中国泰凌医药集团有限公司
CHINA NT PHARMA GROUP COMPANY LIMITED

Stock Code: 01011

ADVANCING TO A NEW STAGE
AFTER 20 YEARS OF SOLID PRACTICES

Annual Report 2015

CARE FOR LIFE & GREEN

NT Pharma focuses on research and development of pharmaceutical products curing diseases with high incidence, and strives to improve quality of the people's life. It is the mission of every member of NT Pharma to turn the Company into an innovative and excellent pharmaceutical group!

CONTENTS

Major Events in 2015

JANUARY

Libod, exclusively distributed by the Company nationwide, successfully won the bid as the only doxorubicin hydrochloride liposome injection for insuring critical illness in Zhejiang Province with a term of two years commencing from 1 January 2015 to 1 January 2017.

On 13 January, the Company completed the placement of 216,391,300 new shares of HK \$1.05 per share, raising approximately HK\$220.4 million of net proceeds, which will be used for expanding its proprietary products portfolio and developing its research and development capabilities.

MARCH

On 19 March, the Company announced its annual results for 2014, delivering significantly improved operating results, which turned from loss to profit. The overall revenue and gross profit increased by 14.7% and 35.4% to approximately RMB865 million and RMB391 million respectively, as compared with the previous year, with a net profit of around RMB2.10 million.

APRIL

The research on the treatment of myelodysplastic syndromes ("MDS") with Xi Di Ke (uroacitides injection), for which the Group applied to be certified as a national class 1.1 new drug, as well as its industrialization, was admitted into the shortlist of the "Major New Drugs Innovation and Development" projects by the Ministry of Science and Technology of PRC.

MAY

On 21 May, the 2015 Annual General Meeting of the Company was successfully held in Hong Kong. Mr. Ng Tit, Chairman of the Board & Chief Executive Officer, Ms. Chin Yu, Executive Director, Mr. Yue Nien Martin Tang, Mr. Patrick Sun and Dr. Lap-Chee Tsui, Independent Non-Executive Directors and Mr. Chiu Yu Kang, Chief Financial Officer and Company Secretary, attended the meeting.

JULY

On 2 July, the 2015 Extraordinary General Meeting of the Company was successfully held in Hong Kong. Mr. Ng Tit, Chairman of the Board & Chief Executive Officer and Mr. Chiu Yu Kang, Chief Financial Officer and Company Secretary, attended the meeting.

On 7 July, the Company completed the placing of 179,650,000 new shares at HK\$1.86 per share. Golden Base Investment Limited, of which Mr. Ng Tit, Chairman of the Board & Chief Executive Officer and Ms. Chin Yu, Executive Director are the controlling shareholders, subscribed for a total of 80,000,000 new shares at HK\$1.86 per share. The net proceeds from the placing was approximately HK\$476.7 million, which will be used for expanding its proprietary products portfolio and enhance its research and development capabilities.

AUGUST

The Group successfully acquired the entire intellectual property rights and manufacturing plant of a new drug for treating Hepatitis C – Songzhi Wan, the plant is located in the national biological base in Changsha, Hunan province and will be the Group's production base for traditional Chinese medicine.

On 6 August, the Company announced its interim results for 2015. While the overall income dropped by 6.7% to RMB380 million, the operating profit increased from RMB39.55 million of the previous year to RMB57.18 million with the core profits rocketing by 20 times to RMB47.97 million, thanks to the improved gross margin and reduction in the operating expenses and financial costs.

On 22 August, the Marketing Department of the Group held the Academic Conference on Treatment of Breast Cancer with Libod in Qingdao together with its counterpart of Shanghai Xin He Pharmaceutical Co., Ltd.

NOVEMBER

On 6 November, new plant of Jiangsu NT Biopharma Co., Ltd. (a subsidiary of the Group) located in the Chinese Medical City in Taizhou, Jiangsu province, officially commenced operation. The new company will focus on the production of Xi Di Ke and strive to be a modernized R&D and production base of anti-tumor biological preparations.

On 8 November, the First International MDS Summit organized by the Group staged its grand opening in Taizhou, Jiangsu province. More than 200 reputable hematological scholars and experts from all over the world attended the forum, including Professor Wang Zhenyi, an academician of the Chinese Academy of Engineering and a foreign academician of the French Academy of Sciences, Dr. Richard Maury Stone from Harvard Medical School and Professor Ma Jun, Chairman of the Chinese Anti-Lymphoma Coalition. The summit has promoted the communication and cooperation among the experts on MDS treatment, bringing hope to the patients suffering from MDS.

DECEMBER

The Group's exclusively proprietary products, Methylphenidate Hydrochloride Tablets and Chlorotrianisene Pills, received the approval on production from the State Food and Drug Administration of China, which has further expanded the diversified product portfolio of the Company.

On 1 December, the 6th Distinguished Medical Observers' Forum and the Annual Meeting of the National Pharmaceutical Elite Club was held in Xiamen, at which the Group's proprietary core product Shusi (Quetiapine Fumarate Tablets) was dubbed the Most Competitive Product 2015 by Medial Observers due to its superior quality, significant price advantage and good reputation among patients.

Financial Highlights

A summary of the main financial data of China NT Pharma Group Company Limited ("NT Pharma" or the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2015 is set out below:

	For the year ended 31 December		
	2015	2014	**%Change**
	RMB'000	RMB'000	
Turnover	**847,726**	864,621	**(2.0)%**
Gross profit	**451,507**	391,341	**15.4%**
Profit from operations	**135,957**	96,071	**41.5%**
Profit attributable to equity shareholders of the Company	**87,694**	2,087	**4,101.9%**
Core profit attributable to equity shareholders of the Company	**103,367**	6,000	**1,622.8%**
Earnings per share (RMB cents)			
Basic	**6.19**	0.19	**3,157.9%**
Diluted	**6.14**	0.19	**3,131.6%**
Core earnings per share (RMB cents)			
Basic	**7.30**	0.55	**1,227.3%**
Diluted	**7.24**	0.55	**1,216.4%**

In view of the satisfactory operating results, the board of directors (the "Directors") of the Company (the "Board") recommended the payment of a final dividend for the year ended 31 December 2015 of HK1 cent per share (2014: nil), representing a total dividend distribution of approximately HK$15.58 million.

Five-Year Financial Summary

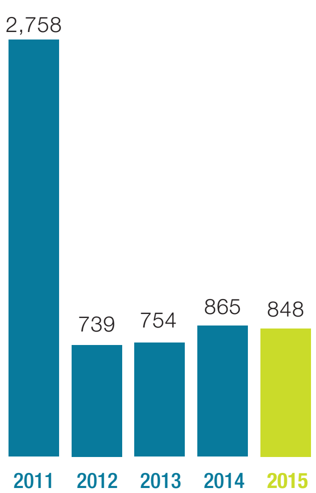
Results

	For the year ended 31 December				
	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	**847,726**	864,621	754,115	739,132	2,758,142
Gross profit	**451,507**	391,341	288,968	271,819	890,646
Profit/(loss) from operations	**135,957**	96,071	(577,638)	(1,117,190)	365,552
Profit/(loss) before taxation	**100,705**	17,327	(652,841)	(1,177,288)	307,469
Profit/(loss) for the Year	**87,694**	2,087	(673,458)	(1,109,316)	234,377

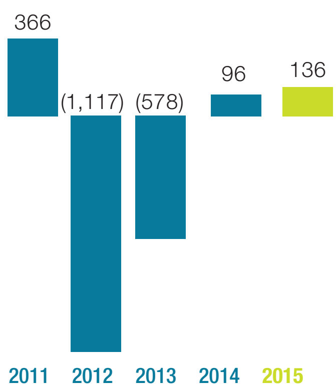
Assets and Liabilities

	At 31 December				
	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total non-current assets	**565,635**	437,554	374,591	397,671	320,073
Total current assets	**832,678**	1,047,878	1,067,055	1,827,321	3,250,963
Total current liabilities	**495,590**	1,129,621	922,035	1,318,945	1,514,494
Net current assets/(liabilities)	**337,088**	(81,743)	145,020	508,376	1,736,469
Total assets less current liabilities	**902,723**	355,811	519,611	906,047	2,056,542
Total non-current liabilities	**–**	142,832	310,812	21,053	1,235
Net assets	**902,723**	212,979	208,799	884,994	2,055,307
Total equity attributable to equity shareholders of the Company	**890,363**	212,979	208,799	884,994	2,040,177

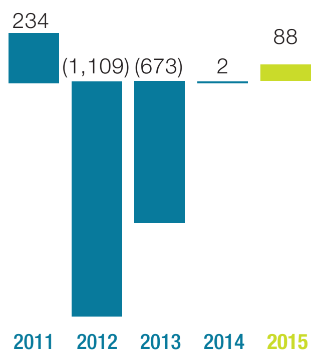
Turnover
(RMB million)



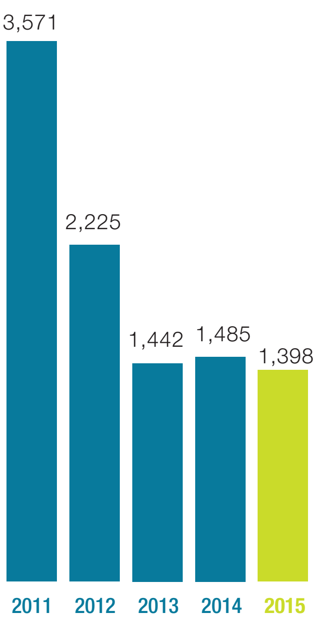
Profit/(Loss) from Operations
(RMB million)



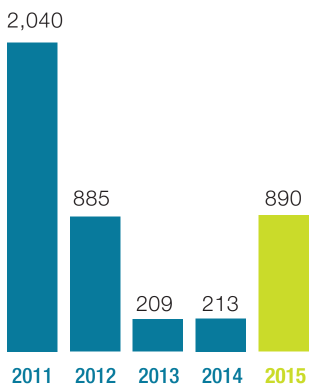
Profit/(Loss) for the Year
(RMB million)



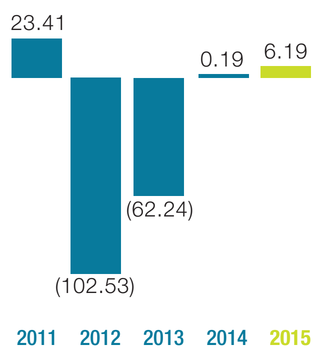
Total Assets
(RMB million)



Total Equity Attributable to Equity Shareholders of the Company
(RMB million)



Basic Earnings/(Losses) per Share
(RMB cents)



In 2015, NT Pharma has successfully transformed into an innovative and comprehensive pharmaceutical group that combines research and development, production and sales of new drugs. NT Pharma obtains national class 1 new drugs and generic drugs covering the therapeutic areas of diseases with high incidence, such as oncology, CNS, hepatopathy and respiratory system. The Group will seek the opportunities to acquire premium patent rights and expand products portfolio for sustainable development, so as to create values for shareholders.

Chairman's Statement

Chairman & Chief Executive Officer
Mr. Ng Tit

Dear Shareholders,

On behalf of the Board, I am pleased to present the annual report of NT Pharma for the year ended 31 December 2015. In 2015, the Group has successfully transformed into an innovative investment-oriented pharmaceutical company with its core proprietary products, covering four major therapeutic areas such as oncology, central nervous system ("CNS"), hepatopathy and respiratory system.

NT Pharma strongly believes that possessing its core proprietary products and the R&D capabilities is critical in boosting the profitability of the Group, adapting to the shifting healthcare industry dynamics and delivering long-term value to the shareholders.

The Group was able to focus on improving its profit margins, expanding its proprietary product portfolio and developing its own research and development capabilities throughout the year ended 31 December 2015. The overall revenue of the Group for the year ended 31 December 2015 slightly decreased by RMB16.9 million or 2.0% to RMB847.7 million, as compared with RMB864.6 million for the year ended 31 December 2014; while the net profit of RMB87.70 million for the year ended 31 December 2015 represented a significant improvement over the net profit of RMB2.10 million for the year ended 31 December 2014. In view of the sufficient cash flow and satisfactory operating results during the year, the Group declared a final dividend of HK1 cent per share (2014: nil), totalling approximately HK$15.58 million.

The Group has identified oncology, CNS, hepatopathy and respiratory system as the core specialized therapeutic areas going forward. In the therapeutic area of oncology, the Group currently has two key products: Libod and Xi Di Ke. The former is an oncology drug manufactured by Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd ("FDZH") which is used to treat multiple types of cancer, in particular breast tumor and lymphoma. The latter is an unique national class 1.1 new drug of which the intellectual property rights are obtained by the Group. Xi Di Ke is approved by the State Food and Drug Administration of China (the "SFDA") for the treatment of malignant lung and breast tumors; as well as for the conducting of phase II clinical trials for the treatment of myelodysplastic syndromes ("MDS"). In order to meet its future demand, NT Pharma has invested more than RMB100.0 million in constructing a new manufacturing plant in Taizhou, Jiangsu Province, for the production of Xi Di Ke. The construction work of the new plant has been completed in 2015. It is expected that the new Good Manufacturing Practices ("GMP") certification will be obtained in 2016 so that mass production can be commenced by the end of 2016. NT Pharma believes that Libod and Xi Di Ke will complement each other from a sales and marketing perspective and will provide long-term growth for the Group in view of the increasing prevalence of cancer in China.

In the therapeutic area of CNS, the Group's key product is Shusi, which is a proprietary product manufactured by the Group's wholly-owned subsidiary, Suzhou First Pharmaceutical Co., Ltd. ("Suzhou First"). Shusi is an atypical antipsychotic drug which has proven safety track records and therapeutic effects on first-time psychiatric patients, elderly patients and adolescent patients. It was also approved by the SFDA for the treatment of bipolar affective disorder in December 2013. As such, NT Pharma believes that Shusi has strong growth potential and will continue to play an important role in contributing to the Group's future growth. Besides Shusi, Suzhou First also manufactures Ambroxol Hydrochloride, a widely used respiratory drug, and a wide range of generic drugs. Suzhou First's manufacturing plant is certified by the new GMP and has obtained approvals from the SFDA for 131 drug registration licenses. Together with the new plant in Taizhou described above, Suzhou First represents the state of the art proprietary manufacturing capability of the Group.

In addition to oncology and CNS drugs, NT Pharma also continued to sell and distribute Fortum, an antibiotic manufactured by GlaxoSmithKline Plc ("GSK"), during the year ended 31 December 2015. However, in view of the Group's new strategy of focusing on its higher-margin products and manufacturing operations, NT Pharma will no longer intensively promote the sales of Fortum and has ceased to promote it on 1 July 2015; instead, it will concentrate all its resources on the development of oncology and CNS products and manufacturing businesses.

Throughout 2015, the Group has continued to strengthen its internal control and credit control systems and procedures with the aim of enhancing management of working capital and cash flow.

On the strategic level, the Group will continue to pursue growth through the expansion of its product portfolio by seeking out opportunities of acquiring the proprietary rights of promising new drugs in high-growth therapeutic areas. Moreover, we will continue to develop our existing businesses, and will be actively looking for opportunities to acquire new proprietary products, so as to create value for our shareholders.

The Group acquired 100% equity interest in Hunan Province Jimeng Chinese Herbal Medicine Institute of Liver Diseases Co., Ltd.* (湖南省繼蒙中草藥肝病研究所有限公司, "Hunan Jimeng") on 5 August 2015, for the consideration of approximately RMB95 million. Hunan Jimeng is mainly engaged in the production and sale of Chinese herbal pills – Songzhi Wan. Hunan Jimeng is located at Changsha National Bio-industry Park in Hunan Province of the PRC, with a total site area of approximately 26,000 square metres. Hunan Jimeng can reach its full production capacity of 40 million for bottles of pills, 300 million for Chinese medicine tablets, 100 million for capsules and 20 million packs of granules per annum. Hunan Jimeng has obtained the production license issued by SFDA and the new GMP (2010 version). Songzhi Wan is the only Chinese medicine approved by SFDA for the treatment of Hepatitis Type C. The development process of Songzhi Wan has been included in the Major Scientific and Technical Breakthrough Program under the "10th Five-Year Plan"* (國家「十五」重大科技攻關計劃項目) and the National High Technology Research and Development Program (863 Program)* (國家高科技研究發展計劃(863計劃)), been receiving state subsidies. In its I-II-III clinical study period, Songzhi Wan was in strict accordance with the principles for implementation of evidence-based medicine, and its drug efficacy and safety had been demonstrated by the strict modern medicine and Songzhi Wan ultimately obtained the Certificate of New Drug (新藥證書) and was permitted for sale in the market. At present, there are tens of millions of the domestic Hepatitis C virus carriers and the patients with Hepatitis C in urgent need of treatment were more than 4 million, so Songzhi Wan has a huge potential market. The Acquisition is an important project under the Group's transformation strategy and the Group will enter into a new realm of severe illness treatment. Songzhi Wan has 20 years of patent protection and the Company expects to sell the new drug in the market in late April of 2016, which will make a significant contribution to the Group's future development.

On 1 December 2015, the Company announced that, Suzhou First Pharmaceutical Co., Ltd., the wholly-owned subsidiary of the Group, will establish Suzhou First Pharmaceutical Taizhou Co., Ltd.* (蘇州第壹製藥泰州有限公司) and its sub-plant in Chinese Medicine City, Taizhou, Jiangsu Province, for the production of its core products, Methylphenidate Hydrochloride Tablets and Chlorotrianisene Pills. Both of these two products are exclusively owned by the Group and have already obtained the production approval documents issued by SFDA. Methylphenidate Hydrochloride Tablets are used for the treatment of attention deficit hyperactivity disorder (hyperkinetic syndrome of childhood and minimal brain dysfunction), narcolepsy, and coma caused by the overdosage of central depressants like Barbiturate and Chloral Hydrate. The raw materials of Methylphenidate Hydrochloride Tablets are exclusive nationwide and such pharmaceutical products are under government's centralized procurement and management. The launching of such products can further enhance the Company's development in the therapeutic area of central nervous system. Chlorotrianisene Pills are used for the treatment of women menopause syndrome, symptoms caused by estrogen deficiency after surgery, dysfunctional uterine bleeding in adolescent puberty, estrogen replacement therapy for female hypogonadotropic hypogonadism and male prostate hyperplasia. Both the raw materials and medical preparations (pills) of Chlorotrianisene Pills are exclusive nationwide. The aforesaid two principal products expected to be put into market in the first half of 2018. The products will provide better treatment choices for physicians and patients and thus have positive market prospects. The Group will continuously enhance its research and development capabilities, further bolster its diversified product portfolio and drive its sustainable growth.

In order to bolster the financial position of the Group, NT Pharma completed the placement of 216,391,300 new shares of HK$1.05 each in January 2015, raising approximately HK$220.40 million of net proceeds, which will be partially used for the repayment of long-term debt and partially used for business expansion. Furthermore, on 22 May 2015, NT Pharma placed to the placees 179,650,000 new shares of the Company at a placing price of HK$1.86 per share. 80,000,000 new shares of the Company were conditionally subscribed at the subscription price of HK$1.86 per share by Golden Base Investment Limited, which Mr. Ng Tit, Chairman and Chief Executive Officer and Ms. Chin Yu, Executive Director of NT Pharma are the controlling shareholders of Golden Base. The net proceeds of the Placing and the Subscription were approximately HK$476.68 million. The Company plans to use the net proceeds from the Placing and Subscription for expanding the Group's proprietary products portfolio and developing its research and development capabilities, repayment of certain debt of the Group and for general corporate purpose. The Placing and the Subscription were completed on 7 July 2015.

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

Ng Tit
Chairman and Chief Executive Officer

Hong Kong, 23 March 2016

NT Pharma owns five core brand products: Xi Di Ke, Songzhi Wan, Libod, Shusi and Zhuo'ao; covering four major therapeutic areas: oncology, CNS, hepatopathy and respiratory system; and owns three production bases: Suzhou First, Jiangsu Biopharma and Changsha Pharma.

Management Discussion and Analysis

OVERVIEW

NT Pharma is principally engaged in investment, research and development, manufacturing and sales of pharmaceutical products in the People's Republic of China ("China" or "PRC"), with its proprietary core products covering such therapeutic areas as oncology, CNS, hepatopathy and respiratory system. The Group maintains long-term and in-depth strategic cooperative relationships with Sinopharm Group Co., Ltd. and Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. ("FDZH"), and will practise an innovative model of business cooperation with them, which will help NT Pharma grow into an innovative investment-oriented pharmaceutical company with outstanding R&D capability.

NT Pharma has an extensive promotion network in China, covering over nearly 10,000 hospitals. The Group conducts its production through three of its subsidiaries, namely Suzhou First Pharmaceutical Co., Ltd. ("Suzhou First"), Jiangsu NT Biopharma Co., Ltd. ("Jiangsu Biopharma") and NT Pharma Changsha Pharmaceutical Co., Ltd. ("Changsha Pharma"). Suzhou First has been certified by the new GMP, and has obtained approvals from the SFDA for 131 drug registration licences. Jiangsu Biopharma mainly produces anti-tumour drugs and Changsha Pharma mainly produces traditional Chinese medicine for treatment of hepatopathy, the production lines of the two companies are expected to be put into production in 2016. During 2015, the Group substantially dedicated its focus on improving its operating profit margins, expanding its proprietary product portfolio and developing its own research and development capabilities. The overall revenue of the Group for the year ended 31 December 2015 slightly decreased by RMB16.9 million or 2.0% to RMB847.7 million, as compared with RMB864.6 million for the previous year. Operating profit for the year ended 31 December 2015 improved significantly, amounting to RMB136.0 million, as compared with an operating profit of RMB96.1 million for the previous year.

The improvement in operating results during the year ended 31 December 2015 was mainly due to increase of contribution from higher-margin products, such as Libod and Shusi, lower selling and distribution expenses and significantly lower finance costs incurred. As a result of the improved operating results, the Group reported a net profit of RMB87.7 million for the year ended 31 December 2015, as compared with a net profit of RMB2.1 million for the previous year.

BUSINESS REVIEW

Production Bases

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

Production Base of Chemical Drugs

Suzhou First is the Group's production base of chemical drugs, which is dubbed a "High-tech Enterprise" in Jiangsu Province. It is located in the Sino-Singaporean Suzhou Industrial Park, covering an area of 150 acres. Among the 20 types of products Suzhou First is currently producing and selling, "Shusi" (quetiapine fumarate tablets) is its core product and a recognized brand and high-tech product in Jiangsu Province, as well as a main resort for the therapy of CNS. Its another product, Zhuo'ao (ambroxol hydrochloride for injection) is the main resort for respiratory system therapy.

Production Base of Bio-chemical Drugs

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

Production Base of Traditional Chinese Medicine

Changsha Pharma is the Group's production base for traditional Chinese medicine, which is located in the National Bio-industry Base in Changsha, China, covering an area of 50 acres. Changsha Pharma owns a new state-class drug known as Songzhi Wan, which is the only traditional Chinese medicine capable of curing hepatitis Type C. The development of Songzhi Wan was subsidized by China's 863 Programme.

Core Products

NT Pharma has 131 product registration document numbers as approved by SFDA, among which, over 20 products are being sold and produced.

Xi Di Ke

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

Songzhi Wan

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

Shusi

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

Libod

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

OPERATING RESULTS

Sales

The Group currently operates three major business segments, namely third-party pharmaceutical promotion and sales; proprietary products production and sales; and third-party vaccines and other pharmaceuticals.

During the year ended 31 December 2015, revenue generated by the third-party pharmaceutical promotion and sales segment decreased by RMB76.0 million or 10.8% to RMB630.4 million, as compared with RMB706.4 million for the previous year. The decrease in overall revenue of this segment was mainly attributable to the Group ended the business of Fortum distribution completely in 1 July 2015. However, Libod, an oncology drug manufactured by FDZH, the revenue from which increased by RMB279.2 million or 106.3% to RMB542.0 million, as compared with RMB262.8 million for the previous year which offset the negative impact of the decrease in the income of this segment. The strong growth in sales of Libod was partly due to the fact that Libod has steadily built up a demonstrable track record of safety and effectiveness in treating multiple types of cancer, in particular breast tumour and lymphoma, and partly due to NT Pharma's increased dedication and allocation of resources to its oncology business.

The proprietary products of the Group are produced by Suzhou First, which comprise Shusi, an atypical antipsychotic drug, Zhuo'ao, a widely used respiratory drug Ambroxol Hydrochloride, and a wide range of other drugs. The total revenue from the proprietary product production and sales segment increased by RMB59.9 million or 38.1% to RMB217.3 million for the year ended 31 December 2015, as compared with RMB157.4 million for the previous year. Of the total segment revenue, the revenue of Shusi increased by RMB62.8 million or 81.9% to RMB139.4 million, as compared with RMB76.6 million for the previous year. The increase in the sales of Shusi was due to more favourable market environment as well as improved management of inventory in the distribution channels. Revenue from Zhuo'ao increased by RMB2.5 million or 5.0% to RMB52.5 million, as compared to RMB50.0 million for the previous year.

Third-party vaccines and other pharmaceuticals business segment include sales from vaccine promotion, vaccine supply chain and pharmaceutical supply chain. With a view to enhancing competitiveness and improving cash flow, the Group began restructuring its business model in the second quarter of 2012 by exiting from its low-margin vaccine business, downsizing its vaccine promotion and sales team and focusing on its pharmaceutical manufacturing, promotion and sales business which has higher margins and returns. As the Group terminated its vaccine sales and marketing activities at the end of 2014, no revenue was generated from third-party vaccines and other pharmaceuticals in 2015.

R&D

The Group has established research and development and clinical medical centre in Beijing, which maintain long-term strategic cooperation with domestic and foreign research institutions and companies. The Group conducts research and development of new products in many areas, such as cancer and blood diseases, central nervous system diseases, liver diseases, respiratory system diseases and infectious diseases, and it will have more new products offered to the patients in the future.

PROSPECTS AND OUTLOOK OF THE GROUP

The Chinese government continues to commit resources to and invest in the healthcare sector as part of its long-term healthcare reform plan. Although more stringent regulations may create short-term operating pressures, NT Pharma believes that a better regulated market will ultimately bring opportunities to healthcare companies in China and enable the healthcare industry in China to maintain its growth in the long term. The Group believes that the growth of the healthcare industry in China is supported by a combination of favourable factors, including the size of an increasing ageing population, the Chinese government's commitment to improving access to healthcare services and better affordability from rising disposable income. With the Chinese government's continual reforms on the healthcare sector, NT Pharma has redefined its long term growth strategies in accordance with the changing landscape of the industry. Going forward, NT Pharma will continue to refine and reinforce its new strategy of focusing on the manufacturing, sales and distribution of high margin pharmaceutical products, in particular proprietary products, in order to achieve its objective of transforming from being a distributor of predominantly third-party products to becoming a fully-fledged pharmaceutical company. The Group believes that the existing specialized therapeutic areas of oncology and CNS will deliver sustainable growth in the long-run and will continue to actively identify opportunities to acquire new proprietary products to enrich its existing and future product portfolio.

We have been in the field of medical and health-care industry for over 20 years, and have built our Company into China's biggest vaccine distributor and the second largest brand promotion service provider in China. In the future, our people in NT Pharma will strive to create more value for our customers, shareholders and patients, and write a new chapter for the Company by adhering to the professional ideology and relying on our strong marketing network.

HUMAN RESOURCES

As at 31 December 2015, the Group had 411 full-time employees (2014: 497 employees). For the year ended 31 December 2015, the Group's total cost on remuneration, welfare and social security amounted to RMB66.1 million (2014: RMB90.7 million).

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

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

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

FINANCIAL REVIEW

Revenue

	For the year ended 31 December							
	2015 Sales volume '000	2015 Unit price RMB	2015 Sales amount RMB'000	2015 Proportion (%)	2014 Sales volume '000	2014 Unit price RMB	2014 Sales amount RMB'000	2014 Proportion (%)
Third-party pharmaceutical promotion and sales								
Libod	84	6,470.3	542,045	63.9%	61	4,283.5	262,803	30.4%
Fortum	1,751	41.4	72,386	8.5%	5,860	52.6	308,205	35.6%
Others	910	17.6	15,992	1.9%	2,752	49.2	135,417	15.7%
Subtotal	2,745	229.6	630,423	74.4%	8,673	81.4	706,425	81.7%
Proprietary products production and sales								
Shusi	6,292	22.2	139,403	16.4%	4,065	18.9	76,633	8.9%
Zhuo'ao	37,672	1.4	52,497	6.2%	35,129	1.4	49,987	5.8%
Others	24,362	1.0	25,403	3.0%	19,125	1.6	30,784	3.5%
Subtotal	68,326	3.2	217,303	25.6%	58,319	2.7	157,404	18.2%
Third-party vaccines and other pharmaceuticals	–	–	–	–	31	25.4	792	0.1%
Total	71,071	11.9	847,726	100.0%	67,023	12.9	864,621	100.0%

Revenue from third-party pharmaceutical promotion and sales decreased by RMB76.0 million or 10.8% to RMB630.4 million, accounting for 74.4% of total revenue in 2015, as compared with RMB706.4 million or 81.7% of the Group's total revenue in 2014. The decrease in revenue from third-party pharmaceutical promotion and sales was primarily due to a decrease in sales of Fortum, an antibiotic manufactured by GlaxoSmithKline Plc ("GSK"). The Group ceased to be the promotor and distributor of Fortum since 1 July 2015.

On the other hand, the revenue of Libod, an oncology drug manufactured by Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd ("FDZH"), increased by RMB279.2 million or 106.3% to RMB542.0 million, accounting for 86.0% of the segment's total sales for the year ended 31 December 2015, as compared with RMB262.8 million or 37.2% of the segment's total sales for the corresponding period in 2015. The increase in revenue of Libod was primarily due to an increase of 23,000 units or 36.5% in sales volume for the year ended 31 December 2015 from 64,400 units for the corresponding period in 2014 which was partially offset by a decrease of RMB423.2 or 9.9% in the average commercial selling price per unit to RMB3,860.3 for the year ended 31 December 2015 from RMB4,283.5 for the corresponding period in 2014. In addition, included in the revenue of Libod in 2015 is a service income of RMB218.7 million, or RMB2,610.0 per unit sold, recognised under a new contract between FDZH and a subsidiary of the Company. The service income was paid by FDZH to this subsidiary for the promotion of Libod. Given the prevalence of cancer in China, the Group believes that Libod will continue to demonstrate robust growth in sales.

Revenue from proprietary products production and sales increased by RMB59.9 million or 38.1% to RMB217.3 million, accounting for 25.6% of total revenue in 2015, as compared with RMB157.4 million or 18.2% of the Group's total revenue in 2014. The increase in revenue from proprietary products production and sales was primarily due to an increase in sales of Shusi. The increase in revenue of Shusi was primarily due to more favourable market environment as well as improved management of inventory in the distribution channels which resulted in an increase of 2,227,000 units or 54.8% in sales volume for the year ended 31 December 2015 from 4,064,500 units for the corresponding period in 2014 and an increase of RMB3.3 or 17.5% in the average commercial selling price per unit to RMB22.2 for the year ended 31 December 2015 from RMB18.9 for the corresponding period in 2014.

Cost of Sales

For the year ended 31 December 2015, cost of sales decreased by RMB77.1 million or 16.3% to RMB396.2 million, as compared to RMB473.3 million for the year ended 31 December 2014. The decrease in the cost of sales during the year was mainly due to the decrease in sales of Fortum.

Gross Profit

Products	2015 Gross Profit RMB'000	2015 Gross Profit Margin (%)	2014 Gross Profit RMB'000	2014 Gross Profit Margin (%)
	For the year ended 31 December			
Third-party pharmaceutical promotion and sales				
Libod	**317,743**	**58.6%**	192,994	73.4%
Fortum	**7,617**	**10.5%**	91,424	29.7%
Others	**(5,704)**	**(35.7)%**	32,427	23.9%
Subtotal	**319,656**	**50.7%**	316,845	44.9%
Proprietary products production and sales				
Shusi	**104,979**	**75.3%**	51,893	67.7%
Zhuo'ao	**28,702**	**54.7%**	27,456	54.9%
Others	**(1,830)**	**(7.2)%**	(2,955)	(9.6)%
Subtotal	**131,851**	**60.7%**	76,394	48.5%
Third-party vaccines and other pharmaceuticals	**–**	**N/A**	(1,898)	(239.6)%
Total	**451,507**	**53.3%**	391,341	45.3%

Gross profit increased by RMB60.2 million or 15.4% to RMB451.5 million in 2015, as compared to RMB391.3 million in 2014. Gross profit margin increased by 8.0 percentage points to 53.3% for the year ended 31 December 2015 as compared to 45.3% for the corresponding period in 2014.

The increase was mainly due to increased contribution of higher-margin products, such as Libod and Shusi, to the overall revenue of the Group.

Reportable Segment Operating Profit

The Group has commenced in 2015 an exercise to revamp its sales force in higher-margin products, such as Libol and Shusi while the operating expenses of the segment increased by RMB23.8 million or 8.7% to RMB297.3 million for the year ended 31 December 2015, as compared with RMB272.5 million for the corresponding period in 2014. Despite reporting a lower revenue, the segment reported an operating profit of RMB154.3 million for the year ended 31 December 2015, as compared with RMB118.9 million for the corresponding period in 2014. The following table sets forth a breakdown of the Group's operating profit by reportable segment for the year ended 31 December 2015:

	For the year ended 31 December			
	2015 Operating Profit RMB'000	**2015 Operating profit margin (%)**	2014 Operating Profit RMB'000	2014 Operating profit margin (%)
Third-party pharmaceutical promotion and sales	**81,114**	**12.9%**	65,786	9.3%
Proprietary products production and sales	**71,001**	**32.7%**	35,202	22.4%
Third-party vaccines and other pharmaceuticals	**2,135**	**N/A**	17,872	N/A
Total	**154,250**	**18.2%**	118,860	13.7%

Finance Costs

The Group's finance costs consist of interest on bank borrowings and bank charges. Finance costs decreased by RMB51.4 million or 65.3% to RMB27.3 million for the year ended 31 December 2015, as compared to RMB78.7 million for the year ended 31 December 2014. The significantly decrease in finance costs was mainly due to the repayment of a substantial amount of our debts as our cash reserve was supplemented with the proceeds from the two rounds of placing of shares during the year.

Taxation

Income tax expense was RMB13.0 million for the year ended 31 December 2015 as compared to an income tax expense of RMB15.2 million for the year ended 31 December 2014.

Profit/Core Profit Attributable to Equity Holders of the Company

Profit attributable to equity holders of the Company for the year ended 31 December 2015 was RMB87.7 million as compared to a net profit of RMB2.1 million for the year ended 31 December 2014. Core profit attributable to equity holders of the Company for the year ended 31 December 2015 was RMB103.4 million as compared to a core profit of RMB6.0 million for the year ended 31 December 2014, which was mainly attributable to the improvement on our gross profit margin, reduction in operating expenses and decrease in finance costs.

Earnings per Share

The calculation of basic earnings and basic core earnings per share is based on the profit and core profit attributable to the equity holders of the Company divided by the weighted average number of ordinary shares of the Company in issue during the year ended 31 December 2015.

The calculation of diluted earnings and diluted core earnings per share is based on the profit and core profit attributable to the equity holders of the Company divided by the weighted average number of ordinary shares of the Company in issue during the year ended 31 December 2015 (subject to the adjustment on all the potential dilution effect of the ordinary shares).

	At 31 December	
	2015	2014
Profit attributable to equity shareholders of the Company (RMB'000)	**87,694**	2,087
Plus: equity-settled share option expenses (RMB'000)	**7,441**	470
Plus: share of loss of an associate (RMB'000)	**8,000**	–
Plus: net exchange loss (RMB'000)	**–**	3,189
Plus: net loss on disposal of property, plant and equipment (RMB'000)	**232**	254
Core profit attributable to equity shareholders of the Company (RMB'000)	**103,367**	6,000
Weighted average number of ordinary shares in issue ('000)	**1,416,549**	1,081,957
Weighted average number of ordinary shares in issue after the effect of shares issued upon exercise of share options ('000)	**1,427,663**	1,081,957
Basic earnings per share (RMB cent per share)	**6.19**	0.19
Diluted earnings per share (RMB cent per share)	**6.14**	0.19
Basic core earnings per share (RMB cent per share)	**7.30**	0.55
Diluted core earnings per share (RMB cent per share)	**7.24**	0.55

As the share options outstanding during the year ended 31 December 2014 had no dilutive effect on the basic earnings per share, diluted earnings per share was the same as basic earnings per share. The core profit attributable to equity shareholders of the Company is the profit attributable to equity shareholders of the Company excluding equity-settled share option expenses, share of loss of an associate, net exchange loss and net loss on disposal of property, plant and equipment.

Capital Expenditure

Total capital expenditure decreased by RMB1.1 million or 1.0% to RMB116.2 million for the year ended 31 December 2015, as compared to RMB117.3 million for the year ended 31 December 2014. The capital expenditure was mainly used for acquiring the leasehold land, fixed assets and intangible assets of the Group's new factory in Changsha.

LIQUIDITY AND FINANCIAL RESOURCES

Treasury Policies

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

Foreign Currency Exposure

The Group is exposed to currency risks primarily through sales made by the Group's Hong Kong and PRC subsidiaries, certain bank deposits and bank loans which are denominated in Hong Kong dollars. During the year ended 31 December 2015, the Group did not record any net exchange loss, as compared to a net exchange loss of RMB3.2 million for the year ended 31 December 2014. Presently, the Group does not employ any financial instruments for hedging against the foreign exchange exposure.

Interest Rate Exposure

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

Group Debt and Liquidity

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Total debt	**(261,170)**	(664,242)
Pledged bank deposits, cash and cash equivalents	**351,384**	557,014
Net cash/(debt)	**90,214**	(107,228)

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

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Repayable:		
Within 1 year or on demand	**261,170**	544,242
After more than 1 year	**–**	120,000
	261,170	664,242

The Group's bank borrowings of RMB261.2 million as at 31 December 2015 (2014: RMB664.2 million) were bank borrowing of RMB11.2 million (2014: RMB11.3 million) made from banks in Hong Kong at floating interest rate of 3.2% per annum and from banks in the PRC of RMB130.0 million (2014: 190.0 million) at fixed interest rate ranging from 5.2% to 6.4% per annum.

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

Debt-to-Assets Ratio

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

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Total debt	**261,170**	664,242
Total assets	**1,398,313**	1,485,432
Debt-to-assets ratio	**18.7%**	44.7%

Charges on the Group's Assets

As at 31 December 2015, bank deposits of the Group of RMB23.4 million (31 December 2014: RMB211.0 million) were pledged to the banks to secure certain bank loans and bills payable amounting to a total of RMB149.0 million (31 December 2014: RMB597.1 million). As at 31 December 2015, certain banking facilities of the Group were also secured by the Group's fixed assets which amounted to RMB24.0 million (31 December 2014: RMB24.0 million).

Capital Commitments

The following table sets forth our capital commitments provided for but not settled as at 31 December 2015:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Contracted for		
– property, plant and equipment	**198**	27,944
– investment in a joint venture	**–**	7,500
	198	35,444

At 31 December 2015, the Group had total future minimum lease payments under non-cancellable operating leases payable as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Within 1 year	**5,525**	6,549
After 1 year but within 5 years	**3,376**	3,336
	8,901	9,885

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

Significant Investments Held

Except for investments in subsidiaries, the Group did not hold any significant investment in equity interest in any other company for the year ended 31 December 2015.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

On 5 August 2015, the Group entered into equity transfer agreements with the vendors, pursuant to which the vendors agreed to sell and the Group agreed to purchase in aggregate 100% equity interest in Hunan Kexing Jimeng Pharmaceutical Co., Ltd ("Kexing"), being 65%, 18% and 17% equity interest held by Shenzhen Kexing Biotech Co., Ltd., Meng Yonghong and Hunan Province Jimeng Chinese Herbal Medicine Institute of Liver Diseases Co., Ltd., respectively, for the consideration of approximately RMB95 million which included repayment of the shareholder loan to one of its shareholders of RMB32,259,000. Pursuant to the settlement agreement, the Group is obliged to repay an amount of approximately RMB13,536,000 to a creditor. Such amount represents the principal amount, interest expenses and other related expenses of a loan under a charge agreement entered into between Kexing and the creditor.

On 16 October 2015 and up to 31 December 2015, the Group completed the acquisition of 65% equity interest in Hunan Kexing Jimeng Pharmaceutical Co., Ltd. The acquisition had been accounted for as purchase of assets through acquisition of a subsidiary as the acquisition did not meet the definition of a business combination.

Future Plans for Material Investments and Capital Assets

The Group did not have other plans for material investments and capital assets for the year ended 31 December 2015.

Contingent Liabilities

As at 31 December 2015, the Group had no material contingent liabilities.

Investor Relations

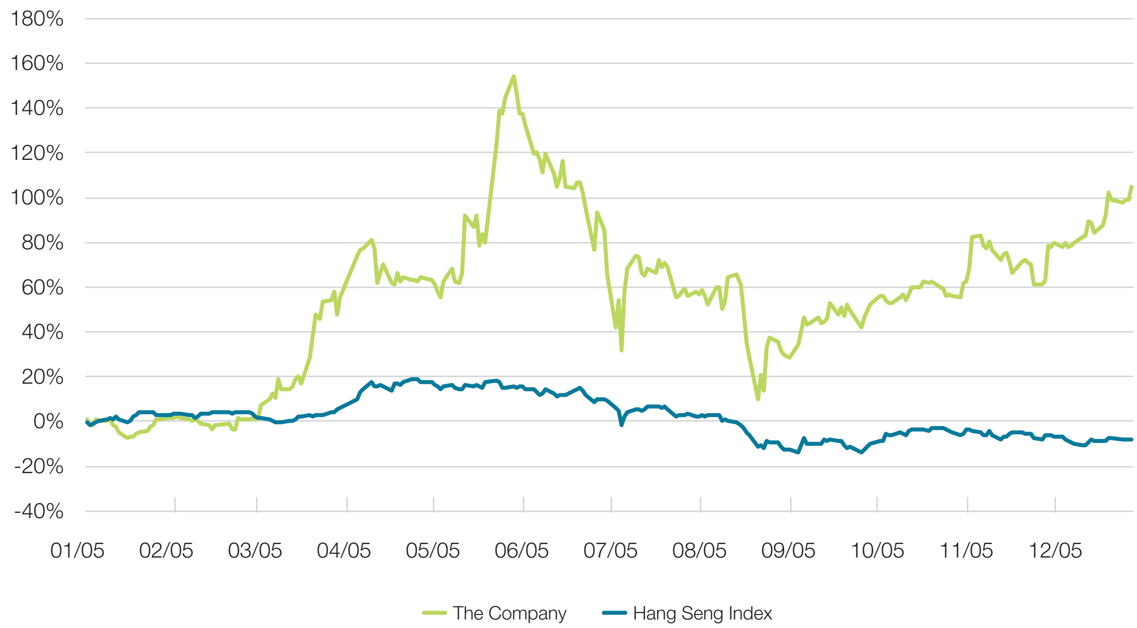
Since its listing, the Company has gradually formed a scientific and systematic management mechanism for investor relations after plenty of exploration and practice, which serves as a bridge for effective communication between the Company and the capital market. Adhering to the disclosure principles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

In early November, the Company organized a Reverse Roadshow for its investors, during which they were provided opportunities to visit our chemical pharmacy production base in Taizhou, Jiangsu Province as well as attending the First International Forum on Myelodysplastic Syndromes ("MDS"). A total of 23 investors attended the roadshow.

SHARE PRICE PERFORMANCE

2015	Highest	Lowest	Closing
Price per share of the Company (HK$)	3.13	1.14	2.52

Share Price Performance in 2015 (From 2 January 2015 to 31 December 2015)



As of 31 December 2015, the total number of shares of the Company was 1,557.998 million with market price of HK$2.52 each. Based on the closing price as of 31 December 2015, the Company's market capitalisation was approximately HK$3,926.15 million.

SHAREHOLDER RETURNS

The Company attaches great importance to the shareholders' views on its dividend policy. The Company determines its dividend policy with reference to the Company's financial status, long-term development needs and potential investment opportunities. The dividend payout ratio of 2015 is about 16%.

DEPLOYING INTERACTIVE MULTI-CHANNELLED COMMUNICATION TO REALIZE EFFECTIVE INVESTOR RELATIONS

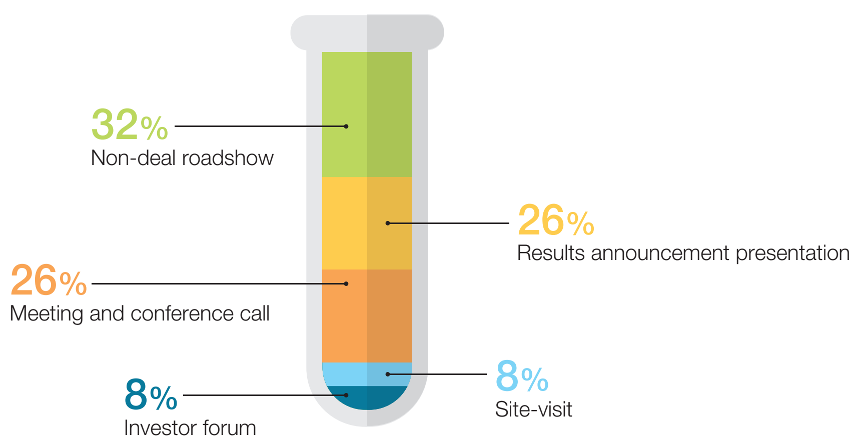
Enhancing Investor Relations Management System

The Company has been committed to establishing a scientific and systematic management system of investor relations. In 2015, the Company delineated and improved its investor relations core practices and further upgraded and completed its investor database, thus standardizing and systematizing the major work on investor relations, including investor meeting scheduling, investor information's collection and classification as well as investor shareholding analysis.

FACILITATING DIVERSIFIED AND MULTI-CHANNELLED INVESTOR ACTIVITIES

The Company communicated its development philosophy and strategies and its latest operation results in the capital market in a timely manner through various investor communication channels, including analyst briefings, non-deal roadshows, one-on-one meetings, investor forums organized by investment banks, telephone conferences, emails, and investors' on-site visits as well as the Company's website. Meanwhile, according to the needs and styles of different analysts and investors, the Company flexibly arranged senior managements with different responsibilities to participate various investor relations activities. Since the listing, the Company's senior managements including Chairman, Chief Executive Officer, and Chief Financial Officer have participated in plenty of investor activities to fully communicate with the capital market, which truly realized multi-channelled communications. In 2015, the Company held interactive communications with over 400 investors or analysts, including analyst presentations and press conferences on its annual and interim results, five non-deal roadshows and two investor forums held by the investment banks, in addition to hundreds of face-to-face meetings and telephone conferences during the normal course of business. Upon the request of investors, the Company also arranged for its investors to visit its pharmacy production base so that they can have face-to-face communications with the Company's frontline staff, and obtain a better understanding on the Company's businesses and operating results.

ATTENDANCE ANALYSIS OF INVESTOR RELATIONS ACTIVITIES IN 2015



List of Investor Relations Activities of the Company Conducted in 2015

No.	Date	Locations	Activities
1.	20 March 2015	Shenzhen	No-deal roadshow
2.	22 March 2015	Hong Kong	2014 annual results presentation & luncheon
3.	23-25 March 2015	Hong Kong	Non-deal roadshow
4.	26 March 2015	Shanghai	Non-deal roadshow
5.	21 May 2015	Hong Kong	Annual general meeting
6.	10 June 2015	Hong Kong	Shenwan Hongyuan China Concept Stock Enterprise Day
7.	2 July 2015	Hong Kong	Extraordinary general meeting
8.	6 August 2015	Hong Kong	2015 interim results release conference
9.	10–11 August 2015	Hong Kong	Non-deal roadshow
10.	12 August 2015	Shenzhen	Non-deal roadshow
11.	13-14 August 2015	Hong Kong	Non-deal roadshow
12.	28 October 2015	Hong Kong	Jefferies Greater China Annual Dinner
13.	7–8 November 2015	Taizhou, Jiangsu province	Reverse roadshow for investors and First International Forum on MDS

ADHERING TO TIMELY, JUST, FAIR AND ACCURATE INFORMATION DISCLOSURE

The Company has strictly complied with the information disclosure requirements for listed companies and made information disclosure in a timely, just, fair and accurate manner so as to enhance the transparency of the Company, established smooth communication channels, and enhanced communications with the capital market. In 2015, the Company published 53 corporate communications, i.e. announcements and circulars, which objectively and comprehensively disclosed the information regarding the Company's results, operating performance, financial information, the change of important executive positions and composition of the Board, poll results of shareholder meetings and some other voluntary disclosures. The Company's website (www.ntpharma.com) is both an important channel for corporate information disclosure and a key platform from which our investors obtain information about the Company, it is also an important means for the capital market to access information and contact with the Company.

HEARING INVESTORS COMPREHENSIVELY AND REALIZING INTERACTIVE COMMUNICATIONS

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

OTHER NECESSARY INFORMATION FOR SHAREHOLDERS

Shareholder Services

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

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

INVESTOR RELATIONS

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

Corporate Finance and Investor Relations Department
China NT Pharma Group Company Limited
Unit 1505, 15/F
Bank of East Asia Harbour View Centre
56 Gloucester Road, Wanchai
Hong Kong
Tel: (852) 2808 1606
Fax: (852) 2508 9459
Email: ir@ntpharma.com

Environmental, Social and Governance Report

Since its inception in 1995, NT Pharma Group has adhered to its notion of "Care, Green, Life" as the basis for sustainable development. NT Pharma does not consider the practice of corporate social responsibility as costs, but opportunities for innovation, growth and efficiency. Practicing our corporate social responsibilities helps us create long-term value for our shareholders, and therefore is one of our long-term strategic goals. To this end, we are committed to protecting natural resources, supporting the community in which we operate, caring about health and safety, caring about our staff and shareholders and their well-being, and encouraging suppliers to maintain sustainable development goals similar to ours.

In 2015, NT Pharma Group incorporated for the first time the "Environmental, Social and Governance" Report into its annual report, so as to let the public see our consistent efforts on "Environmental, Social and Governance", which represent the close cooperation among many departments.

WORKING ENVIRONMENT

As a company focusing on pharmaceutical research and development as its principal business, we have a firm belief that our employees are the key to our success. We are always ready to create for all our employees a fair and respectful working environment, and strive to be an employer of their choices, so that the people with talent would be willing to work for us. We strive to recruit the best people and offer them competitive salaries and benefits and a variety of trainings, with which they can do their best.

As of 31 December 2015, the Group has 411 employees. Among them, 404 employees are from the Mainland and 7 employees are from Hong Kong. As of 31 December 2015, our expenditure on employee benefits for 2015 (including the compensation for directors and CEO) amounted to approximately RMB66.09 million, compared to RMB90.71 million for 2014.

HUMAN RESOURCE AND BENEFITS POLICIES

Under the guidance of its human resources development strategy and the three-year plan, NT Pharma Group continued to consolidate the foundation for human resource management in 2015. During the year, we strengthened our efforts in the construction and optimization of our "Human Resources Management System", "Performance Appraisal System" and "Welfare Policies", with satisfactory results.

Human Resource Management System

The Group has improved and completed a number of systems, such as the Performance Management System and Recruitment Management System, which provides solid implementation basis for the human resources management of the Group.

Performance Appraisal System

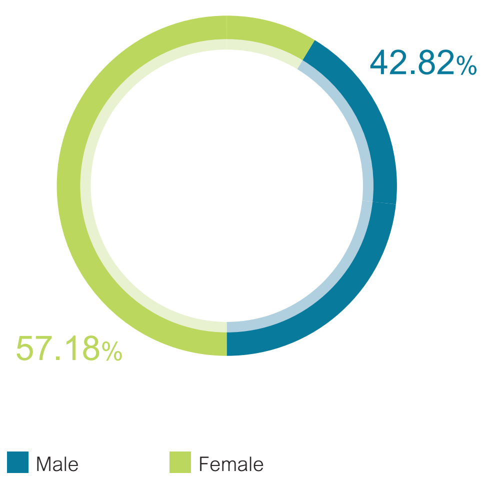
The Group further strengthened the performance appraisal and periodic evaluation on the drugs, while heightening assessment and control over sales, profits, profit margins, cash flow and new products developed periodically, so as to guarantee the Group's revenue, earnings and cash flow levels, with which we achieved a sales income of RMB847.73 million and a net profit of RMB87.69 million for 2015.

Welfare Policies

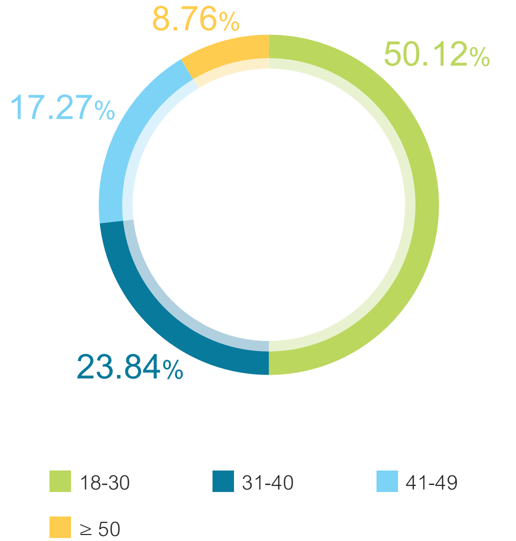
The Groups maintained strict compliance with the adjustments to the State policies by increasing the relevant holidays to ensure our employees' rights. The Group maintained close attention in preventing its employees from risks of incidental injuries, and applied for compensation for the costs of major diseases and injury treatment for its employees, totalling approximately RMB70,000 in 2015.

KEY PERFORMANCE INDICES FOR HUMAN RESOURCES

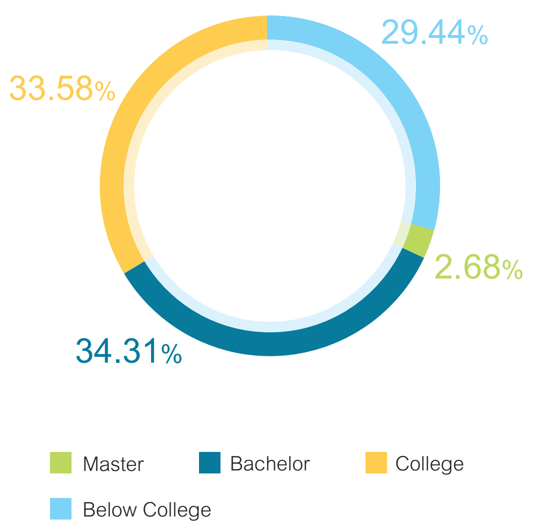
Gender Ratio



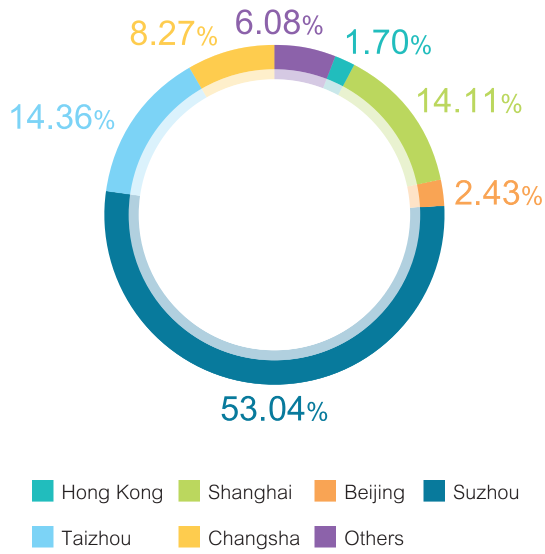
Age Distribution of Employees



Academic Background Distribution of Employees



Geographical Distribution of Offices



Note: data source – Personnel Report for December 2015.

A WORKING ENVIRONMENT FILLED WITH MUTUAL RESPECT

We advocate equal opportunities, as we believe everybody is unique and special, and their personal capacities must be respected. We will not tolerate unlawful discrimination, harassment or other acts in violation of the law. We offer training for equal opportunities, so that our employees will understand the rules against discrimination as well as their rights and obligations within the Company.

TRAINING AND EDUCATION

We have invested a lot of resources in staff training and career development, trying to provide more targeted trainings for our employees each year.

Employees' Training Hours by Department

Department	Year of 2015 (unit: person/hour)
Production	30
Quality	22
Sales	16
Finance	14
Total	**82**

Retention of Staff

In order to recruit and retain good employees, we offer competitive salaries and benefits, even in times of economic downturn. Factors that determine the remuneration of a person include duties, individual and business performances. We understand the importance of communication with our employees, and would like to share the Group's business development and strategies for the future in our internal publications, so that our employees know that we are growing. We regularly monitor the turnover rate of our employees, so as to identify and deal with problems.

PRODUCTION SAFETY DEVELOPMENT

We reinforced management in safe production in 2015, carefully implemented security measures for our production lines, and included safety as an important benchmark for assessment on project performance. During the year, no major accidents took place in our production lines.

ENVIRONMENT PROTECTION

It is one of our goals to reduce the impact of our operations on the environment, particularly in terms of greenhouse gas emissions, water resources and waste. As a pharmaceutical enterprise ready to shoulder social responsibilities, we are constantly enhancing our efficiency, innovation and investment in order to achieve this objective.

Energy Efficiency and Carbon Emission

We understand that greenhouse gas emissions will cause great damage to the global environment. We plan to engage certification institutions to quantify our greenhouse gas emissions in the future, and develop improvement plans and measures on greenhouse gas emissions according to the results of certification, so as to reduce greenhouse gas emissions that result in global warming. We expect to further reduce carbon energy consumption and carbon emissions through constantly improving our carbon monitoring mechanism, so part of our efforts in reserving the global environment.

EMISSION POLICY THAT SUZHOU FIRST SHALL COMPLY WITH

In respect of burning natural gas in boilers, pollutants emission of Suzhou First shall comply with Second Class Phase II Standard as set out under the Emission Standard of Atmosphere Pollutants from Boiler (鍋爐大氣污染物排放標準) (GB13271-2001).

In respect of industrial waste gas, emission of dust produced in the process of production shall comply with the Second Class Standard as set out under the Comprehensive Air Emission Standards (大氣污染物綜合排放標準) (GB16297-1996). Odor gas NH3 and H2S shall comply with the Second Class Standard as set out under Emission Standards for Odor Pollutants (惡臭污染物排放標準) (GB14554-93). Wastewater included in sewage network of industrial park shall comply with the Third Class Standard as set out under Integrated Wastewater Discharge Standard (污水綜合排放標準) (GB8978-1996), ammonia nitrogen to be discharged is subject to a maximum concentration of 35mg/L as set out under Wastewater Quality Standards for Discharge to Municipal Sewers (污水排入城市下水道水質標準) (CJ3082-1999). Plant premise noise shall comply with the Third Class Standard as set out under Industrial Enterprises Plant Premise Noise Standard (工業企業廠界噪聲標準) (GB12348-90), plants and premises by the side of traffic artery (Suhong East Road) shall comply with the Fourth Class Standard.

Air discharges, such as NOx, SOx and pollutants required by laws, Greenhouse gas (CO2) and injurants are pollutants listed on nation’s law.

Category	Pollution factors	Treatment measure
Waste gas	Dust, smoke, SO2, NOx	Dust bag and clean energy
Waste water	SS, CODcr, BOD5, NH3-N	Sewage network in Suzhou Industrial Park
Noise	Noise	Low noise equipment, noise elimination, vibration deduction and sound insulation
Solid waste	Waste packaging material, broken glass bottles with waste liquid, household waste, e.g. aluminium cap	Engage qualified unit to treat and sanitation department to collect

DISCHARGE VOLUME OF SUZHOU FIRST

Waste Gas Discharge Volume in 2015

Pollutants	SO2	NOx	Smoke
Discharge volume (t/a)	0.504	2.72	0.229

Waste Water Discharge Volume in 2015

Pollutants	Waste water volume	CODcr	BOD5	NH3-N	SS	Petroleum	Vegetable Oil
Discharge volume (t/a)	36,717.5	10.63	3.34	0.73	6.17	0.18	0.584

RESOURCES UTILIZATION OF SUZHOU FIRST

Utilized volume of energy, water and other resources by Suzhou First in 2015

Category	Water	Electricity	Natural gas
Utilized volume	0.26 million ton	6.83 million kw/h	0.74 million m^3

MEASURES TAKEN BY SUZHOU FIRST TO REDUCE RELATED DISCHARGE VOLUME AND RESULTS

Suzhou First used gas boilers in replacement of traditional coal boilers, this significantly reduced the discharge volume of smoke, SO2 and NOx and avoid the operation consumption of boiler dust remover. Such measures also cancelled the transportation and stacking of coal and reduced dust pollution arising during transportation and stacking. Just by using clean replacement energy, the Group reduced dust volume, SO2 discharge volume and NOx discharge volume 27 ton per year, 46 ton per year and 15 ton per year.

Suzhou First modernized obsoleted equipment, enhanced management of water quota and emphasized water-conservation consciousness among the staff. Suzhou First also took measures to eradicate water leakage and discharge waste water and clean water, separately collect and recycle recoverable water such as cooling water and condensed water. Further, Suzhou First recycled clean water and highly salt water generated from production of pure water for cleaning household equipment. With the above measures, the Group conserved 30,000 ton per year and reduced waste water discharge volume of 230,000 ton per year.

OPERATING PRACTICES

Supply Chain Management System and Supply Chain Management Measures

Three GSP companies under the Marketing and Sales Centre of the Group passed the new GSP certification standards in China in 2014. Those three GSP companies operated strictly in accordance with the new GSP quality management requirements in the ordinary course of business and met GSP quality management requirements in various unannounced inspections and special inspections.

TENDERING PROCESS AND STANDARDS FOR WINNING BIDS

Pre-tendering

Gathering information about the tendering: the tendering and government affairs department, business responsible persons and sales responsible persons of various provincial regions of the Company acquire information about the bidding and tendering process of medicines to be conducted through relevant governmental authorities, such as the health department, the tendering office and business companies, in advance and notify the other related department of the Company in the province where the tendering process is conducted.

Formulating preliminary proposals for the tendering process: the tendering and government affairs department of the Company communicates and discusses with the government affairs department, business responsible persons and sales responsible persons of various provincial regions of the Company to formulate preliminary proposals for the tendering process, while the tendering and government affairs department of the Company prepares advice letter on the tendering rules, which is favorable to the products of the Company, and leverages on the local resources of responsible persons of various provincial regions and agents to influence rules formulated by the of governmental authorities, so as to facilitate the products of the Company to win bids.

Addition to the catalog: in order to ensure the products of the Company are successfully included in the tendering process, sales responsible persons of various provinces will acquire the proposing time and procedures of the medicine purchasing catalogs in advance from local medical institutions after keeping informed of the forthcoming tendering process, and make sure that the products of the Company are included in the medicine purchasing catalogs reported by medical institutions. In addition, if there is any addition to the catalogs, they will timely notify the tendering and government affairs department of the Company to verify whether our medicines are added to the medicine tendering catalogs.

During the Tendering Process

Designating the grantor after the publishing of official purchasing announcement: at the date of publishing medicine tendering purchasing announcement by the government, the tendering and government affairs department of the Company will notify relevant cooperative companies, sales responsible persons, business responsible persons and regional managers in the province where the tendering process is conducted. In addition, they will designate the grantee with the local responsible persons of each department and the grantor will be selected firstly from the local business responsible persons and then from sales responsible persons and agents. The grantee will collect an account number and code and submit relevant information within the prescribed time as required in all provinces and cities. The tendering and government affairs department of the Company will pay attention to each phase of time throughout the process and timely coordinate and communicate about the issues arose to successfully complete the work.

Obtaining tendering qualifications and online information disclosure platform for enterprises and products: The tendering and government affairs department of the Company together with the manufacturing companies and cooperating companies of the Group will jointly prepare the bidding document and the report the information of the enterprises and their products according to the requirements of the tendering process within the prescribed time of the governmental authorities, and review all the qualifications and information submitted and reported to ensure the accuracy of the qualifications and information.

Interpretation of the tendering rules: The tendering and government affairs department of the Company participate in the meetings for interpretation of the medicine tendering rules held by the major provincial tendering department, or visit the local health department, the tendering purchasing center and medical insurance authority, to clarify the uncertainties and ambiguities in the tendering process on the site. At last, the regional manager of the tendering and government affairs department of the Company will compile an analysis report of the project to analyze the strengths and weakness of each tendering product and provide advice so as to increase the number of successful bids, while the chief director of the tendering and government affairs department of the Company will review the interpretations and analyses of various rules provided by the analysis report and distribute to the local business responsible persons, sales responsible persons, regional responsible persons and regional managers after confirmed. For high risk case and the price is lower than the lowest price throughout the country, the analysis report is required to be distributed to the general manager and deputy general manager of the Marketing and Sales Centre and the business manager.

Implementation of the tendering proposals: the tendering and governmental affairs department will convene a meeting with local provincial business responsible persons, sales responsible persons and regional managers discuss the analysis report of the tendering project after analyzing the tendering rules to formulate the most favorable tendering proposals while with the cooperation of the market access department, each provincial responsible person and local agents make use of their local resources to implement the public relation solutions for the tendering process. The market access department will regularly communicate about the progress of the tendering process and timely report to the general manager and deputy general manager of the Marketing and Sales Centre the issues found out during the process.

Making an appeal: after the tendering and governmental affairs department calculates and checks the price limit and the price limit and quality level of the competing products suggested by the governmental authority if there is any disagreement, it can make an appeal, which will be submitted by the local grantor. If the appeal is not accepted by the tendering office, the market access department and the local provincial responsible persons will jointly discuss for solutions and then put into implementation.

Quotation: before the quotation, the tendering and governmental affairs department will gather various information, notify regional managers of each department and provincial responsible persons, and for high risk case and the price lower than the lowest price throughout the country, the general manager and deputy general manager of the Marketing and Sales Centre and the business manager will meet together and decide on the price which will then be quoted by the tendering and governmental affairs department on the Internet.

Publication of bidding results: after the publication of bidding results, the tendering and market access department will check the bidding results, if there is any disagreement, notify the relevant department and persons of the successful bidding companies and the price of competing products that won the bids and the department will also update the relevant tendering statements.

After the Tendering

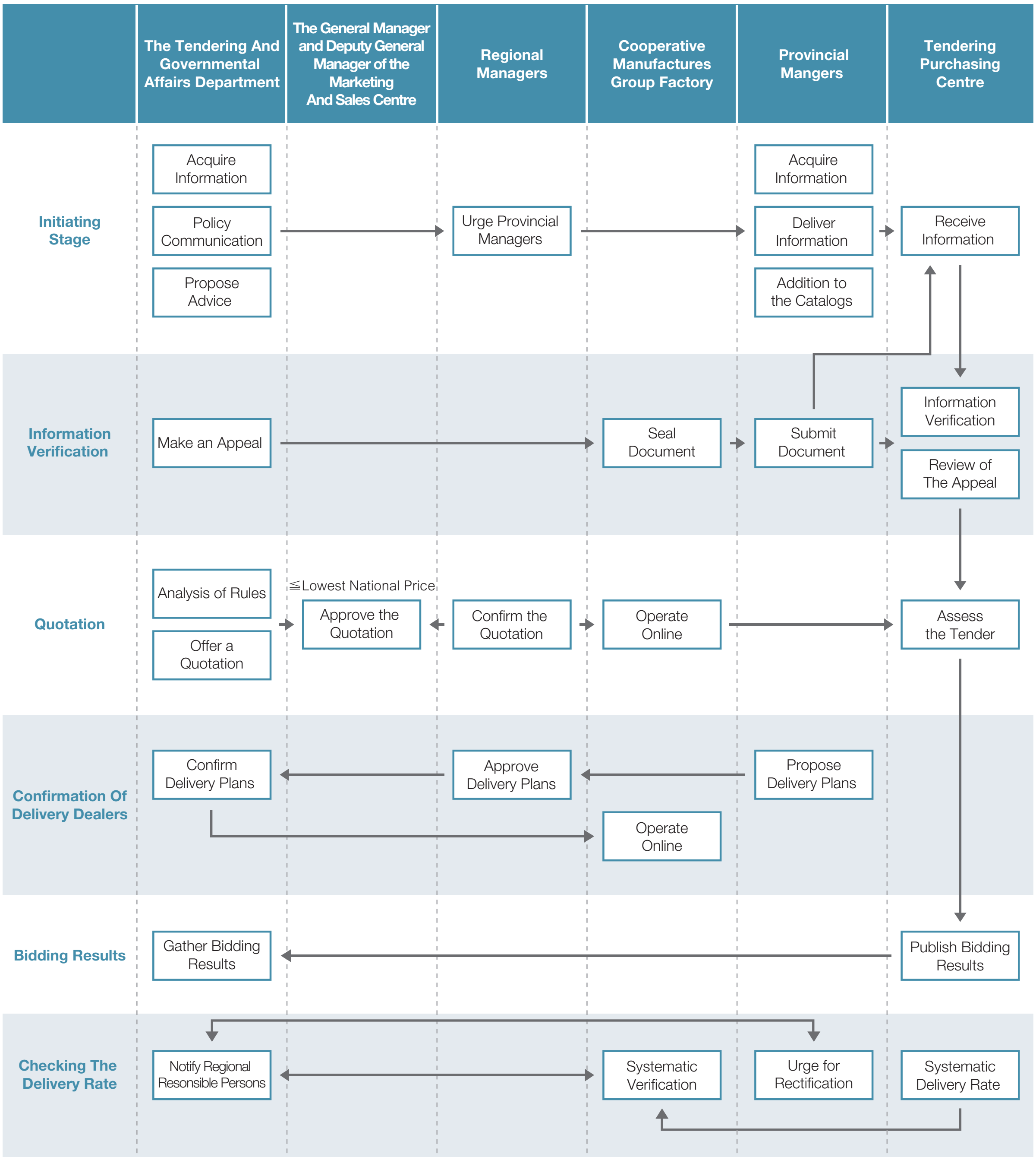
Selection of delivery dealer: the tendering and governmental affairs department will notify the local provincial business and sales responsible persons of the delivery rules of this project and send the list of delivery enterprises selected by the governmental tendering department to each of the local provincial responsible persons for determining the delivery enterprises. Then, the tendering and governmental affairs department will select from the determined delivery enterprises online to deliver products.

Keeping a record of purchasing information: for the products losing bids, the tendering and governmental affairs department and the local provincial sales and business responsible persons will check whether those produces can be filed for purchasing. If they can be filed for purchasing, the department will get to know the purchasing rules, visit the local government authorities and clinical experts of hospitals under the guidance of the local provincial responsible persons, and seek for orders of clinical medicines with the support of the market access department.

Checking the delivery rate: the tendering and governmental affairs department regularly checks the online delivery of products. The market access department will notify the provincial business and sales responsible persons of the delivery issue (if any), and then the provincial responsible persons will feed back to the market access department after solving the issue for the tendering and governmental affairs department to re-check and confirm.

Note: Currently, the lowest price throughout the country is the standard price for winning bids. If the tender price is lower than the lowest price throughout the country, the Company will selectively give up the bidding based on the local sales to maintain a sound price system.

Basic Flow Chart of Centralized Tender Purchases of Drugs



PRODUCT AND SERVICE COMPLAINT SYSTEM

The Group understands that timely and appropriate response to the customers' demands helps build customer confidence, and has established an effective mechanism for handling complaints concerning its products and services.

NT Pharma principally sells prescription medicines and deals with matters related to side effects of medicines strictly according to the *Measures for the Administration on Report and Monitoring of the Side Effect of Pharmaceuticals* (藥品不良反應報告和監測管理辦法). The Company has established report principles and procedures of side effects in place and provides training to all employees on the Adverse Event Reporting.

CONSUMER DATA AND PRIVACY PROTECTION POLICY

We maintain strict confidentiality on the consumers' data, and prohibit any abuse of information and illegal profiteering acts. Our customer information system only accepts authorized access.

NT Pharma has personal information (other than business contact information) privacy protection and security policy in place. Personal information consists of three parts: firstly, medical professionals, secondly, consumers (patients) and thirdly, third party suppliers. The collection, treatment, disclosure, preservation, destruction, maintenance, protection and filing of such personal information are carried out under complete procedures and system. In NT Pharma, personal information is subject to strict administration and protection in accordance with personal information privacy protection and security policy, abuse of personal information and illegal benefits therefrom are prohibited.

ANTI-CORRUPTION

We have established appropriate internal systems to prevent bribery, blackmailing, fraud and money laundering, gather relevant information on reporting of such illegal acts via our website, email and telephone hotlines, and establish dedicated staff for supervision and inspection thereof.

NT Pharma has formulated relevant compliance policy, including but not limited to Procedures of Medicine Promotion Related Expense (醫藥推廣相關費用流程), Procedures of Sample Management (樣品管理流程), Bidding Management System of the Group (集團招標投標管理制度), for the purpose of subjecting its daily operating behaviors to requirements of laws and regulations and preventing inappropriate behaviors such as bribery, extortion, fraud and money laundering. NT Pharma conducts compliance policy training towards all employees by means of e-learning, compliance policy quiz and vis-à-vis teaching. In addition, the Company has compliance hot-line and mailbox. Compliance hot-line is 24 hours available with operators answering and recording as well as providing feedback in a timely manner. Compliance mailbox also provides timely answers of various compliance issues and whistle-blowing.

CHARITY ACTIVITIES

Over the years, as a corporate citizen, we have been upholding and practicing the spirit of "from the society, for the society" and participating in public welfare undertakings and activities, so as to maintain good relations with the society.

In November 2015, NT Pharma, at the banquet of "First International Summit Forum on MDS", formally announced to establish "NT Charity Fund" and donated a total of RMB30 million to the Fund. The first round of activity, "Donation Program for Impoverished Tumor and MDS Patients— Jiangsu Station", facilitated by Overseas United Friendship Conference of Jiangsu Province, donated RMB10 million to the Charity Federation of Jiangsu Province for funding the treatment of impoverished Tumor and MDS Patients of Jiangsu Province. Moreover, "NT Charity Fund" plans to initiate a nationwide large-scale poverty-alleviation medical charitable activity entitled "Green Action for Lightening Life" in 2016.

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Ng Tit (吳鐵先生), aged 52, co-founder of the Group, has been the Chairman of the Board of Directors and Chief Executive Officer of the Group since 1995. Mr. Ng was appointed as the Company's Executive Director on 1 March 2010, responsible for the overall strategic planning and management of the Group. He has extensive experience in the pharmaceutical industry, having been engaged in the pharmaceutical business for over 20 years. Prior to establishing the Group in 1995, Mr. Ng worked for a number of relevant organisations and enterprises. Mr. Ng is a member of Jiangsu Committee of the Chinese People's Political Consultative Conference ("CPPCC") of the PRC, deputy director of Jiangsu Committee of Hong Kong, Macao, Taiwan and Overseas (Foreign Affairs) of CPPCC, vice president of Overseas Friendship Association of Jiangsu Province, vice president of Federation of HK Jiangsu Community Organisations and Chairman of China Nation Culture Spread Ltd.* (中華民族文化傳播有限公司). Mr. Ng obtained his bachelor degree from Guizhou University in 1986, and an Executive Master of Business Administration ("EMBA") from Fudan University (復旦大學) in 2007. He is the spouse of Ms. Chin Yu, who is an executive Director, and the brother-in-law of Dr. Qian Wei, who is a non-executive Director.

Ms. Chin Yu (錢余女士), aged 52, co-founder of the Group. Ms. Chin has been re-designated from non-executive Director to executive Director of the Group since 1 February 2015. Ms. Chin is responsible for the daily operations of NT Pharma (Hong Kong) Co., Ltd. Ms. Chin was appointed as non-executive Director on 1 March 2010. Prior to the establishment of the Group, Ms. Qian was an accounting professional. Ms. Chin worked in Bank of Communications from 1987 to 1993. Ms. Chin is the spouse of Mr. Ng Tit, the Chairman of the Board of Directors and Chief Executive Officer, and the sister of Dr. Qian Wei, a non-executive Director.

Mr. Wu Weizhong (吳為忠先生), aged 46, was appointed as an executive Director of the Group on 20 March 2015. Mr. Wu is also the Vice President of the Group, Chairman and General Manager of Suzhou First, Chairman of Jiangsu NT Biopharma Co., Ltd. and NT Biopharmaceuticals Changsha Co., Ltd., responsible for the management of the manufacturing and supply chain centre of the Group. Mr. Wu has over 20 years of experience in pharmaceutical manufacturing. Mr. Wu has been the General Manager of Suzhou First since 2006, and was appointed as its Chairman since 2014. Prior to joining the Group, Mr. Wu worked at various positions including engineer, assistant manager and deputy factory manager of Suzhou No. 4 Pharmaceutical Factory and was the factory manager of Suzhou First. Mr. Wu obtained a bachelor's degree in Chemical Engineering from Dalian University of Technology in 1992. He also obtained an EMBA from Fudan University in 2004.

NON-EXECUTIVE DIRECTOR

Dr. Qian Wei (錢唯博士), aged 59, was appointed as a non-executive Director of the Group on 1 March 2010. Dr. Qian is currently a tenured full professor of Biomedical Engineering, University of Texas, and a fellow of American Institute for Medical and Biological Engineering. He also enrolled the Chinese 1000 Plan as an innovation expert. He is Dean of the Sino-Dutch Biomedical and Information Engineering School of Northeastern University. Dr. Qian was appointed as Allen Henry Endowed Chair Distinguished Professor of Electrical Engineering in the Engineering College at Florida Institute of Technology in 2009. He had previously been an associate professor of Department of Interdisciplinary Oncology at Moffitt Cancer Center, College of Medicine, University of South Florida from 2001 to 2007. Dr. Qian has been given the Stars Award of system research by University of Texas, US in 2008, Award for Outstanding Research Achievements by American Cancer Society in 2000. Dr. Qian received Martrin Silberg Cancer Research Award for outstanding achievements for two consecutive years in 1994 and 1995. He was a Postdoctoral Research Associate of University of South Florida in 1994, of University of Notre Dame in 1992. He obtained his doctorate of Biomedical Engineering at Southeast University in 1990. Dr. Qian is the brother of Ms. Chin Yu, an executive Director and the brother-in-law of Mr. Ng Tit, the Chairman and Chief Executive Officer of the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Patrick Sun (辛定華先生), aged 57, was initially appointed as an Independent Non-executive Director on 1 March 2010 for a term of one year and subsequently re-appointed on 7 March 2011 after expiry of his term of office. He is currently an independent non-executive director of Trinity Limited (stock code: 891), Sihuan Pharmaceutical Holdings Group Ltd. (stock code: 460), China Railway Signal & Communication Corporation Limited (stock code: 3969) and Kunlun Energy Company Limited (stock code: 135), all of which are listed in Hong Kong. He is also an independent non-executive director of CRRC Corporation Limited (HKSE stock code: 1766; SSE stock code: 601766) and China Railway Construction Corporation Limited (HKSE stock code: 1186; SSE stock code: 601186), both of which are listed on the Stock Exchanges of Hong Kong and Shanghai. He is a vice-chairman of The Chamber of Hong Kong Listed Companies and was its chairman (2013 – 2015) and Honorary Chief Executive Officer.

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

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

Mr. Yue Nien Martin Tang (唐裕年先生), aged 66, was initially appointed as an Independent Non-executive Director on 1 March 2010 for a term of one year and was subsequently re-appointed as an Independent Non-executive Director on 7 March 2011 after expiry of his term of office. Mr. Tang is also an Independent Non-executive Director of Li & Fung Limited (stock code: 494), a company listed on the HKSE, an Independent Non-executive Director of CEI Contract Manufacturing Limited (stock code: CEI), a company listed on the Singapore Stock Exchange, a director of HK Wuxi Trade Association Limited and a director of ER 2 Holdings Limited. Mr. Tang has extensive recruiting expertise in the public and private sectors, including banking and commerce. Prior to joining the Board, Mr. Tang worked at Spencer Stuart & Associates, a global executive search consulting firm, for 16 years and retired as Chairman, Asia in November 2008. Currently, Mr. Tang is a trustee emeritus and Presidential Councillor of Cornell University, a trustee of the Institute of International Education (IIE) in New York, a trustee of Asia Business School in Kuala Lumpur, a member of the Executive Committee of Junior Achievement Hong Kong and a trustee member of the World Wide Fund for Nature – Hong Kong. Mr. Tang was a member of MIT Corporation and Vice Chairman and Member of the Council of Hong Kong University of Science and technology. Mr. Tang obtained his Bachelor of Science degree from Cornell University in 1970 and a master's degree of science in management from the Massachusetts Institute of Technology in 1972.

Dr. Lap-Chee Tsui (徐立之博士), aged 65, was appointed as an Independent Non-executive Director on 1 April 2010 and was subsequently re-appointed on 1 April 2011. Dr. Tsui has been an Independent Non-executive Director of Hang Lung Group (stock code: 00010), a company listed on the HKSE, since November 2014, a director of IDS Medical Holdings Limited since December 2014, an Independent Non-executive Director of Purapharm Corporation Limited (stock code: 1498), a company listed on the HKSE, since July 2015 and President of The Academy of Sciences of Hong Kong since December 2015. He served as the fourteenth Vice-Chancellor of the University of Hong Kong from 2002 to 2014. Prior to his current appointment in 2002, Dr. Tsui was a member of the Research Institute at The Hospital for Sick Children in Toronto, Canada since 1981, rising to Geneticist-in- Chief of the Hospital in 1996 and Head of the Genetics and Genomic Biology Program in 1998; He also held academic appointments at the University of Toronto since 1983, was awarded the title of University Professor in 1994 and has held an Emeritus status since 2006. He was also the President of the Human Genome Organization from 2000 to 2002. Dr. Tsui has received numerous awards for his work, including the Royal Society of Canada Centennial Award in 1989, Gairdner International Award in 1990, Cresson Medal of Franklin Institute in 1992, XII Sanremo International Award for Genetic Research in 1993, the Distinguished Scientist Award from the Medical Research Council, Canada in 2000, Killam Prize of Canada Council in 2002 and the European Cystic Fibrosis Society Award in 2009. He was elected as Fellow of the Royal Society of Canada in 1990, Fellow of the Royal Society of London in 1991, Member of Academia Sinica in 1992, Foreign Associate of the National Academy of Sciences of the US in 2004, and, Foreign Member of the Chinese Academy of Sciences in 2009. Dr. Tsui obtained a bachelor's and master's degree in biology from The Chinese University of Hong Kong in 1972 and 1974 respectively. He also obtained a doctorate degree in biological sciences from the University of Pittsburgh in 1979.

SENIOR MANAGEMENT

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

Mr. Chiu, aged 38, joined the Group in April 2015 to serve as the Group's Chief Financial Officer and Company Secretary. He is responsible for the overall financial management and control, accounting, auditing, corporate financing, investor relations and listing rules compliance of the Group. Mr. Chiu has over 14 years of experience in corporate financing, investor relations, auditing, accounting and financial management. Prior to joining the Group, Mr. Chiu was vice president, chief financial officer and company secretary of a company listed on the Main Board of the HKSE. Mr. Chiu obtained a bachelor degree in Business Administration and a master degree in Economics from The University of Hong Kong in 2001 and 2002 respectively. He is a member of the Association of Chartered Certified Accountants and a fellow of the Hong Kong Institute of Certified Public Accountants.

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

Mr. Zhuang, aged 40, joined the Group in September 2015 to serve as Assistant President and General Manager of the Marketing and Sales Centre. He is responsible for the Group's strategic planning and management of the Corporate Development Centre and Marketing and Sales Centre. Mr. Zhuang has over 17 years of experience in the pharmacy industry. Prior to joining the Group, he served as a pharmaceutical representative and a manager of a commercial region of Shanghai Johnson & Johnson Pharmaceuticals Limited, a national project director, General Manager of the Marketing and Development Department and the Business Development Department of Sinopharm Group Co. Ltd. Mr. Zhuang obtained a bachelor degree in Traditional Chinese Medicine from the Nanjing University of Chinese Medicine in 1998.

Mr. Ge Baoming (葛寶銘先生), Assistant President of the Group and General Manager of R&D and Medical Affairs Centre
Mr. Ge, aged 50, joined the Group in March 2013 to serve as the Assistant President and General Manager of R&D and Medical Affairs Centre. He is responsible for product R&D, medical support and R&D project management and management of R&D and Medical Affairs Centre. Mr. Ge has over 20 years of experience in product introduction, registration, R&D and clinical medical affairs. Prior to joining the Group, Mr. Ge served as a director of research and development and medical affairs at various well-known pharmaceutical companies, including Rottapharm, Luye Pharma Group Limited and Shanghai Green Valley Pharmaceutical Co., Ltd.. Mr. Ge obtained his bachelor degree of Clinical Medicine from Beijing Medical University in 1990. He also obtained a master degree in Clinical Medicine from The University of Western Ontario in 2003.

Mr. Zhang Jianfeng (張堅峰先生), Vice-General Manager of the Marketing and Sales Centre
Mr. Zhang, aged 43, joined the Group in September 2015 to serve as Vice General Manager of the Sales & Marketing Centre. He is responsible for refined marketing, agent management, sales training, customer services and management of the Marketing and Expansion Department and Bidding and Government Affairs Department. Mr. Zhang has 20 years of experience in the pharmacy industry. Prior to joining the Group, he served as a regional sales manager in Fortin Pharmacy (Australia), Chief Representative of Shanghai Office of Grünenthal GmbH (Germany) and Vice President and Sales Director of Eddingpharm (China). Mr. Zhang obtained his bachelor degree in Clinical Medicine from Shanghai Second Medical University in 1995.

Mr. Gui Biao (桂彪先生), Director of Marketing and Sales Centre
Mr. Gui, aged 54, joined the Group in September 2014 as Director of the Marketing and Sales Centre of the Group. He is responsible for strategy development, branding, product training, expert retaining and management of the Marketing Department. Mr. Gui has over 19 years of marketing and management experience in multinational pharmaceutical companies. In recent years, he has been focusing on the sales and marketing of oncology products. Prior to joining the Group, he has worked for various multinational pharmaceutical companies, including Eisai China, Sanofi-aventis China, Novartis China, AstraZeneca China, Pharmacia & Upjohn (China) Ltd. and Pfizer, Inc., engaging in the product areas including oncology, CNS and anti-infective products. Between 1988 and 1994, Mr. Gui was a clinician in Renji Hospital of Shanghai Jiao Tong University. Mr. Gui obtained his bachelor degree in Clinical Medicine from Medicine School of Shanghai Jiao Tong University in 1988.

Corporate Governance Report

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

CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") of the HKSE and certain recommended best practices. The Company has complied with all the applicable code provisions in the Code throughout the year ended 31 December 2015, save as disclosed below:

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

The Board currently comprises three executive Directors, one non-executive Director and three independent non-executive Directors, with independent non-executive Directors representing approximately 42.9% of the Board, which is higher than one third of the Board. Such percentage of independent non-executive Directors on the Board can ensure their views carry significant weight and reflect the independence of the Board. Mr. Ng is the main founder of the Group and he is responsible for the overall strategic planning and management of the Group. He has played an important role during the Group's expansion. Mr. Ng has extensive experience in the pharmaceutical industry, having been engaged in the pharmaceutical business for over 20 years. At present, the Board believes that it is beneficial to the management and development of the Group's businesses for Mr. Ng to be both the chairman and chief executive officer as it helps to facilitate the Board's decision-making.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. After making specific enquiry to the Directors, it is confirmed that all Directors have complied with the standards as stipulated in the Model Code throughout the year ended 31 December 2015.

INDEPENDENT NON-EXECUTIVE DIRECTORS

For the year ended 31 December 2015, the Board at all times met Rules 3.10 and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise and the number of independent non-executive Directors representing at least one third of the Board.

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

THE BOARD

The Board is responsible for achieving corporate goals, formulating development strategy, reviewing the organizational structure, monitoring business activities and performance of management and determining the policy for corporate governance of the Company so as to protect and maximize the interests of the Company and the shareholders as a whole. Matters relating to the daily operations of the Group are delegated to management. During the year under review, the Board considered and approved the annual budget and its performance under management supervision together with the business reports from management. The Board also reviewed and approved the final results for the year ended 31 December 2015 and other critical business operations. The Board also assessed the internal control and the financial matters of the Group.

Board Composition

The Board composition for the year of 2015 is as follows:

Executive Directors

Mr. Ng Tit *(Chairman and Chief Executive Officer)*
Ms. Chin Yu *(Re-designated from a non-executive Director to an executive Director on 1 February 2015)*
Mr. Wu Weizhong *(Appointed on 20 March 2015)*

Non-executive Directors

Dr. Qian Wei
Mr. Wang Fan *(resigned on 20 March 2015)*

Independent Non-executive Directors

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

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

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

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

Board Diversity Policy

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

Purpose

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

Vision

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

Policy Statement

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

Measurable Objectives

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

Review of this Policy

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

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

(A) at least one-third of the members of the Board shall be independent non-executive directors;

(B) at least one of the members of the Board shall have obtained accounting or other professional qualifications;

(C) at least 70% of the members of the Board shall have more than seven years of experience in the industry he/she is specialised in; and

(D) at least two of the members of the Board shall have China-related work experience.

For the year ended 31 December 2015, the Board has fulfilled the measurable objectives of the Board Diversity Policy.

Board Meetings

The Board conducts meetings on a regular basis and on an ad hoc basis, whenever required. The Company will convene at least four regular meetings every year. In 2015, the Company convened 8 Board meetings. The attendance records of the Board meetings held during the year ended 31 December 2015 are set out below:

Name of Directors	Meeting attendance/ number of meetings	Attendance rate (%)
Executive Directors		
Mr. Ng Tit *(Chairman and Chief Executive Officer)*	7/8	88%
Ms. Chin Yu *(Re-designated from a non-executive Director to an executive Director on 1 February 2015)*	5/8	63%
Mr. Wu Weizhong *(Appointed on 20 March 2015)*	1/3	33%
Non-Executive Directors		
Dr. Qian Wei	2/8	25%
Mr. Wang Fan (Resigned on 20 March 2015)	3/5	60%
Independent Non-Executive Directors		
Mr. Yue Nien Martin Tang	7/8	88%
Mr. Patrick Sun	7/8	88%
Dr. Lap-Chee Tsui	6/8	75%

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

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

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

Training for Directors

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

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

During the year ended 31 December 2015, the Company circulated three materials relevant to the Director's duties and responsibilities to Directors and management of the Company for their reading and reference.

A summary of the reading record and attending external seminars/briefings of the Directors for the year ended 31 December 2015 is as follows:

	Listing compliance updates	Listing enforcement strategies, current themes and case studies	Integrity and anti-corruption	Updates on the new internal control section of the Corporate Governance Code and ESG Reporting Guide	Attending external seminars/ briefings
Executive Directors					
Mr. Ng Tit	✓	✓	✓	✓	✓
Ms. Chin Yu *(Re-designed from a non-executive Director to an Executive Director on 1 February 2015)*	✓	✓	✓	✓	✓
Mr. Wu Weizhong *(Appointed on 20 March 2015)*	✓	✓	✓	✓	✓
Non-executive Directors					
Dr. Qian Wei	✓	✓	✓	✓	
Mr. Wang Fan *(Resigned on 20 March 2015)*	N/A	N/A	N/A	N/A	
Independent Non-executive Directors					
Mr. Patrick Sun	✓	✓	✓	✓	✓
Mr. Yue Nien Martin Tang	✓	✓	✓	✓	✓
Dr. Lap-Chee Tsui	✓	✓	✓	✓	✓

Directors' and Senior Officers' Liability Insurance and Indemnity

The Company has arranged for appropriate liability insurance to indemnify the Directors and senior officers for their liabilities arising out of corporate activities. For the year ended 31 December 2015, no claim has been made against the Directors and senior officers.

Board Committees

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

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

AUDIT COMMITTEE

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

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

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

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

During the year ended 31 December 2015, the Audit Committee convened two meetings:

Name of Directors	Meeting attendance/ number of meetings	Attendance rate (%)
Mr. Patrick Sun *(Chairman)*	2/2	100%
Mr. Yue Nien Martin Tang	2/2	100%
Dr. Lap-Chee Tsui	2/2	100%

During the year ended 31 December 2015 and up to the date of this report, the Audit Committee together with the management of the Company reviewed the corporate governance code, the accounting principles and practices adopted by the Group and discussed the Group's internal control, risk management and financial reporting matters, including a review of the annual results for the year ended 31 December 2015 and the interim results for the six months ended 30 June 2015, with recommendation to the Board for approval. The Audit Committee has also recommended to the Board that, subject to shareholders' approval at the forthcoming annual general meeting, Crowe Horwath (HK) CPA Limited be re-appointed as the external auditors of the Company.

REMUNERATION COMMITTEE

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

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

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

During the year ended 31 December 2015, the Remuneration Committee convened two meetings:

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

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

Pursuant to Code provision B.1.5 of the CG Code, the remuneration of members of the senior management by band for the year ended 31 December 2015 are set out below:

Remuneration band	Number of individuals
RMB0.83 million to RMB6.00 million	6

NOMINATION COMMITTEE

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

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

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

During the year ended 31 December 2015, the Nomination Committee convened two meeting:

Name of Directors	Meeting attendance/ number of meetings	Attendance rate (%)
Mr. Ng Tit *(Chairman)*	1/2	50%
Mr. Patrick Sun	2/2	100%
Mr. Yue Nien Martin Tang	2/2	100%

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

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

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

ACCOUNTABILITY

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

INTERNAL AUDIT

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

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for maintaining an adequate system of risk management and internal control and reviewing its effectiveness. The risk management and internal control system is designed to facilitate the effectiveness and efficiency of operations, safeguard assets against unauthorized use and disposition, ensure the maintenance of proper accounting records and the truth and fairness of the financial statements, and ensure compliance with relevant legislation and regulations. It provides reasonable, but not absolute, assurance against material misstatement or loss and management rather than elimination of risks associated with its business activities. During the year 2015, the Board, through the Audit Committee, reviewed the effectiveness of the Group's risk management and internal control system covering all material controls and risk management functions. The review is conducted annually in accordance with the requirement of the Code. In accordance with the Code requirements, the Audit Committee also reviewed and was satisfied with the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget for the year ended 31 December 2015. In addition, IA conducts regular and independent reviews of the effectiveness of the Group's risk management and internal control system. The Audit Committee reviews the findings and opinion of IA on the effectiveness of the Group's risk management and internal control system and reports to the Board on such reviews. To ensure the highest standard of integrity in our businesses, the Group has adopted a "Code of Conduct" defining the ethical standards expected of all employees. Training courses on the "Code of Conduct" are held regularly for all employees.

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

RISK FACTORS

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

Economic Environment and Conditions

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

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

Product Concentration

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

Market Environment

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

Provincial Tendering

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

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

New Product Risk

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

INDEPENDENT AUDITORS' REMUNERATION

During the year ended 31 December 2015, the remunerations paid or payable to the Group's auditors, Crowe Horwath (HK) CPA Limited, in respect of their audit and non-audit services are as follows:

	For the year ended 31 December 2015 RMB'000
Audit service	1,369
Non-audit services-taxation	20

COMMUNICATION WITH SHAREHOLDERS

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

During the year ended 31 December 2015, an annual general meeting of the Company was held on 21 May 2015 and the attendance record of the Directors is set out below:

	Meeting attendance/ number of meetings
Executive Directors	
Mr. Ng Tit	1/1
Ms. Chin Yu *(Re-designated from a non-executive Director to an executive Director on 1 February 2015)*	1/1
Mr. Wu Weizhong *(Appointed on 20 March 2015)* (Note 1)	0/1
Non-executive Directors	
Dr. Qian Wei (Note 1)	0/1
Mr. Wang Fan (Note 2)	–
Independent Non-executive Directors	
Mr. Patrick Sun	1/1
Mr. Yue Nien Martin Tang	1/1
Dr. Lap-Chee Tsui	1/1

Note:

1. Due to other business commitments, Mr. Wu Weizhong and Dr. Qian Wei, were unable to attend the annual general meeting of the Company held on 21 May 2015.

2. Mr. Wang Fan resigned on 20 March 2015 and therefore had not attended the annual general meeting.

FAIR DISCLOSURE

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

FINANCIAL REPORTING

The Directors of the Company acknowledge their responsibility for preparing the financial statements which give a true and fair view of the Group's affairs and of its results and cash flows for the year 2014 in accordance with Hong Kong Financial Reporting Standards, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules. The Directors of the Company endeavor to ensure a balanced, clear and understandable assessment of the Group's performance, position and prospects in financial reporting. Accordingly, appropriate accounting policies are selected and applied consistently; judgments and estimates made are prudent and reasonable. The adoption of new or amended accounting standards that became effective during the year has not had a significant impact on the Group's results of operations and financial position except for those disclosed in note 2(c) to the financial statements on page 72 of this report. The responsibilities of the external auditors with respect to the audit of financial statements are set out in the Independent Auditor's Report on pages 62 to 63 of this report.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

COMPANY SECRETARY

Ms. Mok Ming Wai, Director of KCS Hong Kong Limited (凱譽香港有限公司) resigned as our company secretary on 10 May 2015. Mr. Chiu Yu Kang, our Chief Financial Officer, was appointed as her alternative to be our company secretary.

In compliance with Rule 3.29 of the Listing Rules, Mr. Chiu, has undertaken no less than 15 hours of relevant professional training during the year ended 31 December 2015.

CONSTITUTIONAL DOCUMENTS

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

SHAREHOLDERS' RIGHTS

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

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

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

Enquiries to the Board

Enquiries may be put to the Board through the Company's principal place of business in Hong Kong at Unit 1505, 15/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong (Email: ir@ntpharma.com).

Report of the Directors

The Directors have pleasure in presenting their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The Group is mainly engaged in research and development, manufacturing, sales and distribution of pharmaceutical products, as well as the provision of pharmaceutical marketing and promotion services in China.

FINANCIAL RESULTS

The profit of the Group for the year ended 31 December 2015 and the financial position of the Company and its subsidiaries as at that date are set out in the financial statements on pages 65 to 67 of this report.

BUSINESS REVIEW

The review of the business of the Group, including a description of principal risks and uncertainties and an indication of likely future development in the Group's businesses, for the year ended 31 December 2015 as required by Schedule 5 to the Hong Kong Companies Ordinance is contained in the Business Review (pages 13 to 15), Operating Results (pages 15 to 16), Prospect and Outlook of the Group (page 16) sections under Management Discussion and Analysis, Risk Factors section (pages 49 to 50) under Corporate Governance Report as well as note 31 to the consolidated financial statements. These discussions form part of this report.

FINANCIAL SUMMARY

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

DIVIDENDS

The directors recommend the payment of a final dividend of HK1 cent per share, representing a total dividend distribution of approximately HK$15.58 million (2014: nil). The final dividend will be payable on 15 June 2016. The proposed dividend has not reflected as dividends payable in the financial statements for the year ended 31 December 2015, but will be reflected as appropriations of retained profits for the year ending 31 December 2016.

TRANSFER TO RESERVES

Profit attributable to equity shareholders of RMB87.69 million (2014: profit attributable to equity shareholders of RMB2.1 million) has been transferred to reserves, and other movements in reserves during the year are set out in the consolidated statement of changes in equity.

FIXED ASSETS

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

BORROWINGS AND PLEDGED ASSETS

Particulars of the Group's borrowings and pledged assets are set out in notes 24 and 25(c) to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 29(c) to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2015, the aggregate amount of revenue and purchases attributable to the Group's five largest customers and suppliers represented 57.96% and 93.21% of the Group's total revenue and purchases respectively.

During the year under review, the largest customer accounted for approximately 42.35% of the total revenue and the largest supplier accounted for approximately 70.66% of the total purchases of the Group.

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

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

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

DIRECTORS

The Directors who held office during the year ended 31 December 2015 and up to the date of this report are:

Executive Directors

Mr. NG Tit *(Chairman and Chief Executive Officer)*
Ms. CHIN Yu *(Re-designated from a non-executive Director to an executive Director on 1 February 2015)*
Mr. WU Weizhong *(Appointed on 20 March 2015)*

Non-executive Directors

Dr. QIAN Wei
Mr. WANG Fan *(Resigned on 20 March 2015)*

Independent Non-executive Directors

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

Mr. Patrick SUN, Mr. Yue Nien Martin TANG and Dr. Lap-Chee TSUI will retire from office as Directors by rotation at the forthcoming annual general meeting. All of them, being eligible have offered themselves for re-election pursuant to the articles of association of the Company.

Biographical details of the Directors of the Company are set out on pages 38 to 41 of this report. The Company has received from each Independent Non-executive Director an annual confirmation of his independence pursuant to the Independence Guidelines under the Listing Rules and the Company still considers such Directors to be independent.

PRE-IPO SHARE OPTION SCHEME

The Company adopted a share option scheme ("Pre-IPO Share Option Scheme") on 7 April 2011. Under the Pre-IPO Share Option Scheme, the Company granted 50,027,881 options before the listing of the Company. Each option gives the holder the right to subscribe for one ordinary share in the Company. Up to 31 December 2015, no further option has been granted pursuant to the Pre-IPO Share Option Scheme. A summary of the principal terms and conditions of the Pre-IPO Share Option Scheme is set out in the section headed "Pre-IPO Share Option Scheme" in Appendix VIII of the Prospectus of the Company. A total number of 5,008,984 options were lapsed during the year ended 31 December 2015.

As at 31 December 2015, options to subscribe for an aggregate of 3,815,740 shares of the Company were outstanding and these options relate to the options granted to the following grantees.

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

				Number of share options				
	Date of grant	Option period	Exercise price	Balance as at 1/1/2015	Exercised during the year	Lapsed/ cancelled during the year	Balance as at 31/12/2015	Approximate percentage to the issued share capital
Employees	18/9/2009	18/9/2009–18/9/2019	US$0.20	4,836,456	–	2,837,382	1,999,074 (Note 1)	0.13%
	28/1/2010	28/1/2010–28/1/2020	US$0.20	3,088,268	–	1,571,602	1,516,666 (Note 2)	0.10%
	1/9/2010	1/9/2010–1/9/2020	US$0.20	300,000	–	–	300,000 (Note 3)	0.02%
	17/12/2010	17/12/2010–17/12/2020	HK$3.178 (Note 5)	600,000	–	600,000	0 (Note 4)	0%

Notes:

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

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

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

4. The options are vested in three tranches in the proportion of 1/3, 1/3 and 1/3 on 17/12/2011, 17/12/2012 and 17/12/2013, respectively.

5. The exercise price of the options is 70% of the Company's offer price at the initial public offering.

NEW SHARE OPTION SCHEME

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

A summary of the principal terms of the New Share Option Scheme is set out in Appendix I of the circular of the Company dated 4 September 2014. A total number of 3,500,000 options were lapsed as at 23 March 2016.

As at 23 March 2016, options to subscribe for an aggregate of 44,300,000 shares of the Company were outstanding.

SHARE AWARD SCHEME

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

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

As at 31 December 2015, the trustee of the Share Award Scheme held a total of 9,633,000 shares and nil shares were granted under the Share Award Scheme.

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in place during the year ended 31 December 2015.

DIRECTOR'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' SERVICE CONTRACTS

The executive Directors, Mr. Ng Tit and Ms. Chin Yu, has each entered into a service agreement with the Company for an initial term of three years commencing from 26 March 2011 and 1 February 2015, respectively, which shall continue unless terminated by either the Company or the Director giving at least three months' written notice to the other party. Mr. Wu Weizhong has entered into an appointment letter with the Company for a term of three years commencing from 20 March 2015, subject to termination in certain circumstances as stipulated in the appointment letter and retirement by rotation and re-election at the annual general meeting in accordance with the memorandum and articles of association of the Company. Each of the non-executive Directors and the independent non-executive Directors has entered into a service agreement with the Company for a term of three years commencing from 26 March 2014.

Mr. Wang Fan has resigned as a non-executive Director of the Company with effect from 20 March 2015 due to his other business engagements which require more time for his dedication.

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

DIRECTORS' AND SENIOR OFFICERS' LIABILITY INSURANCE AND INDEMNITY

The Company has arranged for appropriate liability insurance to indemnify the Directors and senior officers for their liabilities arising out of corporate activities. For the year ended 31 December 2015, no claim has been made against the Directors and senior officers.

REMUNERATION POLICY

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

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

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

COMPLIANCE OF THE NON-COMPETITION UNDERTAKING

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

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

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

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

As at 31 December 2015, the interests and short positions of the Directors and Chief Executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the HKSE under the Model Code contained in Appendix 10 to the Listing Rules, were as follows:

Long Positions in the Ordinary Shares of the Company

Name of Director	Number of shares of the Company				Approximate percentage of interest in the Company
	Personal interests	Family interests	Corporate interests	Other interests	
Ng Tit	500,000 (Note 1)	4,000,000 (Note 1)	585,062,500 (Note 2)	–	37.84%
Chin Yu	4,500,000 (Note 1)	–	585,062,500 (Note 2)	–	37.84%
Wu Weizhong	2,800,046	–	–	–	0.18%

Notes:

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

(2) An aggregate of 585,062,500 shares is beneficially owned by Golden Base Investment Limited ("Golden Base"). Mr. Ng Tit and Ms. Chin Yu are the controlling shareholders of Golden Base.

Long Positions in the Underlying Shares of the Company

Save as disclosed above, as at 31 December 2015, none of the Directors nor the Chief Executives of the Company or their associates (including their spouses and children under 18 years of age) had any interest or short positions in the shares, underlying shares or debentures of the Company or its associated corporations, recorded in the register required to be kept under Section 352 of the SFO or required to be notified to the Company and the HKSE under the Model Code contained in Appendix 10 to the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

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

As at 31 December 2015, the interests and short positions of the substantial shareholders of the Company (other than the Directors and chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO were as follows:

Name	Nature of interest	Number of shares (long positions)	Approximate percentage of interest in the Company
Golden Base	Beneficial owner	585,062,500	37.55%
Shanghai Jiao Da Only Co., Ltd.	Beneficial owner	117,073,500	7.51%

Save as disclosed above, as at 31 December 2015, the Company had not been notified by any other parties (other than the Directors and Chief Executives of the Company) who had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

No transactions, arrangement or contract of significance in relation to the Group's business (as defined in the Listing Rules) to which the Company, its subsidiaries, its holding companies or any of its fellow subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2015.

CHANGES IN THE BOARD AND THE DIRECTORS' INFORMATION

The changes in the Board and the information of Directors since the date of the Company's 2015 interim report are set out below:

Dr. Lap-Chee Tsui was appointed President of the Academy of Sciences of Hong Kong in December 2015.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Save for the placing of 216,391,300 new shares of the Company, which was completed on 13 January 2015, and the placing of 179,650,000 new shares of the Company and the subscription of 80,000,000 new shares of the Company, which were completed on 7 July 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2015.

PRE-EMPTIVE RIGHTS

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

CONTINUING CONNECTED TRANSACTIONS

The related party transactions as disclosed in note 36 to the consolidated financial statements also constituted continuing connected transactions under the Listing Rules but are exempted from the reporting, annual review, announcement and independent shareholders' approval requirements pursuant to the Listing Rules. The Company has complied with the disclosure requirements of the Listing Rules in respect of such continuing connected transactions.

SUFFICIENCY OF PUBLIC FLOAT

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to ensuring high standards of corporate governance and has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules and certain recommended best practices. The Company has complied with all the applicable code provisions in the CG Code throughout the year ended 31 December 2015 except for the deviation from code provision A.2.1 of the CG Code, which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Ng Tit assumes both the roles of Chairman and Chief Executive Officer of the Company. Nevertheless, the division of responsibilities between the two roles are clearly defined. On the whole, the role of Chairman is that of monitoring the duties and performance of the Board, whereas the role of Chief Executive Officer is that of managing the Company's business. The Board believes that at the current stage of development of the Company, vesting the roles of both Chairman and Chief Executive Officer in the same person provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies.

The Board currently comprises three Executive Directors, one Non-executive Directors and three Independent Non-executive Directors, with the Independent Non-executive Directors representing approximately 42.9% of the Board, which is higher than one third of the Board. Such percentage of Independent Non-executive Directors on the Board can ensure their views carry significant weight and reflect the independence of the Board.

NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

After the end of the reporting period, the Directors recommended a dividend as further disclosed in note 29(b) to the consolidated financial statements.

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

The Company has adopted the Model Code contained in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. On specific enquiries made, all Directors have confirmed that they have complied with the standards as stipulated in the Model Code throughout the year ended 31 December 2015.

CONFIRMATION OF INDEPENDENCE FROM INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDITORS

Crowe Horwath (HK) CPA Limited was first appointed as auditor of the Company for the financial year 2013 upon filling the vacancy following the resignation of KPMG, which acted as auditor of the Company for the preceding financial years before 2013.

The consolidated financial statements set out in this report were audited by Crowe Horwath (HK) CPA Limited, who will retire and being eligible, offered themselves for re-election. A resolution for the re-appointment of Crowe Horwath (HK) CPA Limited as auditors of the Company will be proposed at the forthcoming annual general meeting.

By order of the Board

Ng Tit
Chairman

Hong Kong, 23 March 2016

Board of Directors and Board Committees

BOARD OF DIRECTORS

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

BOARD COMMITTEES

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

Corporate Information

COMPANY SECRETARY

Mr. Chiu Yu Kang

AUDITORS

Crowe Horwath (HK) CPA Limited
Certified Public Accountants

LEGAL ADVISORS AS TO HONG KONG LAW

Li & Partners

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1505, 15/F
Bank of East Asia Harbour View Centre
56 Gloucester Road, Wanchai
Hong Kong

PRINCIPAL PLACE OF BUSINESS AND HEADQUARTERS IN CHINA

5/F, Urban City Center
45 Nanchang Road, Shanghai, PRC

REGISTERED OFFICE

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

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

PRINCIPAL BANKERS

The Bank of East Asia, Limited
China CITIC Bank Corporation Limited
China Merchants Bank Co., Limited
Shanghai Pudong Development Bank Co., Limited

INVESTOR RELATIONS

Tel: (852) 2808 1606
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COMPANY'S WEBSITE

http://www.ntpharma.com

STOCK CODE

1011

Independent Auditor's Report

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

We have audited the consolidated financial statements of China NT Pharma Group Company Limited ("the Company") and its subsidiaries set out on pages 64 to 136, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and 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. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the 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 Hong Kong Companies Ordinance.

Crowe Horwath (HK) CPA Limited
Certified Public Accountants
Hong Kong, 23 March 2016

Leung Chun Wa
Practising Certificate Number P04963

Consolidated Income Statement

For the year ended 31 December 2015
(Expressed in Renminbi)

	Note	2015 RMB'000	2014 RMB'000
Revenue	4	**847,726**	864,621
Cost of sales		**(396,219)**	(473,280)
Gross profit		**451,507**	391,341
Other revenue	5	**32,209**	25,179
Other net loss	6	**(232)**	(3,443)
Impairment of trade receivables	7(c)	**(29,072)**	(8,021)
Impairment of other receivables	7(c)	**(20,828)**	–
Reversal of impairment of trade receivables	7(c)	**8,403**	29,066
Reversal of impairment of other receivables	7(c)	**15,714**	–
Change in fair value loss on embedded derivatives of unsecured debenture	25(b)	**–**	(46)
Loss on redemption of unsecured debenture	7(c)	**(1,868)**	–
Selling and distribution expenses		**(228,899)**	(264,583)
Administrative expenses		**(90,977)**	(73,422)
Profit from operations		**135,957**	96,071
Finance costs	7(a)	**(27,252)**	(78,744)
Share of loss of an associate	17	**(8,000)**	–
Profit before taxation	7	**100,705**	17,327
Income tax expense	8(a)	**(13,011)**	(15,240)
Profit for the year		**87,694**	2,087
Attributable to:			
Equity holders of the Company		**87,694**	2,087
Non-controlling interests		**–**	–
Profit for the year		**87,694**	2,087
Earnings per share	11		
Basic		**6.19 cents**	0.19 cents
Diluted		**6.14 cents**	0.19 cents

The notes on pages 71 to 136 form part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015
(Expressed in Renminbi)

	2015 RMB'000	2014 RMB'000
Profit for the year	**87,694**	2,087
Other comprehensive income for the year		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of entities outside the People's Republic of China ("PRC")	**2,665**	1,623
Total comprehensive income for the year	**90,359**	3,710
Attributable to:		
Equity holders of the Company	**90,359**	3,710
Non-controlling interests	**–**	–
Total comprehensive income for the year	**90,359**	3,710

The notes on pages 71 to 136 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2015
(Expressed in Renminbi)

	Note	2015 RMB'000	2014 RMB'000
Non-current assets			
Fixed assets			
– Property, plant and equipment	13	**300,501**	264,122
– Interests in leasehold land held for own use under operating leases	13	**43,964**	38,825
		344,465	302,947
Intangible assets	14	**133,425**	38,524
Goodwill	15	**–**	–
Interest in an associate, net	17	**–**	–
Deferred tax assets	26(b)	**87,745**	96,083
		565,635	437,554
Current assets			
Inventories	18	**174,834**	84,240
Trade and other receivables	19	**306,460**	403,624
Held-to-maturity investment	20	**–**	3,000
Pledged bank deposits	21	**23,389**	210,952
Cash at banks and in hand	22	**327,995**	346,062
		832,678	1,047,878
Current liabilities			
Trade and other payables	23	**215,696**	570,401
Bank loans	24	**141,170**	200,261
Unsecured debentures	25	**120,000**	343,981
Current taxation	26(a)	**18,724**	14,978
		495,590	1,129,621
Net current assets/(liabilities)		**337,088**	(81,743)

The notes on pages 71 to 136 form part of these financial statements.

Consolidated Statement of Financial Position (Continued)

At 31 December 2015
(Expressed in Renminbi)

	Note	2015 RMB'000	2014 RMB'000
Total assets less current liabilities		**902,723**	355,811
Non-current liabilities			
Government grant received	27	**–**	22,216
Unsecured debentures	25	**–**	120,000
Deferred tax liabilities	26(b)	**–**	616
		–	142,832
NET ASSETS		**902,723**	212,979
CAPITAL AND RESERVES	29		
Share capital		**1**	1
Reserves		**890,362**	212,978
Total equity attributable to equity holders of the Company		**890,363**	212,979
Non-controlling interests	16(iv)	**12,360**	–
TOTAL EQUITY		**902,723**	212,979

Approved and authorised for issue by the board of directors on 23 March 2016.

Ng Tit
Chairman and Chief Executive Officer

Chin Yu
Director

The notes on pages 71 to 136 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015
(Expressed in Renminbi)

	Attributable to equity holders of the Company										
	Share capital RMB'000 (Note 29(c))	Share premium RMB'000 (Note 29(d)(i))	Exchange reserve RMB'000 (Note 29(d)(ii))	Statutory reserve RMB'000 (Note 29(d)(iii))	Merger reserve RMB'000 (Note 29(d)(iv))	Other reserve RMB'000 (Note 29(d)(v))	Capital reserve RMB'000 (Note 29(d)(vi))	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2014	1	933,872	39,311	88,206	8,256	338,509	14,855	(1,214,211)	208,799	–	208,799
Change in equity for 2014											
Profit for the year	–	–	–	–	–	–	–	2,087	2,087	–	2,087
Other comprehensive income											
Exchange differences on translation of financial statements of entities outside the PRC	–	–	1,623	–	–	–	–	–	1,623	–	1,623
Total comprehensive loss	–	–	1,623	–	–	–	–	2,087	3,710	–	3,710
Equity-settled share-based transactions	–	–	–	–	–	–	470	–	470	–	470
Forfeiture of vested share options	–	–	–	–	–	–	(5,690)	5,690	–	–	–
	1	933,872	40,934	88,206	8,256	338,509	9,635	(1,206,434)	212,979	–	212,979
Balance at 31 December 2014 and 1 January 2015	1	933,872	40,934	88,206	8,256	338,509	9,635	(1,206,434)	212,979	–	212,979
Changes in equity for 2015:											
Profit for the year	–	–	–	–	–	–	–	87,694	87,694	–	87,694
Other comprehensive income											
Exchange differences on translation of financial statements of entities outside the PRC	–	–	2,665	–	–	–	–	–	2,665	–	2,665
Total comprehensive income	–	–	2,665	–	–	–	–	87,694	90,359	–	90,359
Issue of shares, net of issuing expenses (note 29(c)(iii), (iv))	–	553,248	–	–	–	–	–	–	553,248	–	553,248
Equity-settled share-based transactions	–	–	–	–	–	–	7,441	–	7,441	–	7,441
Capital contribution from non-controlling interests (note 16(iv))	–	–	–	–	–	–	37,640	–	37,640	12,360	50,000
Shares purchase for share award scheme	–	–	–	–	–	–	(11,304)	–	(11,304)	–	(11,304)
Forfeiture of vested share options	–	–	–	–	–	–	(5,148)	5,148	–	–	–
Balance at 31 December 2015	1	1,487,120	43,599	88,206	8,256	338,509	38,264	(1,113,592)	890,363	12,360	902,723

The notes on pages 71 to 136 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2015
(Expressed in Renminbi)

	Note	**2015** **RMB'000**	2014 RMB'000
Operating activities			
Profit before taxation		**100,705**	17,327
Adjustments for:			
Depreciation	7(c)	**13,555**	16,551
Amortisation of lease prepayments	7(c)	**323**	324
Amortisation of intangible assets	7(c)	**2,050**	6,289
Write-down of inventories	18(b)	**432**	4,672
Impairment of trade receivables	19(b)	**29,072**	8,021
Reversal of impairment of trade receivables	19(b)	**(8,403)**	(29,066)
Impairment of other receivables	19(d)	**20,828**	–
Reversal of impairment of other receivables	19(d)	**(15,714)**	–
Reversal of impairment of prepayments	7(c)	**–**	(831)
Finance costs	7(a)	**27,252**	78,744
Interest income	5	**(5,683)**	(6,032)
Interest income on held-to-maturity investment	5	**(14)**	(105)
Interest income on designated loan	5	**–**	(14,934)
Net loss on disposal of property, plant and equipment	6	**232**	254
Equity-settled share-based payment expenses	7(b)	**7,441**	470
Net foreign exchange gain		**–**	(2)
Loss on redemption of unsecured debenture	25(b)	**1,868**	–
Decrease in government grant received	27	**(22,216)**	–
Share of loss of an associate	17	**8,000**	–
Fair value loss on embedded derivatives of unsecured debenture	25(b)	**–**	46
Changes in working capital:			
(Increase)/decrease in inventories		**(91,026)**	43,497
Decrease/(increase) in trade and other receivables		**71,893**	(78,231)
Decrease in trade and other payables		**(391,013)**	(5,715)
Decrease in pledged bank deposits for issuing bills payable		**154,563**	49,111
Cash (used in)/generated from operations		**(95,855)**	90,390
Tax paid			
– Hong Kong Profits Tax paid		**–**	–
– PRC Income Tax paid		**(1,543)**	(17,667)
Net cash (used in)/generated from operating activities		**(97,398)**	72,723

The notes on pages 71 to 136 form part of these financial statements.

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2015
(Expressed in Renminbi)

	Note	2015 RMB'000	2014 RMB'000
Investing activities			
Net cash outflow from acquisition of a subsidiary	33	**(73,252)**	–
Payment for purchase of property, plant and equipment		**(37,996)**	(88,587)
Payment of purchase of lease prepayments		**–**	(24,800)
Payment for purchase of intangible assets		**(3,992)**	(4,805)
Proceeds from disposal of property, plant and equipment		**1,374**	262
Interest received		**5,697**	6,137
Refund of proposed establishment of an associate		**–**	16,000
Proceeds from redemption of short-term investment	20	**3,000**	–
Decrease in designated loans		**–**	162,048
Receipt of government grant	27	**–**	22,216
Payment for purchase of held-to-maturity investment		**–**	(3,000)
Decrease in pledged bank deposits	24	**33,000**	–
Capital contribution to an associate	17	**(8,000)**	–
Net cash (used in)/generated from investing activities		**(80,169)**	85,471
Financing activities			
Proceeds from new bank loans		**260,000**	280,983
Proceeds from issuance of unsecured debentures	25(c)	**–**	120,000
Repayment of bank loans		**(319,091)**	(366,179)
Interest paid		**(15,400)**	(77,685)
Net proceeds from issuance of shares	29(c)(iii),(iv)	**553,248**	–
Redemption of unsecured debentures	25(a)&(b)	**(320,000)**	–
Repayment of interest of the unsecured debentures		**(39,075)**	–
Payment for shares purchase under share award scheme	28(d)	**(11,304)**	–
Capital contribution to a subsidiary by non-controlling interests	16	**50,000**	–
Net cash generated from/(used in) financing activities		**158,378**	(42,881)
Net (decrease)/increase in cash and cash equivalents		**(19,189)**	115,313
Cash and cash equivalents at 1 January		**346,062**	229,239
Effect of foreign exchange rate changes		**1,122**	1,510
Cash and cash equivalents at 31 December	22	**327,995**	346,062

The notes on pages 71 to 136 form part of these financial statements.

1. PRINCIPAL ACTIVITIES OF REPORTING ENTITY

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

The consolidated financial statements are presented in Renminbi ("RMB"), the currency of the primary economic environment in the PRC, in which the majority of the group entities operate (i.e. the functional currency of group entities).

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2015 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in an associate.

The financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand. The measurement basis used in the preparation of the financial statements is the historical cost basis, except for the embedded derivatives on unsecured debenture, which is stated at fair value.

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

(Expressed in Renminbi unless otherwise indicated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation of the financial statements (Continued)

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

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

(c) Changes in accounting policies

In the current year, the Group has applied the following new and revised HKFRSs issued by the HKICPA.

Amendments to HKAS 19	Defined benefit plans: Employee contributions
Amendments to HKFRSs	Annual improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011-2013 Cycle

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Annual improvements to HKFRSs 2010-2012 Cycle and 2011-2013 Cycle

The two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, HKAS 24, Related party disclosures has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group's related party disclosures as the Group does not obtain key management personnel services from management entities.

(d) Subsidiaries and non-controlling interests

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

(e) Associates

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Associates (Continued)

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

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

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

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

In the Company's statement of financial position, investments in associates are stated at cost less impairment losses, unless classified as held for sale (or included in a disposal group that is classified as held for sale).

(f)(i) Business combinations

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f)(i) Business combinations (Continued)

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

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

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

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39 *Financial Instruments: Recognition and Measurement*, or HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f)(ii) Goodwill

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

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

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

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

(g) Construction in progress

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Property, plant and equipment

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

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

- Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion.

– Plant and machinery	5 – 20 years
– Leasehold improvements	Over the term of lease
– Furniture, fixtures and office equipment	3 – 5 years
– Motor vehicles	3 – 5 years

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

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

(i) Intangible assets (other than goodwill)

(i) Trademarks

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

(ii) New medicine protection rights

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

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

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

(iv) Exclusive agency rights

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Intangible assets (other than goodwill) (Continued)

(v) Club memberships

Club memberships that are acquired by the Group are stated in the consolidated statement of financial position at cost less impairment losses (note 2(k)).

(vi) Computer software

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

(vii) property rights

Intellectual property rights that are acquired by the Group are stated in the consolidated statement of financial position at cost less accumulated amortisation and impairment losses (note 2(k)). Amortisation of intellectual property rights is charged to profit or loss on a straight line basis over a period of 6 years.

Both the period and basis of amortisation of all intangible assets are reviewed annually.

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

(j) Leased assets

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment of assets

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

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

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment of assets (Continued)

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

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

(ii) Impairment of other assets

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

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

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

– Calculation of recoverable amount

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

– Recognition of impairment losses

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

– Reversals of impairment losses

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

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

(iii) Interim financial reporting and impairment

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

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

(l) Inventories

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

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

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

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

(m) Trade and other receivables

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Interest-bearing borrowings

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

(o) Trade and other payables

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

(p) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(q) Cash and cash equivalents

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

(r) Employee benefits

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

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

(ii) Share-based payments

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Employee benefits (Continued)

(iii) Share award scheme

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

(iv) Termination benefits

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

(s) Income tax

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Income tax (Continued)

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

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

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

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

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

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

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

- the same taxable entity; or

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

(t) Provisions and contingent liabilities

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Revenue recognition

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

(i) Sale of goods

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

(ii) Service income

Service income is recognised when the relevant services are rendered.

(iii) Government grant/subsidy income

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

(iv) Interest income

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

(v) Translation of foreign currencies

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Borrowing costs

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

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

(x) Held-to-maturity investment

Held-to-maturity investment is stated at amortised cost less impairment losses.

(y) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly-controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Segment reporting

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

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

3. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Impairment of non-current assets

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

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

(b) Depreciation and amortisation

Fixed assets are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

3. ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Depreciation and amortisation (Continued)

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. Both the useful lives and method of amortisation are reviewed annually. Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives.

(c) Allowance for bad and doubtful debts

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

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

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

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

(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 to completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of a similar nature.

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

3. ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(e) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised for deductible temporary differences and tax losses only to the extent that it is probable that future taxable profits will be available against which the deferred tax assets can be utilised. As a result, management's judgement is required to assess the probability of future taxable profits. Management reassesses these estimates at the end of each reporting period.

(f) Functional currency

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

(g) Impairment of intellectual property rights

The Group's management determines the estimated future cash flows of each pharmaceutical patent, know-how and trademark in capitalization of intellectual property rights. These estimates are based on projected product lifecycles experienced in the pharmaceutical industry.

It could change significantly as a result of medicine innovations and competitor actions in response to industry cycles. Management will recognise impairment loss on the capitalized intellectual property rights when future cash flows are less than expectations and fall below the amount of related intellectual property rights.

If the estimated future cash flows had been 10% lower than management's estimates as at 31 December 2015, no impairment loss would have been recognised for the year (2014: Nil).

4. REVENUE

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

Turnover represents the sales value of goods supplied to customers and service income (net of sales tax, value-added tax, commercial discounts and sales returns). The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2015 **RMB'000**	2014 RMB'000
Sales of pharmaceutical and vaccine products	**625,266**	757,952
Service income	**222,460**	106,669
	847,726	864,621

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

5. OTHER REVENUE

	2015 RMB'000	2014 RMB'000
Interest income on designated loan	–	14,934
Bank interest income	5,683	6,032
Government grant and subsidy income	26,512	3,510
Interest income on held-to-maturity investment	14	105
Sundry income	–	598
	32,209	25,179

Government grant (Note 27) and subsidies were received from the local government authorities in the PRC. There are no conditions attached to the grant and subsidies received by the Group.

6. OTHER NET LOSS

	2015 RMB'000	2014 RMB'000
Net loss on disposal of property, plant and equipment	(232)	(254)
Net exchange loss	–	(3,189)
	(232)	(3,443)

7. PROFIT BEFORE TAXATION

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

(a) Finance costs

	2015 RMB'000	2014 RMB'000
Interest on bank and other borrowings	14,277	40,574
Interest on unsecured debentures	13,714	40,773
Bank charges	635	700
Total finance costs	28,626	82,047
Less: Amount capitalised in the cost of qualifying assets	(1,374)	(3,303)
	27,252	78,744

The borrowing costs have been capitalised at a rate of 8.5% (2014: 8.5%) per annum.

7. PROFIT BEFORE TAXATION (CONTINUED)

(b) Staff costs

	2015 RMB'000	2014 RMB'000
Contributions to defined contribution retirement plans	**8,245**	18,584
Salaries, wages and other benefits	**50,408**	71,658
Equity-settled share-based payment expenses	**7,441**	470
	66,094	90,712

Pursuant to the relevant labour rules and regulations in the PRC, the Group's subsidiaries in the PRC participate in defined contribution retirement schemes (the "Schemes") organised by the relevant local authorities whereby the PRC subsidiaries are required to make contributions to the Schemes at rates which range from 13.5% to 22% (2014: 13.5% to 22%) of the eligible employees' salaries during the year. The relevant local government authorities are responsible for the entire pension obligations payable to retired employees.

The Group also operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% (2014: 5%) of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000 (HK$25,000 prior to June 2014). Contributions to the MPF scheme vest immediately.

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

(c) Other items

	Note	2015 RMB'000	2014 RMB'000
Depreciation of property, plant and equipment	13	**13,555**	16,551
Amortisation of lease prepayments	13	**323**	324
Amortisation of intangible assets	14	**2,050**	6,289
Impairment loss of trade receivables	19(b)	**29,072**	8,021
Impairment loss of other receivables	19(d)	**20,828**	–
Loss on redemption of unsecured debenture	25(b)	**1,868**	–
Auditors' remuneration:			
– audit services		**1,369**	1,347
– non-audit services		**20**	24
Operating lease charges in respect of properties		**11,830**	9,028
Reversal of impairment of trade receivables	19(b)	**(8,403)**	(29,066)
Reversal of impairment of other receivables	19(d)	**(15,714)**	–
Reversal of impairment of prepayments		**–**	(831)

8. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

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

	2015 RMB'000	2014 RMB'000
Current tax – PRC Income Tax		
Provision for the year	**5,035**	965
Under provision in respect of prior years	**254**	850
	5,289	1,815
Deferred tax		
Origination and reversal of temporary differences (note 26(b))	**7,722**	13,425
Income tax expense	**13,011**	15,240

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

	2015 RMB'000	2014 RMB'000
Profit before taxation	**100,705**	17,327
Notional tax on profit before taxation, calculated at the tax rates applicable in the jurisdictions concerned (notes (i) and (ii))	**23,719**	5,577
Tax effect of non-deductible expenses	**1,850**	599
Tax effect of non-taxable income	**–**	(1,357)
Tax effect of unused tax losses not recognised	**(15,996)**	28,385
Tax effect of other temporary differences recognised	**3,184**	(18,814)
Under provision in respect of prior years	**254**	850
Actual income tax expense	**13,011**	15,240

Notes:

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

(ii) The Company's subsidiaries in the Hong Kong Special Administrative Region are subject to Hong Kong Profits Tax at tax rate of 16.5% (2014: 16.5%). No income tax provision is made for the Hong Kong subsidiaries for the years ended 31 December 2015 and 2014, as these subsidiaries either derived no income subject to Hong Kong Profits Tax or sustained tax losses for Hong Kong Profits Tax purposes.

The Company's subsidiaries in PRC are subject to a statutory income tax rate of 25% (2014: 25%), except for the subsidiary which is qualified for High and New Technology Enterprises and would be entitled to enjoy a beneficial tax rate of 15% (2014: 15%).

9. DIRECTORS' EMOLUMENTS

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

Year ended 31 December 2015

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

9. DIRECTORS' EMOLUMENTS (CONTINUED)

Year ended 31 December 2014

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Equity-settled share-based payment expenses (note)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors						
Ng Tit	–	4,754	–	–	–	4,754
Chin Yu*	–	–	–	–	–	–
Non-executive directors						
Chin Yu*	–	–	–	–	–	–
Qian Wei	–	–	–	–	–	–
Wang Fan	190	–	–	–	–	190
Hung Leung^	–	–	–	–	–	–
Independent non-executive directors						
Patrick Sun	198	–	–	–	–	198
Yue Nien Martin Tang	198	–	–	–	–	198
Lap-Chee Tsui	198	–	–	–	–	198
Total	784	4,754	–	–	–	5,538

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

** Mr. Wu Weizhong was appointed as Executive Director on 20 March 2015

^ Mr. Hung Leung resigned on 18 September 2014.

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

During the years ended 31 December 2015 and 2014, no amount was paid or payable by the Group to the directors or any of the five highest paid individuals set out in note 10 below as an inducement to join or upon joining the Group or as compensation for loss of office.

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest paid emoluments, two (2014: one) are directors whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the other three (2014: four) individuals are as follows:

	2015 RMB'000	2014 RMB'000
Salaries and other emoluments	**5,650**	5,104
Contributions to retirement benefits schemes	**73**	186
Equity-settled share-based payment expenses	**639**	–
	6,362	5,290

The emoluments of the other four (2014: four) individuals with the highest emoluments are within the following bands:

	2015 Number of individuals	2014 Number of individuals
HK$1,000,001 to HK$1,500,000	**–**	2
HK$1,500,001 to HK$2,000,000	**1**	1
HK$2,000,001 to HK$2,500,000	**–**	1
HK$2,500,001 to HK$3,000,000	**1**	–
HK$3,000,001 to HK$3,500,000	**1**	–

11. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to the equity holders of the Company for the year ended 31 December 2015 of RMB87,694,000 (2014: earnings of RMB2,087,000) and the weighted average number of ordinary shares of the Company in issue during the year.

Weighted average number of ordinary shares (basic)

	2015 Number of shares '000	2014 Number of shares '000
Issued ordinary shares at 1 January	**1,081,957**	1,081,957
Effect of issue of shares under placing	**334,592**	–
At 31 December	**1,416,549**	1,081,957

11. EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per share

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

	2015 Number of shares '000	2014 Number of shares '000
Weighted average number of ordinary shares as at 31 December 2015	**1,416,549**	1,081,957
Effect of deemed issue of ordinary shares under the Company's share option schemes	**11,114**	–
At 31 December	**1,427,663**	1,081,957

12. SEGMENT REPORTING

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

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

- Proprietary products production and sales: turnover from production and sales of NT branded products and generic drugs through the Company's subsidiary, Suzhou First Pharmaceutical Co., Ltd ("Suzhou First Pharma").

- Third-party vaccines and other pharmaceuticals: this segment included sales from vaccine promotion, vaccine supply chain and pharmaceutical supply chain. For supply chain business, the turnover was derived from supply chain services for pharmaceutical/vaccine products sold through the Group's supply chain network. Promotion activities of such products were carried out by suppliers but not the Group. This segment was closed down during the year.

12. SEGMENT REPORTING (CONTINUED)

(a) Segment results

The Group's revenue and profit/loss are derived from sales in the PRC and the principal operating assets employed by the Group are located in the PRC, except that an office property with net book value of RMB24,035,000 as at 31 December 2015 (2014: RMB24,011,000) is located in Hong Kong. Accordingly, no geographical information has been presented.

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

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and expenses incurred specifically by those segments.

The measure used for reporting segment profit/loss is "operating profit/loss" which is the profit/loss from operations adjusted for items not specifically attributed to individual segments, such as other revenue, other net income/loss, head office or corporate administration expenses.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2015 and 2014 is set out below.

	Third-party pharmaceutical promotion and sales		Proprietary products production and sales		Third-party vaccine and other pharmaceuticals		Total	
	2015 RMB'000	2014 RMB'000	**2015 RMB'000**	2014 RMB'000	**2015 RMB'000**	2014 RMB'000	**2015 RMB'000**	2014 RMB'000
Reportable segment revenue	**630,423**	706,425	**217,303**	157,404	**–**	792	**847,726**	864,621
Cost of sales	**(310,767)**	(389,580)	**(85,452)**	(81,010)	**–**	(2,690)	**(396,219)**	(473,280)
Reportable segment gross profit/(loss)	**319,656**	316,845	**131,851**	76,394	**–**	(1,898)	**451,507**	391,341
Reportable segment operating profit	**81,114**	65,786	**71,001**	35,202	**2,135**	17,872	**154,250**	118,860
Impairment loss of trade receivables	**(6,899)**	–	**(22,173)**	(8,021)	**–**	–	**(29,072)**	(8,021)
Reversal of impairment of trade receivables	**8,403**	4,016	**–**	–	**–**	25,050	**8,403**	29,066
Impairment loss of other receivables	**(20,828)**	–	**–**	–	**–**	–	**(20,828)**	–
Reversal of impairment of other receivables	**15,714**	–	**–**	–	**–**	–	**15,714**	–
Depreciation and amortisation for the year	**3,179**	7,464	**9,902**	10,283	**–**	211	**13,081**	17,958

12. SEGMENT REPORTING (CONTINUED)

(a) Segment results (Continued)

Segment revenue reported above represents revenue generated from external customers. There are no inter-segment sales in the current year (2014: Nil).

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

	2015 RMB'000	2014 RMB'000
Revenue		
Reportable segment total revenue and consolidated revenue	847,726	864,621
Profit		
Reportable segment operating profit	154,250	118,860
Unallocated head office and corporate expenses	(48,402)	(44,479)
Fair value loss on embedded derivatives of unsecured debenture	–	(46)
Loss on redemption of unsecured debenture	(1,868)	–
Other revenue	32,209	25,179
Other net loss	(232)	(3,443)
Finance costs	(27,252)	(78,744)
Share of loss of an associate	(8,000)	–
Consolidated profit before taxation	100,705	17,327

(c) Information from major customers

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

	2015 RMB'000	2014 RMB'000
Third party pharmaceutical promotion and sales segment		
Customer A	246,589	N/A
Customer B	N/A	154,342
Customer C	N/A	125,586
Customer D	N/A	116,017

N/A – not applicable

13. FIXED ASSETS

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

13. FIXED ASSETS (CONTINUED)

	Land and buildings held for use under finance lease RMB'000	Plant and machinery RMB'000	Leasehold improvements RMB'000	Furniture, fixture and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Sub-total RMB'000	Interests in leasehold land held for own use under operating leases RMB'000	Total RMB'000
Cost:									
At 1 January 2014	176,185	47,808	17,089	7,740	6,581	3,957	259,360	16,980	276,340
Exchange adjustments	97	–	9	(14)	4	–	96	–	96
Additions	277	1,989	458	44	–	89,122	91,890	24,800	116,690
Disposals	–	(2,301)	(7,378)	(1,185)	(63)	–	(10,927)	–	(10,927)
At 31 December 2014	176,559	47,496	10,178	6,585	6,522	93,079	340,419	41,780	382,199
Accumulated depreciation and amortisation:									
At 1 January 2014	28,229	18,221	14,483	4,959	4,279	–	70,171	2,162	72,333
Exchange adjustments	46	–	(67)	2	5	–	(14)	–	(14)
Charge for the year	8,022	4,490	2,594	805	640	–	16,551	793	17,344
Written back on disposal	–	(2,069)	(7,378)	(948)	(16)	–	(10,411)	–	(10,411)
At 31 December 2014	36,297	20,642	9,632	4,818	4,908	–	76,297	2,955	79,252
Net book value:									
At 31 December 2014	140,262	26,854	546	1,767	1,614	93,079	264,122	38,825	302,947

(a) Interests in leasehold land held for own use under operating leases represent land use rights under medium term leases in the PRC. As at 31 December 2015, the remaining period of the land use rights ranged from 35 to 48 years (2014: 36 to 49 years).

(b) As at 31 December 2015, certain banking facilities of the Group were secured by an office property of the Group held for own use with a net book value amounting of RMB24,035,000 (2014: RMB24,011,000). Such property is located in Hong Kong under long-term land lease (note 24).

(c) During the year, the Group capitalised borrowing costs amounting to RMB1,374,000 (2014: RMB3,303,000) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of 8.5% (2014: 8.5%) per annum.

(d) The amortisation charges of the lease prepayments during the years ended 31 December 2015 and 2014 are included in "administrative expenses" for RMB323,000 (2014: RMB324,000) in the consolidated income statement. Amortisation included in prepayments for the factory under construction amounted to RMB512,000 (2014: RMB469,000) because the new factory of Jiangsu NT Biopharma Co., Ltd. (泰凌生物製藥江蘇有限公司) has been completed (2014: was still under construction) and is not ready for commercial production as further detailed in note 16(iv) below.

14. INTANGIBLE ASSETS

	Trademarks RMB'000	New medicine protection rights RMB'000	GSP licence RMB'000	Exclusive agency rights RMB'000	Club memberships RMB'000	Computer software RMB'000	Intellectual property rights RMB'000	Total RMB'000
Cost:								
At 1 January 2014	7,283	9,330	7,030	50,000	1,093	5,546	30,500	110,782
Additions	–	–	–	–	–	587	4,218	4,805
Exchange adjustments	–	–	–	–	3	–	–	3
At 31 December 2014 and 1 January 2015	7,283	9,330	7,030	50,000	1,096	6,133	34,718	115,590
Purchase of assets through acquisition of a subsidiary (note 33)							92,883	92,883
Additions	–	–	–	–	–	168	3,824	3,992
Exchange adjustments	–	–	–	–	76	–	–	76
At 31 December 2015	7,283	9,330	7,030	50,000	1,172	6,301	131,425	212,541
Accumulated amortisation and impairment								
At 1 January 2014	5,826	9,330	–	44,167	–	4,230	2,408	65,961
Charge for the year	728	–	–	5,000	–	561	4,816	11,105
At 31 December 2014 and 1 January 2015	6,554	9,330	–	49,167	–	4,791	7,224	77,066
Charge for the year	729	–	–	833	–	488	–	2,050
At 31 December 2015	7,283	9,330	–	50,000	–	5,279	7,224	79,116
Net book value:								
At 31 December 2015	–	–	7,030	–	1,172	1,022	124,201	133,425
At 31 December 2014	729	–	7,030	833	1,096	1,342	27,494	38,524

14. INTANGIBLE ASSETS (CONTINUED)

(a) GSP licence represents protection right of Good Supply Practice Licence issued by Food and Drugs Administration held by NT Tongzhou Pharma (SH) Co., Ltd. with indefinite useful life. Management has assessed the recoverable amount of the GSP licence and determined that the GSP licence had not been impaired as at 31 December 2015 and 2014. At 31 December 2014, the directors were of the opinion that the carrying amount of the GSP licence would be recovered through the future sales of pharmaceutical products to the joint venture established under the agreement made with Sinopharm Nutraceuticals (Shanghai) Co., Ltd dated 2 February 2015.

As disclosed in note 17, based on an agreement dated 21 December 2015, the Group will dispose its equity interest in the associate, upon completion of the contemplated transfer of the GSP licence to the associate at zero consideration for which no agreement has been made at 31 December 2015, to an independent third party at the consideration of USD 5,468,750.

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

(c) Club memberships represent the rights granted to use the club facilities over an indefinite period of time. Accordingly, no amortisation has been charged to profit or loss during the years ended 31 December 2015 and 2014.

(d) Intellectual property rights represent patents, know-how and trademarks in relation to Xi Di Ke and Songzhi Wan ("松梔丸"), which was acquired during the year (note 33). Xi Di Ke is the commercial name of an uroacitides injection formula and a unique national class 1 new drug approved by the SFDA for the treatment of malignant lung and breast tumors. The directors of the Company are of the opinion that the carrying amount of the intellectual property rights will be recovered through expanding sales of the Group's product portfolio and as such, no impairment was considered necessary at both reporting period ends.

At 31 December 2015, the recoverable amount of intellectual property rights has been determined based on a value-in-use calculation with reference to a professional valuation performed by Roma Appraisals Limited ("Roma"), an independent firm of professional and qualified valuers. The calculation uses cash flow projections based on financial budget approved by management covering a five-year period. Cash flows beyond the projection period are extrapolated using an estimated growth rate of 3%, which is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the business in which the Group's intellectual property rights belong to. Roma estimated the discount rate as presented below, using the Capital Asset Pricing Model based on the stock prices of certain comparable companies listed on the Stock Exchange, plus a risk premium to reflect the specific risk of the Group's intellectual property rights.

(Expressed in Renminbi unless otherwise indicated)

14. INTANGIBLE ASSETS (CONTINUED)

(d) (CONTINUED)

	Pre-tax discount rate	Growth rate beyond 5 years
Xi Di Ke	24.23%	3%
Songzhi Wan	20.15%	3%

(e) The amortisation charges during the years ended 31 December 2015 and 2014 are included in "selling and distribution expenses" for RMB1,562,000 (2014: RMB5,728,000) and "administrative expenses" for RMB488,000 (2014: RMB561,000) in the consolidated income statement. As at 31 December 2014, amortisation of intellectual property rights amounted to RMB4,816,000 included in prepayments because the related intellectual property rights were not yet ready for commercial production while the new factory was being under construction. During the year, no amortisation was made on the intellectual property rights which were not yet available for commercial production use pending for the relevant drug manufacturing permit to be approved by the relevant authorities.

15. GOODWILL

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

16. INVESTMENTS IN SUBSIDIARIES

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

			Proportion of ownership interest			
Name of company	Place of incorporation and business	Particulars of issued and paid up/registered capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
NT Pharma (Group) Co., Ltd.	BVI	9 shares of US$1 each	100%	100%	–	Investment holding
Kimford Investment Limited ("Kimford")	BVI	1 share of US$1	100%	–	100%	Investment holding
Goldwise Resources Limited	BVI	1 share of US$1	100%	–	100%	Investment holding
Tai Ning Pharmaceutical (Investment) Company Limited	BVI	1 share of US$1	100%	–	100%	Investment holding
Farbo Investment Limited	BVI	1 share of US$1	100%	–	100%	Investment holding
Humford Investment Limited	BVI	1 share of US$1	100%	–	100%	Investment holding

(Expressed in Renminbi unless otherwise indicated)

16. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

			Proportion of ownership interest			
Name of company	Place of incorporation and business	Particulars of issued and paid up/registered capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Green-Life Healthy Foods (Hong Kong) Company Limited	Hong Kong	1 share	100%	–	100%	Investment holding
NTP (China) Investment Co., Limited	Hong Kong	15,000,000 shares	100%	–	100%	Investment holding
NT Pharma (HK) Limited	Hong Kong	2 shares	100%	–	100%	Trading of prescription medicines
NT Pharma (SH) Co., Ltd. (泰凌醫藥貿易(上海)有限公司) (note (i))	PRC	US$2,000,000	100%	–	100%	Sales of prescription medicines
NT Tongzhou (BJ) Pharma Co., Ltd. (泰凌同舟(北京)醫藥有限公司) (note (i))	PRC	RMB10,000,000	100%	–	100%	Sales of prescription medicines and vaccines
Guangdong NT Pharma Co., Ltd. (廣東泰凌醫藥有限公司) (note (i))	PRC	RMB20,000,000	100%	–	100%	Sales of prescription medicines and vaccines
NT Tongzhou Pharma Consulting (SH) Co., Ltd. (泰凌同舟醫藥諮詢(上海)有限公司) (note (i))	PRC	US$3,370,000	100%	–	100%	Provision of logistics and consulting services
Hainan Tai Ling Medical Information Consulting Co., Ltd. (海南泰靈醫藥信息諮詢有限公司) (note (i))	PRC	RMB100,000,000	100%	–	100%	Sales of vaccines
NT Tongzhou Pharma (SH) Co., Ltd. (泰凌同舟醫藥(上海)有限公司) (note (i))	PRC	RMB50,000,000	100%	–	100%	Sales of prescription medicines and vaccines
Suzhou First Pharmaceutical Co., Ltd. ("Suzhou First Pharma") (蘇州第壹製藥有限公司) (note (i))	PRC	RMB181,625,000	100%	–	100%	Manufacturing of prescription medicines
NT Pharma (China) Co., Ltd. (泰凌醫藥(中國)有限公司) (note (i))	PRC	US$11,851,400	100%	–	100%	Dormant

(Expressed in Renminbi unless otherwise indicated)

16. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

			Proportion of ownership interest			
Name of company	Place of incorporation and business	Particulars of issued and paid up/registered capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
NT Pharma (Jiangsu) Co., Ltd. (泰凌醫藥(江蘇)有限公司) (note (i))	PRC	RMB276,600,000	100%	–	100%	Sales of prescription medicines and vaccines
NT Pharma Information Consulting (SH) Co., Ltd. (泰凌醫藥信息諮詢(上海)有限公司) (note (i))	PRC	US$500,000	100%	–	100%	Provision of consulting services
NT (Jiangsu) Biotechnology Co., Ltd. (泰凌(江蘇)生物科技有限公司) (note (i))	PRC	US$30,070,000	100%	–	100%	Investment holding
NTP (China) Investment Co., Ltd. (泰凌(中國)投資有限公司) (note (i))	PRC	US$30,000,000	100%	–	100%	Provision of consulting services
Jiangsu NT Biopharma Co., Ltd. (泰凌生物製藥江蘇有限公司) (notes (i),(iv))	PRC	RMB112,359,550	100%	–	89%	Research and development of prescription medicines and vaccines
Shanghai Tai Ling Enterprise Management Consulting Co.,Ltd. (上海泰靈企業管理諮詢有限公司) (note (i))	PRC	RMB 2,000,000	100%	–	100%	Provision of consulting services
NT Pharma (Changsha) Co., Ltd (泰凌醫藥(長沙)有限公司) (notes (i), (ii))	PRC	RMB10,000,000	100%	–	100%	Manufacturing of prescription medicines
NT Pharma (Jiangsu) Investment Co., Ltd. (江蘇泰凌投資有限公司) (notes (i), (iii))	PRC	RMB50,000,000	100%	–	100%	Investment holding

Notes:

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

(ii) Acquired during the year.

(iii) Incorporated on 11 August 2015.

16. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Notes:(Continued)

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

According to the agreement, another wholly-owned indirect subsidiary of the Company shall transfer its intellectual property rights and trademark of Xi Di Ke, with carrying amount of RMB31,318,000 (2014: RMB27,494,000) at 31 December 2015, to Jiangsu NT Biopharma Co., Ltd (泰凌生物製藥江蘇有限公司) at no consideration, and which transfer has not yet been completed as at 31 December 2015.

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

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

Other than Jiangsu NT Biopharma Co., Ltd (泰凌生物製藥江蘇有限公司), the Group has no subsidiaries which have material non-controlling interests for the years ended 31 December 2015 and 2014.

17. INTEREST IN AN ASSOCIATE

	2015 RMB'000	2014 RMB'000
At 1 January		
Capital contribution	**8,000**	–
Share of post-acquisition loss	**(8,000)**	–
At 31 December	**–**	–

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

Name of company	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
上海鑫合醫藥有限公司 ("上海鑫合")	PRC	RMB20,000,000	40%	–	40%	Manufacturing of prescription medicines

上海鑫合 was established by the Group with a major distributor in the PRC, being the other investor to this associate, to carry out the manufacturing of prescription medicines activities in the PRC. 上海鑫合is an unlisted corporate entity whose quoted market price is not available.

(b) On 21 December 2015, the Group, together with the other shareholder of the associate, entered into a conditional sale and purchase agreement with an independent third party buyer, pursuant to which, the independent third party buyer has agreed, upon the completion of the contemplated transfer of the Group's GSP licence (note 17) to the associate at zero consideration, to purchase the Group's interest in the associate at the consideration of USD5,468,750. The transactions are not yet completed at the date approval for the consolidated financial statements.

18. INVENTORIES

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

	2015 RMB'000	2014 RMB'000
Raw materials	**13,567**	11,646
Work in progress	**585**	1,442
Finished goods	**160,682**	71,152
	174,834	84,240

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

	2015 RMB'000	2014 RMB'000
Cost of inventories sold (note)	**395,787**	468,608
Write-down of inventory in normal course of business	**432**	4,672
	396,219	473,280

Note:

Cost of inventories sold includes RMB33,214,000 (2014: RMB34,832,000) relating to staff costs, depreciation and amortization expenses, which amount is also included in the respective total amounts disclosed separately for each of these types of expenses in note 7(b) and (c) above, and raw materials of RMB1,872,000 (2014: RMB2,098,000).

19. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2015	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade debtors and bills receivable	**856,831**	851,669	**–**	–
Less: Allowance for doubtful debts (note (b))	**(620,008)**	(599,339)	**–**	–
	236,823	252,330	**–**	–
Deposits, prepayments and other receivables (note (d))	**69,637**	151,294	**612**	534
	306,460	403,624	**612**	534

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

(a) Ageing analysis

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

	2015	2014
	RMB'000	RMB'000
Within 3 months	**198,341**	211,563
More than 3 months but within 6 months	**6,707**	2,465
More than 6 months but within 1 year	**31,775**	20,254
More than 1 year but within 2 years	**–**	18,048
More than 2 years	**–**	–
	236,823	252,330

19. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Ageing analysis (Continued)

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

		2015	
	Non-vaccine RMB'000	**Vaccine RMB'000**	**Total RMB'000**
Not past due	**191,361**	**–**	**191,361**
Less than 3 months past due	**8,776**	**–**	**8,776**
More than 3 months but less than 6 months past due	**32,119**	**–**	**32,119**
More than 6 months but less than 1 year past due	**4,567**	**–**	**4,567**
More than 1 year but less than 2 years past due	**–**	**–**	**–**
	236,823	**–**	**236,823**

		2014	
	Non-vaccine RMB'000	Vaccine RMB'000	Total RMB'000
Not past due	96,924	–	96,924
Less than 3 months past due	118,387	–	118,387
More than 3 months but less than 6 months past due	6,860	–	6,860
More than 6 months but less than 1 year past due	16,220	–	16,220
More than 1 year but less than 2 years past due	13,939	–	13,939
	252,330	–	252,330

Trade debtors are normally due within 30 to 240 days from the date of billing. Further details of the Group's credit policy are set out in note 31(a).

19. TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Impairment of trade debtors

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

	2015 RMB'000	2014 RMB'000
At 1 January	**599,339**	620,384
Impairment loss recognised during the year	**29,072**	8,021
Reversal of impairment	**(8,403)**	(29,066)
At 31 December	**620,008**	599,339
Analysis of allowance for impairment of trade debtors at 31 December		
– Vaccine	**568,703**	577,106
– Non-vaccine	**51,305**	22,233
	620,008	599,339

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

As at 31 December 2015, the Group performed an individual credit evaluation on all vaccine debtors. These evaluations considered the debtor's background, financial strengths, repayment status during and after 2015, and other specific circumstances with the debtors. As a result of the evaluation exercise based on the information available and current circumstances at 31 December 2015, the Group recorded impairment provision of RMB568,703,000 (2014: RMB577,106,000) against the gross receivables balance from customers of the vaccine business which were overdue for more than one year and brought forward from 31 December 2014, and a reversal of impairment of RMB8,403,000 (2014: RMB25,050,000) was credited to the consolidated income statement for the year ended 31 December 2015. In respect of non-vaccine business related trade receivables, allowance for doubtful debts of RMB51,305,000 (2014: RMB22,233,000) was recognised against the gross receivable balance of RMB288,128,000 (2014: RMB274,563,000) as at 31 December 2015 and no reversal of impairment of non-vaccine trade receivables for the year ended 31 December 2015 (2014: reversal of impairment of RMB4,016,000).

As at 31 December 2015, the Group's trade debtors and bill receivables of RMB620,008,000 (2014: RMB599,339,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowance for doubtful debts of RMB29,072,000 (2014: RMB8,021,000) was recognised and charged to the consolidated income statement for the year ended 31 December 2015.

19. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

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

	2015 RMB'000	2014 RMB'000
Neither past due nor impaired	**191,361**	96,924
Less than 3 months past due	**6,406**	99,657
More than 3 months but less than 6 months past due	**5,211**	6,570
More than 6 months past due	**6,481**	27,604
	18,098	133,831
	209,459	230,755

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default. Receivables that were past due but not impaired included balances of RMB18,098,000 (2014: RMB133,831,000) in respect of non-vaccine business. These non-vaccine receivables relate to a number of independent customers that have demonstrated a consistent track record of repayment with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been any significant change in their credit quality and the balances are still considered to be fully recoverable. The non-vaccine receivables that were past due but not impaired represent management's assessment of the recoverability of the individual balances based on information available and current circumstances.

The Group does not hold any collateral over non-vaccine related receivable balances.

(d) Deposits, prepayments and other receivables

	2015 RMB'000	2014 RMB'000
VAT recoverable	**46,916**	55,051
Other receivables, net of allowance for impairment loss (note below)	**9,705**	41,742
Prepayments	**6,147**	6,722
Advances paid to suppliers	**5,066**	44,482
Rental and other deposits	**1,803**	3,297
	69,637	151,294

Note:

At the reporting end, allowance for impairment loss of other receivables amounted to RMB36,277,000 (2014: RMB31,163,000).

19. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

The movement in the allowance for impairment loss of other receivables is as follows:

	2015 RMB'000	2014 RMB'000
At 1 January	**31,163**	31,163
Impairment loss recognised during the year	**20,828**	–
Reversal of impairment	**(15,714)**	–
At 31 December	**36,277**	31,163

20. HELD-TO-MATURITY INVESTMENT

The held-to-maturity investment represented investment in a financial product managed by a bank in the PRC, which was carried at amortised cost and subsequently redeemed on 9 February 2015.

21. PLEDGED BANK DEPOSITS

Bank deposits of the Group of RMB23,389,000 (2014: RMB210,952,000) were pledged to banks to secure certain bank loans (note 24) and bank acceptance bills amounting to RMB7,840,000 (2014: RMB408,080,000) (note 23) as at 31 December 2015.

22. CASH AT BANKS AND IN HAND

	2015 RMB'000	2014 RMB'000
Cash at banks and in hand	**327,995**	346,062

As at 31 December 2015, the Group's cash and bank balances placed with banks in the PRC amounted to RMB138,572,000 (2014: RMB295,962,000). Remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

23. TRADE AND OTHER PAYABLES

	2015 RMB'000	2014 RMB'000
Trade creditors	**15,338**	66,737
Bills payable (note (a))	**7,840**	408,080
Total trade creditors and bills payable (note (b))	**23,178**	474,817
Receipts in advance from customers	**9,859**	16,437
Accrued promotion expenses	**61,318**	51,999
Accrued staff costs	**9,677**	4,904
Consideration payable (note 33)	**35,285**	–
Other payables and accruals	**76,379**	22,244
	215,696	570,401

23. TRADE AND OTHER PAYABLES (CONTINUED)

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

Notes:

(a) As at 31 December 2015, no bills payable were secured by the bank deposits (2014: RMB177,952,000).

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

	2015 RMB'000	2014 RMB'000
Within 3 months	18,031	63,600
More than 3 months but within 6 months	3,592	403,366
More than 6 months but within 1 year	135	469
More than 1 year	1,420	7,382
	23,178	474,817

24. BANK LOANS

As at 31 December 2015, the bank loans comprised:

	2015 RMB'000	2014 RMB'000
Bank loans-repayable within 1 year or on demand		
– Secured	141,170	200,261
– Unsecured	–	–
	141,170	200,261

As at 31 December 2015, the Group had banking facilities of RMB310,000,000 (2014: RMB229,328,000), which were utilised to the extent of RMB141,170,000 (2014: RMB200,261,000). The banking facilities were secured by certain assets of the Group as set out below:

	2015 RMB'000	2014 RMB'000
Fixed assets	24,035	24,011
Pledged bank deposits	–	33,000
	24,035	57,011

As at 31 December 2015, certain banking facilities of the Group amounting to RMBNil (2014: RMB300,000,000) were guaranteed by a company controlled by a municipal government in the PRC. As at 31 December 2015, there is no financial covenant related to the above banking facilities.

Details of the Group's interest rate risk are set out in note 31(c).

25. UNSECURED DEBENTURES

(a) In April 2012, the Group's PRC subsidiary, Suzhou First Pharma joined a "Small and Medium Enterprises of Suzhou Industrial Park Collective Bonds Issuance" project sponsored by a Chinese commercial bank. Under this project, Suzhou First Pharma issued an unsecured debenture of RMB20,000,000 with a maturity period of three years from 27 April 2012 to 26 April 2015. The debenture carried a fixed annual interest rate of 7.5%. The debenture was fully repaid on 26 April 2015.

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

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

	Embedded derivatives at fair value through profit or loss RMB'000	Liability component at amortised cost basis RMB'000	Total RMB'000
At 1 January 2014	3,264	316,309	319,573
Proceeds received	–	(28,500)	(28,500)
Interest charged to profit or loss	–	32,862	32,862
Change in fair value	46	–	46
At 31 December 2014	3,310	320,671	323,981
Analysed as:			
As non-current liabilities	–	–	–
As current liabilities	3,310	320,671	323,981
	3,310	320,671	323,981
At 1 January 2015	**3,310**	**320,671**	**323,981**
Repayment of interest	**–**	**(28,500)**	**(28,500)**
Interest charged to profit or loss	**–**	**2,651**	**2,651**
Loss on redemption	**–**	**1,868**	**1,868**
Redemption	**(3,310)**	**(296,690)**	**(300,000)**
At 31 December 2015	**–**	**–**	**–**

(c) In May 2014, the Group's PRC subsidiary, Suzhou First Pharma issued a RMB120,000,000 non-publicly traded debenture, which is regulated and approved by the Shanghai Stock Exchange, to a qualified institutional investor. The debenture of RMB120,000,000 with a maturity period of two years from 23 May 2014 to 22 May 2016. The debenture carries a fixed annual interest rate of 8.5% per annum and the interest is payable quarterly on 23 February, 23 May, 23 August and 23 November of every year.

26. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2015 RMB'000	2014 RMB'000
Provision for Hong Kong Profits Tax	**2,417**	2,417
Provision for PRC income tax	**16,307**	12,561
	18,724	14,978

(b) Deferred tax assets and liabilities recognised:

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

	Revaluation of assets arising from acquisition of business RMB'000	**Provisions for asset impairment RMB'000**	**Tax losses RMB'000**	**Total RMB'000**
At 1 January 2014	(871)	109,763	–	108,892
Credited/(charged) to profit or loss	255	(13,680)	–	(13,425)
At 31 December 2014	(616)	96,083	–	95,467
At 1 January 2015	**(616)**	**96,083**	**–**	**95,467**
Credited/(charged) to profit or loss	**616**	**(8,338)**	**–**	**(7,722)**
At 31 December 2015	**–**	**87,745**	**–**	**87,745**

Reconciliation to the consolidated statement of financial position

	2015 RMB'000	2014 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**87,745**	96,083
Net deferred tax liabilities recognised in the consolidated statement of financial position	**–**	(616)
	87,745	95,467

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

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 2(s), the Group did not recognise deferred tax assets in respect of unused tax losses of certain subsidiaries amounting to RMB1,333,742,000 (2014: RMB1,216,297,000) and other temporary differences amounting to RMB520,776,000 (2014: RMB494,993,000) as at 31 December 2015. The directors consider it is not probable that future taxable profits will be available to utilise these deferred tax assets. The tax losses will expire in following years:

	2015 **RMB'000**	2014 RMB'000
2015	**43,026**	43,026
2016	**14,561**	14,561
2017	**572,719**	572,719
2018	**480,016**	480,016
2019	**105,975**	105,975
2020	**117,445**	–
	1,333,742	1,216,297

(d) Deferred tax liabilities not recognised

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

As at 31 December 2015, the aggregate amounts of undistributed profits of the Group's PRC subsidiaries in respect of which the Group did not provide for dividend withholding tax were approximately RMB163,571,000 (2014: RMB162,991,000).

27. GOVERNMENT GRANT RECEIVED

During 2014, a sum of RMB22,216,000 was received by the Group from the local PRC government authority "tentatively" (i.e. not yet finalised in 2014) for proposed subsidizing the Group's pharmaceutical business in the designated industrial zone, 泰州醫藥高新技術產業園區, in the PRC. During the year and on 15 June 2015, the final grant agreement was signed by the Group and 泰州醫藥高新技術產業園區管委會 and the nature and terms of the grant had been finalised on 15 June 2015. The government grant is used for supporting enterprises and development of the Group's pharmaceutical business in the zone. There was no condition attached to the grant received. The whole amount of RMB22,216,000 was recognised as government grant and subsidy income for the year ended 31 December 2015.

28. EQUITY-SETTLED SHARE-BASED TRANSACTIONS

Share option schemes

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

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

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

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

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

During the year ended 31 December 2015, the Company granted 18,200,000 (2014: 2,800,000) share options to employees and consultants under the 2014 Share Option Scheme. Each share option entitles the holder to subscribe for one share of US$0.00000008 of the Company at an exercise price of HK$1.23 (2014: HK$1.25).

(Expressed in Renminbi unless otherwise indicated)

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

Share option schemes (Continued)

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

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

(Expressed in Renminbi unless otherwise indicated)

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

Share option schemes (Continued)

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

	2015		2014	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
Outstanding at the beginning of the year	**US$0.18**	**11,624,724**	US$0.20	14,272,068
Exercised during the year	**–**	**–**	US$0.20	–
Forfeited during the year				
– Unvested	**US$0.18**	**–**	US$0.20	–
– Vested	**US$0.18**	**(998,340)**	US$0.20	(5,447,344)
Granted during the year	**US$0.16**	**18,200,000**	US$0.16	2,800,000
Outstanding at the end of the year	**US$0.17**	**28,826,384**	US$0.18	11,624,724
Exercisable at the end of the year	**US$0.17**	**24,815,740**	US$0.18	9,312,224

The share options outstanding at 31 December 2015 under the 2009 Share option Scheme and 2014 Share Option Scheme had exercise price of US$0.20 (2014: US$0.20) and ranged from US$0.16 to US$0.20 (2014: ranged from US$0.16 to US$0.20), respectively and weighted average remaining contractual life of 4 years (2014: 5 years) and 8.5 years (2014: 9.5 years), respectively.

(Expressed in Renminbi unless otherwise indicated)

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

Share option schemes (Continued)

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

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

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

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

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

The Group recognised the total expense of RMB7,441,000 (2014: RMB470,000) in the profit or loss during the year in relation of share options granted by the Company.

(d) *Share award scheme*

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

As at 31 December 2015, the trustee had purchased 7,051,500 shares of the Company at a total cost (including related transaction costs) of RMB11,304,000. No shares had been awarded to eligible employees as at 31 December 2015 under the share award scheme, which had been deducted from the equity.

29. CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

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

The Company

	Share capital RMB'000 (Note 29(c))	Share premium RMB'000 (Note 29(d)(i))	Exchange reserve RMB'000 (Note 29(d)(ii))	Other reserve RMB'000 (Note 29(d)(v))	Capital reserve RMB'000 (Note 29(d)(vi))	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2014	1	933,872	(34,136)	383,379	14,855	(1,124,679)	173,292
Changes in equity for 2014:							
Loss for the year	–	–	–	–	–	(32,566)	(32,566)
Other comprehensive income							
Exchange differences on translation	–	–	293	–	–	–	293
Total comprehensive income	–	–	293	–	–	(32,566)	(32,273)
Share options exercised	–	–	–	–	–	–	–
Equity-settled share-based transactions	–	–	–	–	470	–	470
Forfeiture of share options	–	–	–	–	(5,690)	5,690	–
Balance at 31 December 2014 and 1 January 2015	**1**	**933,872**	**(33,843)**	**383,379**	**9,635**	**(1,151,555)**	**141,489**
Changes in equity for 2015:							
Profit for the year	-	-	-	-	-	(12,129)	(12,129)
Other comprehensive income							
Exchange differences on translation	-	-	40,127	-	-	-	40,127
Total comprehensive income	-	-	40,127	-	-	(12,129)	27,998
Issue of shares, net (notes 29(c)(iii), (iv))	-	553,248	-	-	-	-	553,248
Equity-settled share-based transactions	-	-	-	-	7,441	-	7,441
Shares purchase for share award scheme	-	-	-	-	(11,304)	-	(11,304)
Forfeiture of share options	-	-	-	-	(5,148)	5,148	-
Balance at 31 December 2015	**1**	**1,487,120**	**6,284**	**383,379**	**624**	**(1,158,536)**	**718,872**

29. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Dividend

A dividend of HK$0.01 per ordinary share, totalling approximately HK$15.58 million, is proposed by the board of directors of the Company after the end of the reporting period (2014: Nil). The dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(c) Share capital

A summary of movements in the Company's issued share capital during the years ended 31 December 2015 and 2014 are as follows:

	2015		2014	
	No of shares '000	**RMB'000**	No of shares '000	RMB'000
Ordinary shares, issued and fully paid:				
At 1 January	**1,081,957**	**1**	1,081,957	1
Issue of shares (notes (c)(iii)&(iv))	**476,041**	**–**	–	–
	1,557,998	**1**	1,081,957	1

Notes:

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

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

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

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

29. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves

(i) Share premium

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

(ii) Exchange reserve

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

(iii) Statutory reserve

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

(iv) Merger reserve

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

(v) Other reserve

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

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

(vi) Capital reserve

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

(e) Distributability of reserves

At 31 December 2015, the aggregate amount of reserves available for distribution to the equity holders of the Company was RMB711,963,000 (2014: RMB165,696,000), being the net amount of share premium, other reserves and accumulated losses.

29. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(f) Capital management

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

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

The Group monitors capital with reference to its debt-to-assets ratio. The Group's strategy is to maintain the equity and debt in a balanced position and ensure there is adequate working capital to service its debt obligations. The Group's debt-to-assets ratio, being the Group's total interest-bearing borrowings over its total assets, at 31 December 2015 and 2014 was 18.7% and 44.7% respectively.

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

30. FINANCIAL INSTRUMENTS BY CATEGORIES

	2015 RMB'000	2014 RMB'000
Financial assets		
Held-to-maturity investment	**–**	3,000
Trade and other receivables	**236,823**	252,330
Pledged bank deposits	**23,389**	210,952
Cash and cash equivalents	**327,995**	346,062
	588,207	809,344
Financial liabilities		
At amortised cost:		
Trade and other payables	**215,696**	570,401
Bank loans	**141,170**	200,261
Liability component of unsecured debentures	**120,000**	460,671
	476,866	1,231,333
Carried at fair value through profit or loss:		
Embedded derivatives of unsecured debentures	**–**	3,310

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

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

(a) Credit risk

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

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 to 240 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from non-vaccine and vaccine related trade and other receivables are set out in note 19.

At 31 December 2015, the Group had a certain concentration of credit risk as 40% (2014: 8%) of the total trade receivables were due from the Group's largest customer which is a state-owned leading distributor of pharmaceutical products in the PRC, and 57% (2014: 43%) of the total trade receivables were due from the Group's five largest customers.

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

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

(b) Liquidity risk

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

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

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

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk (Continued)

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

	2014				
	Scheduled undiscounted cash outflow				
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 3 years RMB'000	Total RMB'000	Carrying amount as at 31 December RMB'000
Bank loans	205,414	–	–	205,414	200,261
Unsecured debentures	332,926	124,047	–	456,973	463,981
Trade and other payables	553,964	–	–	553,964	553,964
Total	1,092,304	124,047	–	1,216,351	1,218,206

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

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk

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

(i) Interest rate profile

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

	2015		2014	
	Effective interest rate	Amount RMB'000	Effective interest rate	Amount RMB'000
Fixed rate instruments:				
Bank loans	4.79%-7.20%	130,000	5.60%-7.20%	189,000
Unsecured debentures	8.50%	120,000	7.50%-11.33%	463,981
		250,000		652,981
Less: Pledged bank deposits	2.10%-3.00%	(23,389)	2.08%-3.50%	(210,952)
Cash at banks	0.30%-3.30%	(176,563)	2.75%	(48,020)
Held-to-maturity Investment	–	–	4.90%	(3,000)
		50,048		391,009
Variable rate instruments:				
Bank loans	3.47%	11,170	3.24%	11,261
Less: Cash at banks	0.01%-1.15%	(151,426)	0.01%-1.29%	(298,030)
		(140,256)		(286,769)
Total net interest-bearing assets		(90,208)		104,240

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk (Continued)

(ii) Sensitivity analysis

At 31 December 2015, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's profit after taxation and accumulated losses by approximately RMB1,410,000 (2014: decreased/increased loss after taxation and accumulated losses by RMB2,151,000).

The sensitivity analysis above indicates the annualised impact on the Group's interest expense that would arise assuming that the change in interest rates had occurred at the end of reporting period and had been applied to floating rate instruments which expose the Group to cash flow interest rate risk at that date. The analysis does not take into account exposure to fair value interest rate risk arising from fixed rate instruments as the Group does not hold any fixed rate instruments which are measured at fair value. This analysis has been performed on the same basis for 2014.

(d) Currency risk

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

(i) Exposure to currency risk

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

	Exposure to foreign currencies (expressed in Renminbi)			
	2015		2014	
	USD	**HKD**	USD	HKD
	RMB'000	**RMB'000**	RMB'000	RMB'000
Trade and other receivables	**-**	**749**	–	664
Cash at banks and in hand	**175**	**11,389**	1,052	2,481
Trade and other payables	**-**	**(1,595)**	–	(2,249)
Bank loans	**-**	**(11,170)**	–	(11,261)
	175	**(627)**	1,052	(10,365)

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Currency risk (Continued)

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit or loss after taxation and accumulated losses that would have arisen if foreign exchange rates to which the Group has significant exposure at the end of reporting period had changed at that date, assuming all other risk variables remained constant.

	2015			2014		
	Increase/ (decrease) In foreign exchange rates	Increase/ (decrease) In profit after taxation RMB'000	(Decrease)/ increase in accumulated losses RMB'000	Increase/ (decrease) In foreign exchange rates	Increase/ (decrease) In profit after taxation RMB'000	(Decrease)/ increase in accumulated losses RMB'000
USD	5%	6	6	5%	39	39
	(5%)	(6)	(6)	(5%)	(39)	(39)
HKD	5%	23	23	5%	389	389
	(5%)	(23)	(23)	(5%)	(389)	(389)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the group entities' profit or loss after taxation measured in the respective functional currencies, translated into Renminbi at the exchange rates ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to remeasure those financial instruments held by the Group which expose the Group to currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of non-PRC incorporated subsidiaries into the Group's presentation currency. The analysis has been performed on the same basis for 2014.

The Company has no material foreign currency risk exposure.

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

– Level 3 valuations: Fair value measured using significant unobservable inputs.

The following table presents the Group's liabilities that are measured at fair value as at 31 December 2015:

The Group	**Fair value at 31 December RMB'000**	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
2015				
Liabilities				
– Call options embedded in debenture (note 25 (b))	–	–	–	–
2014				
Liabilities				
– Call options embedded in debenture (note 25 (b))	3,310	–	–	3,310

During the years ended 31 December 2015 and 2014, there were no transfers between instruments in Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement (Continued)

Information about Level 3 fair value measurement

The fair value of call option embedded in debenture is determined using Hull-White Model and the significant unobservable input used in the fair value measurement is yield spread. The fair value measurement is positively correlated to the yield spread. As at 31 December 2014, the yield spread used in the valuation is 6.91%, and it was estimated that with all other variables held constant, an increase/decrease of ten percentage points in the yield spread would have decreased/increased the Group's profit by RMB5,220,000/RMB1,403,000.

The movements during the year ended 31 December 2014, in the balance of the Level 3 fair value measurement for the unsecured debentures are disclosed in note 25 of the total gains or losses for the period included in profit or loss, loss of RMB46,000 related to call options embedded in debenture at the end of the current reporting period. Fair value loss on call options embedded in unsecured debentures are disclosed in the consolidated income statement.

(f) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2014 and 2015.

32. COMMITMENTS

(a) Capital commitments outstanding at 31 December 2015 not provided for in the consolidated financial statements were as follows:

	2015 **RMB'000**	2014 RMB'000
Contracted for		
– property, plant and equipment	**198**	27,944
– investment in a joint venture	**–**	7,500
	198	35,444

(b) At 31 December 2015, the Group had total future minimum lease payments under non-cancellable operating leases payable as follows:

	2015 **RMB'000**	2014 RMB'000
Within 1 year	**5,525**	6,549
After 1 year but within 5 years	**3,376**	3,336
	8,901	9,885

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

33. PURCHASE OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY

On 8 August 2015, the Group entered into two agreements with independent third parties from whom the Group shall acquire 65% and 35% equity interest in Hunan Kexing Jimeng Pharmaceutical Co., Ltd ("Kexing") at the consideration of RMB17,741,000 and RMB45,000,000, respectively. Pursuant to the two agreements, the Group shall also settle liabilities of Kexing of RMB45,796,000, which included a shareholder loan of RMB32,259,000 payable to one of the vendors and a debt of RMB13,537,000 payable to a bank. Kexing's main asset is the patent to a new drug called Songzhi Wan "松栀丸" The purpose of acquisition of Kexing is to enrich the Group's proprietary drug portfolio.

On 16 October 2015, the transfer of 65% equity interest in Kexing to the Group was completed and the Group settled the related consideration of RMB17,741,000. During the year, the Group had settled the specified liabilities of Kexing amounted to RMB45,796,000 stipulated under the agreements. At 31 December 2015, the transfer of 35% equity interest in Kexing was not yet completed. Subsequent to 31 December 2015 and on 6 January 2016, a further 17% equity interest in Kexing was transferred to the Group by a vendor to which the Group made a partial payment of RMB9,714,000 in September 2015. The acquisition had been accounted for as a purchase of assets because, at the date of acquisition, the acquisition did not meet the definition of a business combination. Kexing has not yet commenced commercial production at the date of acquisition and at 31 December 2015. Kexing has obtained the renewed valid drug manufacturing permit from the relevant authorities since 31 December 2015.

The assets acquired and liabilities assumed at the date of acquisition were as follows:

	RMB'000
Net assets acquired	
Property, plant and equipment	10,703
Land use rights	5,974
Intangible asset	92,883
Amount due to a shareholder, specified under one of the agreements	(32,259)
Debt payable to a bank, specified debt under one of the agreements	(13,537)
Other payables	(1,023)
	62,741
Total consideration:	
Cash paid during the year	27,456
Consideration payable to two vendors at 31 December 2015 (note 23)	35,285
	62,741

33. PURCHASE OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY (CONTINUED)

	RMB'000
Analysis of net cash outflows for acquisition of a subsidiary during the year ended 31 December 2015	
Cash consideration paid to vendors	27,456
Settlement of Kexing's liabilities:	
Amount due to a shareholder of Kexing	32,259
Debt payable to a bank	13,537
	73,252

The fair value of the property, plant and equipment, land use rights and intangible asset of Kexing were RMB15,584,000, RMB8,700,000 and RMB111,451,000, respectively, at 16 October 2015 with reference to the valuation report dated 16 March 2016 issued by an independent professional valuer, Roma Appraisals Limited. The directors of the Company considered that there was no material difference in the fair value for these assets between the valuation date and 31 December 2015.

34. MATERIAL RELATED PARTY TRANSACTIONS

During the year ended 31 December 2015, transactions with the following parties were considered to be related party transactions:

Name of related party	Relationship with the Group
Mr. Ng Tit and Ms. Chin Yu	Directors of the Company, beneficial holders of the Company's 37.84% equity interest
NT Holdings	Holding company of the Group prior to the Reorganisation

Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 9 and certain of the highest paid employees as disclosed in note 10, is as follows:

	2015 RMB'000	2014 RMB'000
Short-term employee benefits	13,273	11,789
Post-employment benefits	896	409
Equity-settled share-based payment expenses	4,304	470
	18,473	12,668

The above remuneration is included in "staff costs" (note 7(b)).

35. COMPANY LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2015 RMB'000	2014 RMB'000
Non-current assets			
Interests in subsidiaries, net		**537,247**	93,865
Current assets			
Other receivables		**612**	534
Cash at banks and in hand		**182,657**	48,542
		183,269	49,076
Current liabilities			
Other payables and accruals		**1,644**	1,452
Net current assets		**181,625**	47,624
NET ASSETS		**718,872**	141,489
CAPITAL AND RESERVES			
Share capital		**1**	1
Reserves		**718,871**	141,488
TOTAL EQUITY		**718,872**	141,489

Approved and authorised for issue by the board of directors on 23 March 2016.

Ng Tit
Chairman and Chief Executive Officer

Chin Yu
Director

(Expressed in Renminbi unless otherwise indicated)

36. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

After the end of the reporting period, the board of directors recommended a dividend as further disclosed in note 29(b).

37. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2015

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments and new standards which are not yet effective for the year ended 31 December 2015, and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from contracts with customers[1]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations[2]
Amendments to HKAS 1	Disclosure initiative[2]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation[2]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants[2]
Amendments to HKFRS 10, HKFRS12 and HKAS 28	Investment entities: Applying the consolidation exception[2]
Amendments to HKAS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2016.
3 Effective for annual periods beginning on or after a date to be determined.

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

中国泰凌医药集团有限公司
CHINA NT PHARMA GROUP COMPANY LIMITED