**	**39,431**	**(32,455)**	**673,744**

39. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors and chief executive emoluments

The remuneration of every director and the chief executive is set out below:

For the year ended 31 December 2015:

Name	Fees	Salaries	Discretionary bonuses *(e)*	Housing allowance	Estimated money value of other benefits *(d)*	Employer's contribution to a retirement benefit scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors							
Mr. Qu Jiguang	—	5,134	9,000	252	65	44	14,495
Mr. Wang Xianjun	—	1,266	—	516	7,813	18	9,613
Mr. Su Xuejun *(c)*	—	683	—	—	7,894	34	8,611
	—	7,083	9,000	768	15,772	96	32,719
Independent non-executive directors							
Mr. Wang Yibing	180	—	—	—	—	—	180
Mr. Leung Chong Shun	180	—	—	—	—	—	180
Mr. Chow Kwok Wai	180	—	—	—	—	—	180
	540	—	—	—	—	—	540
	540	7,083	9,000	768	15,772	96	33,259

39. BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

(a) Directors and chief executive emoluments *(continued)*

Notes:

For the year ended 31 December 2014 (restated):

Name	Fees	Salaries	Discretionary bonuses *(e)*	Housing allowance	Estimated money value of other benefits *(d)*	Employer's contribution to a retirement benefit scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors							
Mr. Qu Jiguang	—	4,400	1,471	689	—	49	6,609
Mr. Wu Qin *(a)*	—	5,250	—	—	16	32	5,298
Mr. Wang Xianjun	—	1,140	—	510	—	17	1,667
Mr. Su Xuejun *(c)*	—	41	17	—	7	3	68
Mr. Xie Yunfeng *(a)*	—	1,102	—	—	14	19	1,135
Mr. Duan Wei *(b)*	—	378	99	—	60	30	567
	—	12,311	1,587	1,199	97	150	15,344
Independent non-executive directors							
Mr. Wang Yibing	180	—	—	—	—	—	180
Mr. Leung Chong Shun	180	—	—	—	—	—	180
Mr. Chow Kwok Wai	180	—	—	—	—	—	180
	540	—	—	—	—	—	540
	540	12,311	1,587	1,199	97	150	15,884

Notes:

(a) Mr. Wu Qin and Mr. Xie Yunfeng have resigned on 6 June 2014.

(b) Mr Duan Wei has resigned on 15 December 2014.

(c) Mr. Su Xuejun was appointed on 15 December 2014.

(d) Other benefits include leave pay, medical insurance, and share options.

(e) Discretionary bonuses are determined based on the business performance of selected subsidiaries of the Group but are limited to a prescribed percent of the net profit of these subsidiaries, which is subject to the approval of the board of directors of the Company.

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

FIVE YEARS FINANCIAL SUMMARY

	Year ended 31 December				
	2011	2012	2013	2014	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
RESULTS					
Revenue					
— Continuing operations	1,036,463	1,418,174	1,723,256	2,091,471	**2,221,921**
— Discontinued operations	1,118,752	1,012,510	1,022,060	831,904	**—**
	2,155,215	2,430,684	2,745,316	2,923,375	**2,221,921**
Profit/(loss) before income tax					
— Continuing operations	(76,589)	286,299	442,292	580,150	**478,312**
— Discontinued operations	74,395	50,205	51,185	149,168	**—**
	(2,194)	336,504	493,477	729,318	**478,312**
Profit/(loss) attributable to equity holders of the Company					
— Continuing operations	(102,642)	237,163	369,301	491,525	**403,416**
— Discontinued operations	61,241	43,840	42,513	111,404	**—**
	(41,401)	281,003	411,814	602,929	**403,416**

	As at 31 December				
	2011	2012	2013	2014	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
ASSETS AND LIABILITIES					
Total assets	3,444,540	3,991,438	5,083,908	4,797,655	**5,008,094**
Total liabilities	(1,148,247)	(1,502,342)	(2,217,012)	(1,544,485)	**(2,612,915)**
Non-controlling interests	(616)	(604)	(627)	(668)	**(663)**
Shareholder's equity	2,295,677	2,488,492	2,866,269	3,252,502	**2,394,516**