Annual Report 2015

SINO BIOPHARMACEUTICAL LIMITED

中國生物製藥有限公司

(Incorporated in the Cayman Islands with Limited Liability)

(Stock Code: 1177)

Contents

Corporate Profile

Sino Biopharmaceutical Limited (the "Company"), together with its subsidiaries (the "Group"), is an integrated pharmaceutical enterprise. Applying advanced modernized Chinese and biomedical technology, the Group researches, develops, manufactures and markets a vast array of health enhancing modernized Chinese medicines and chemical medicines. The Group's products can be grouped under the two major therapeutic categories of hepatitis and cardio-cerebral diseases. It also actively develops medicines for treating tumors, analgesia, orthopedic diseases, anti-infection, parenteral nutrition, respiratory system diseases, anorectal diseases, diabetes and other diseases to meet the increasing demands of the market, medical practitioners and patients. In order to enhance our sustainable competitiveness, the Group also actively seeks for cooperation with the international enterprises, promote the enlarged healthcare industry strategy, nurture the internet plus business and develop specialty hospitals.

Principal products:

Hepatitis medicines:	Tianqingganmei (Magnesium Isoglycyrrhizinate) injections, Runzhong (Entecavir) dispersible tablets, Mingzheng (Adefovir Dipivoxil) capsules, Tianqingganping (Diammonium Glycyrrhizinate) enteric capsules, Ganlixin (Diammonium Glycyrrhizinate) injections and capsules
Cardio-cerebral medicines:	Yilunping (Irbesartan/Hydrochlorothiazide) tablets, Tuotuo (Rosuvastatin Calcium) tablets, Tianqingning (Hydroxyethylstarch 130) injections
Oncology medicines:	Zhiruo (Palonosetron Hydrochloride) injections, Saiweijian (Raltitrexed) injections, Tianqingyitai (Zolebronate Acid) injections
Orthopedic medicines:	New Ossified Triol capsules, Jiuli (Glucosamine Hydrochloride) tablets
Anti-infectious medicines:	Tiance (Biapenem) injections
Parenteral nutritious medicines:	Xinhaineng (Carbohydrate and Electrolyte) injections, Fenghaineng fructose injections
Respiratory system medicines:	Tianqingsule (Tiotropium Bromide) inhalation powder, Chia Tai Suke (Cefaclor and Bromhexine Hydrochloride) tablets
Anorectal medicines:	Getai (Diosmin) tablets

Products with great potential:

Cardio-cerebral medicines:	Tianqingganan (Glycerin and Fructose) injections
Oncology medicines:	Qingweike (Decitabine for injections), Gelike (Imatinib Mesylate) capsules, Shoufu (Capecitabine) tablets, Yinishu (Dasatinib) tablets
Respiratory system medicines:	Zhongchang (Fudosteine) tablets
Diabetic medicines:	Taibai (Metformin Hydrochloride) sustained release tablets

"Award for Outstanding Chinese Patented Invention" jointly granted by World Intellectual Property Organization and State Intellectual Property Office of the PRC

Forbes Award

Corporate Profile

The medicines which have received Good Manufacturing Practice ("GMP") certifications issued by the State Food and Drug Administration of the PRC are in the following dosage forms: large volume injections, small volume injections, PVC-free soft bags for intravenous injections, capsules, tablets, powdered medicines and granulated medicines. The Group also received the GMP certification for health food in capsules from the Department of Health of Jiangsu Province.

Beijing Tide Pharmaceutical Co. Ltd. ("Beijing Tide"), an associate of the Group, has obtained the renewed GMP certification for foreign pharmaceutical company from the Public Welfare and Health Ministry of Japan in December 2012. Thus, the Japanese pharmaceutical enterprises can assign the manufacturing of aseptic pharmaceutical products (products that are under research and products already launched to the domestic market within Japan) to Beijing Tide for export to Japan.

The Group's several principal subsidiaries: Chia Tai – Tianqing Pharmaceutical Holdings Co. Ltd. ("CT Tianqing"), Nanjing Chia Tai Tianqing Pharmaceutical Co., Ltd. ("NJCTT"), Beijing Chia Tai Green Continent Pharmaceutical Co. Ltd. ("CTGP"), Jiangsu Chia Tai Fenghai Pharmaceutical Co., Ltd. ("Jiangsu Fenghai"), Jiangsu Chia Tai Qingjiang Pharmaceutical Co., Ltd. ("Jiangsu Qingjiang"), Qingdao Chia Tai Haier Pharmaceutical Co., Ltd. ("Qingdao Haier"), Shanghai Tongyong Pharmaceutical Co., Ltd. ("Shanghai Tongyong") and Lianyungang Runzhong Pharmaceutical Co., Ltd. ("LYG Runzhong") have been designated "High and New Technology Enterprises". CT Tianqing was designated "2011 Most Valuable Investment Enterprise of the PRC Pharmaceutical Enterprises" from the PRC Pharmaceutical Industry Information Centre. In addition, NJCTT, Jiangsu Qingjiang and Jiangsu Fenghai have been designated "Engineering Technological Research Centre for treating tumors and cardio-cerebral phytochemistry injections of Jiangsu Province", "Orthopedic Medicines Engineering Technological Research Centre" and "Engineering Technological Research Centre for Anorectal Nutritious Medicines" by The Science and Technology Committee of Jiangsu Province, respectively.

Named by the Ministry of Personnel of the PRC as a "Postdoctoral Research and Development Institute", the research center of CT Tianqing is also the only "New Hepatitis Medicine Research Center" in the country.

In September 2011, CT Tianqing has received the first certificate of new edition GMP (Certificate No. CN20110001) issued by the State Food and Drug Administration of the PRC for its small volume parenteral solution (injection) dosage.

The Company has been selected as a constituent of Hang Seng Composite Industry Index – Consumer Goods and Hang Seng Composite SmallCap Index with effect from 8 March, 2010.

The Company has become a constituent of the MSCI Global Standard Indices' MSCI China Index with effect from the close of trading on 31 May, 2013.

The Group's website: http://www.sinobiopharm.com

Postdoctoral Scientific Research Workshop

GMP certificate for tablets, hard capsules and dry powder inhalers

GMP certificate for small volume parenteral solutions

Corporate Profile

GROUP STRUCTURE OF PRINCIPAL SUBSIDIARIES

Fig.1.1

Sino Biopharmaceutical Limited
(Cayman Islands)

Interest	Company	Place	Business
100%	Chia Tai Pharmaceutical Investment (Beijing) Co., Ltd.	(PRC)	Investment
75%	Beijing Chia Tai Green Continent Pharmaceutical Co., Ltd.	(PRC)	R&D
60%	Jiangsu Runji Investment Co., Ltd.	(PRC)	Investment
55.588%	Jiangsu Chia Tai Qingjiang Pharmaceutical Co., Ltd.	(PRC)	R&D, Manufacture & Sale
55.588%	Jiangsu Chia Tai Qingjiang Medicines Co., Ltd.	(PRC)	Sale & Distribution
51%	China Biotech & Drug Development Limited	(Hong Kong)	R&D
51%	Qingdao Chia Tai Haier Pharmaceutical Co., Ltd.	(PRC)	R&D, Manufacture & Sale
51%	Qingdao Heng Seng Tang Pharmacy Co., Ltd.	(PRC)	Retail
51%	Qingdao Chia Tai Haier Medicines Co., Ltd.	(PRC)	Sale & Distribution
51%	Tianjin Zhenwutang Food Co., Ltd.	(PRC)	Manufacture & Sale
51%	Tianjin Chia Tai Likang Trading Co., Ltd.	(PRC)	Sale & Distribution
46.7%	Chia Tai Shaoyang Orthopedic Hospital	(PRC)	Outpatient & Hospitalization
33%	Zhejiang Tianqing Zhongwei Medicines Co., Ltd.	(PRC)	Sale & Distribution
80.682%	Shanghai Tongyong Pharmaceutical Co., Ltd.	(PRC)	R&D, Manufacture & Sale
80.682%	Shanghai Tongzheng Import Export Co., Ltd.	(PRC)	Sale & Distribution
60.898%	Jiangsu Chia Tai Fenghai Pharmaceutical Co., Ltd.	(PRC)	R&D, Manufacture & Sale
60.898%	Jiangsu Chia Tai Fenghai Medicines Co., Ltd.	(PRC)	Sale & Distribution
60.898%	Nanjing Chia Tai Fenghai Medicines Technology Co., Ltd.	(PRC)	Sale & Distribution
60%	Chia Tai-Tianqing Pharmaceutical Holdings Co., Ltd.	(PRC)	R&D, Manufacture & Sale
60%	Lianyungang Chia Tai Tianqing Medicines Co., Ltd.	(PRC)	Sale & Distribution
60%	Lianyungang Tianrun Pharmacy Ltd.	(PRC)	Retail
60%	Lianyungang Hualing Medicines Technology Co., Ltd.	(PRC)	Manufacture & Sale
60%	Lianyungang Runzhong Pharmaceutical Co., Ltd.	(PRC)	Manufacture & Sale
60%	Nanjing Shunxin Pharmaceutical Co., Ltd.	(PRC)	Manufacture & Sale
55.6%	Nanjing Chia Tai Tianqing Pharmaceutical Co., Ltd.	(PRC)	R&D, Manufacture & Sale
33%	Suzhou Tianqing Xingwei Medicines Co., Ltd.	(PRC)	Sale & Distribution

Financial Summary

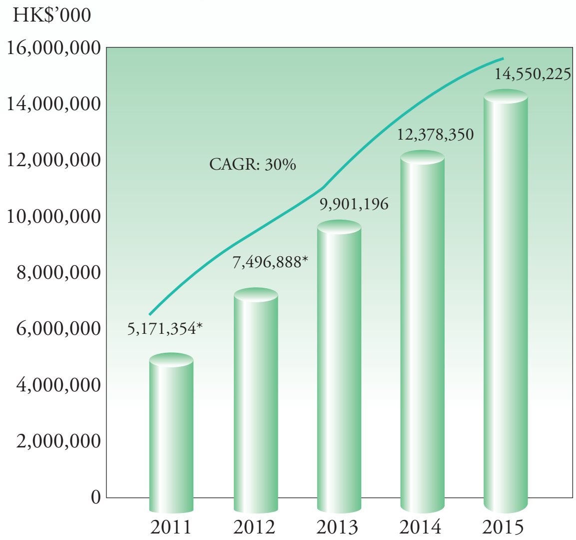
A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out below. This summary does not form part of the audited financial statements.

	2015 HK$'000	2014 HK$'000	2013 HK$'000	2012 HK$'000 *(Restated)*	2011 HK$'000 *(Restated)*
TURNOVER	**14,550,225**	12,378,350	9,901,196	7,496,888	5,171,354
Cost of sales	**(3,249,697)**	(2,920,531)	(2,228,351)	(1,610,587)	(1,170,199)
Gross profit	**11,300,528**	9,457,819	7,672,845	5,886,301	4,001,155
Other income and gains	**391,633**	293,182	188,782	139,253	100,174
Selling and distribution costs	**(5,897,286)**	(5,342,527)	(4,413,986)	(3,322,544)	(2,267,047)
Administrative expenses	**(1,234,046)**	(824,966)	(638,312)	(669,960)	(494,042)
Other operating expenses	**(1,362,387)**	(1,075,997)	(908,321)	(540,972)	(577,592)
Finance costs	**(79,812)**	(43,096)	(2,500)	(9,650)	(11,418)
Share of profits and losses of associates	**325,254**	336,792	238,002	240,179	199,576
PROFIT BEFORE TAX	**3,443,884**	2,801,207	2,136,510	1,722,607	950,806
Income tax expenses	**(532,876)**	(440,153)	(354,551)	(305,135)	(121,567)
PROFIT FOR THE YEAR	**2,911,008**	2,361,054	1,781,959	1,417,472	829,239
Attributable to:					
Owners of the parent	**1,778,692**	1,513,205	1,036,764	890,758	462,801
Non-controlling interests	**1,132,316**	847,849	745,195	526,714	366,438
	2,911,008	2,361,054	1,781,959	1,417,472	829,239
TOTAL ASSETS	**16,482,618**	14,163,941	9,968,867	7,701,178	6,208,864
TOTAL LIABILITIES	**(6,039,573)**	(5,345,645)	(2,743,904)	(1,916,482)	(1,432,499)
NET ASSETS	**10,443,045**	8,818,296	7,224,963	5,784,696	4,776,365
NON-CONTROLLING INTERESTS	**(2,687,157)**	(2,207,654)	(1,737,947)	(1,202,720)	(940,360)

Financial Summary

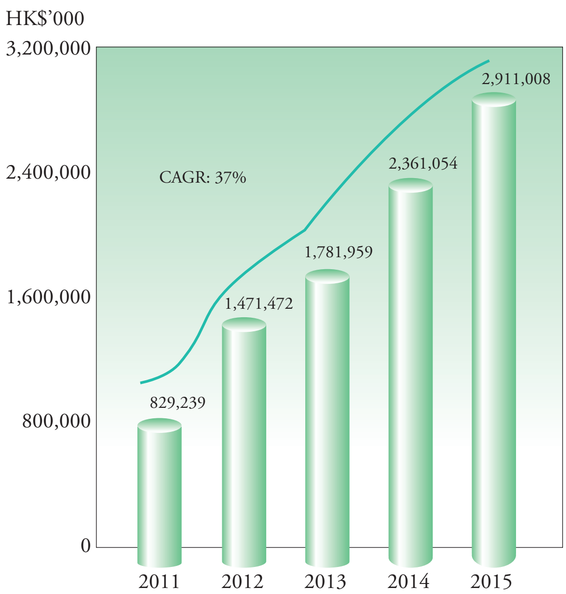
SALES GROWTH

Fig.1.2



GROWTH OF PROFIT

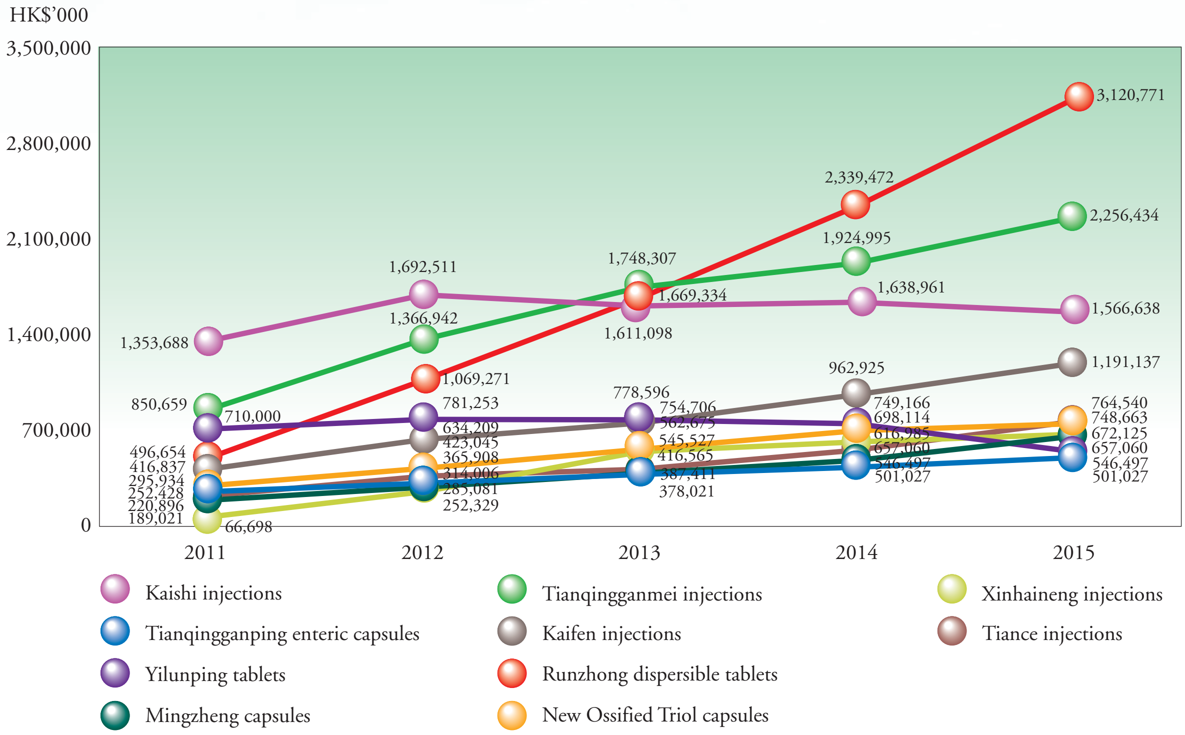
Fig.1.3



* Figures have been restated

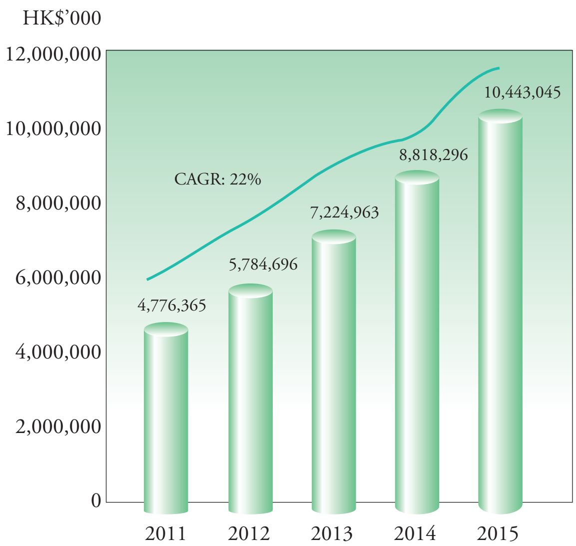
SALES GROWTH OF BLOCKBUSTER PRODUCTS

Fig.1.4



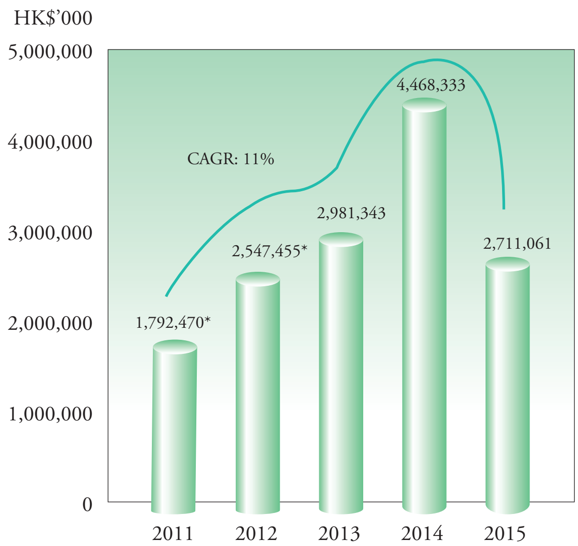
NET ASSET VALUE

Fig.1.5



CASH AND BANK BALANCES

Fig.1.6

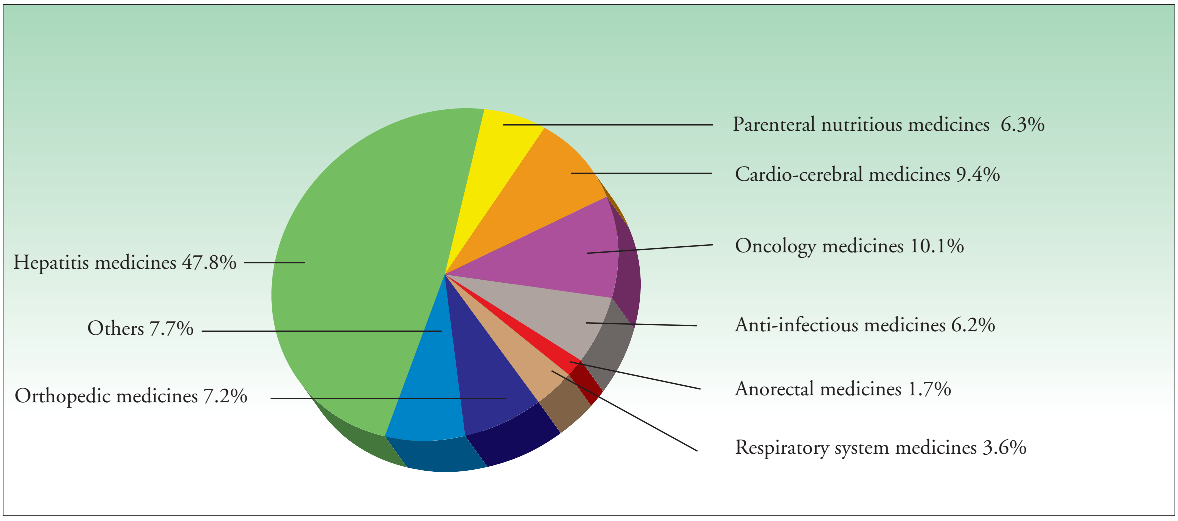


* Figures have been restated

Financial Summary

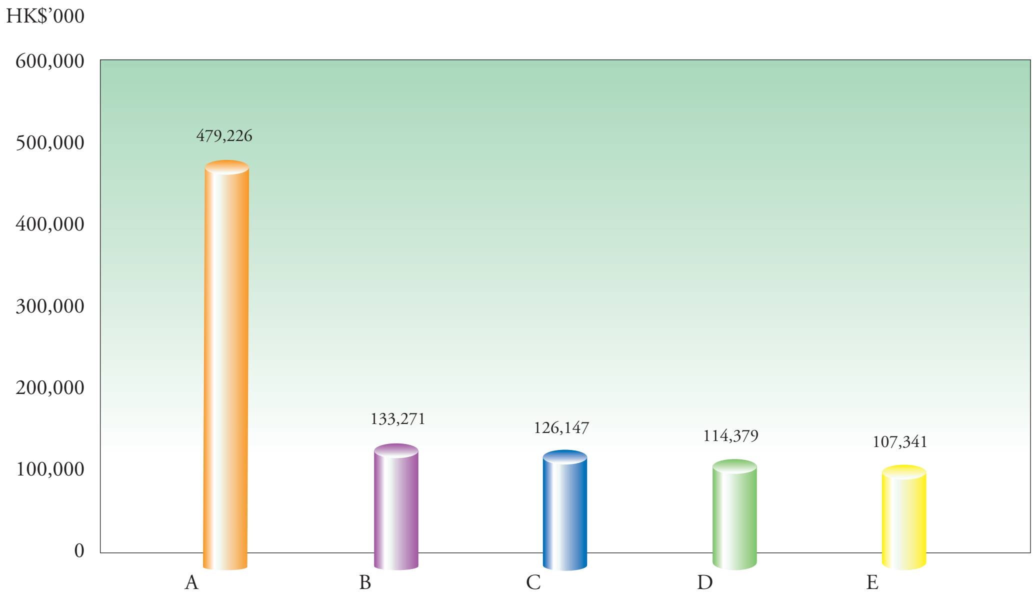
TURNOVER BY THERAPEUTIC CATEGORIES (2015)

Fig.1.7



TURNOVER BY NEW PRODUCTS (2015)

Fig.1.8



A	Tuotuo tablets (launched in 2011), cardio-cerebral medicines
B	Qingweike (Decitabine for injections) (launched in January, 2013), oncology medicines
C	Tianding tablets (launched in April, 2013), hepatitis medicines
D	Gelike capsules (launched in August, 2013), oncology medicines
E	Shufu tablets (launched in February, 2014), oncology medicines

Awards

Corporate Awards

- The Company was selected as a constituent of Hang Seng Composite Industry Index – Consumer Goods and Hang Seng Composite Small Cap Index both with effect from 8 March, 2010
- The Company was awarded "Chinese Outstanding Enterprise Achievement Prize" by the Capital Magazine in May, 2006
- The Company was awarded "Best under a 1 US Billion within the Asia Pacific region in 2005" by Forbes Asia
- The Company was awarded "Hong Kong Outstanding Enterprises 2005" by Economic Digest
- The Company was awarded "Red Herring Small Cap 100" by Red Herring Magazine
- CT Tianqing was designated "2014 Best Industrial Enterprise in the R&D of the Pharmaceutical Product Line in the PRC" by the PRC's Pharmaceutical Industrial Information Centre
- CT Tianqing was designated "State Recognized Enterprise Technological Centre" by State Development Reform Committee, Ministry of Science, Ministry of Finance, Customs Head Office and State Tax Bureau
- CT Tianqing was placed 25th of "2013 Top 100 Pharmaceutical Industrial Enterprises in the PRC" by the Bureau of Medical Statistics of the PRC
- CT Tianqing was awarded "2012 Science and Technology Honor Award in Jiangsu Province" by the Government of People of Jiangsu Province
- NJCTT was designated "Engineering Technological Research Centre for treating tumors and cardio-cerebral phytochemistry injections of Jiangsu Province" by the Science and Technology Committee of Jiangsu Province and Bureau of Finance of Jiangsu Province
- NJCTT was awarded "2014 China Chemical Pharmaceutical Industry Top 100 Industrial Enterprises in respect of comprehensive strength" in Chempharm Annual Summit 2014
- Jiangsu Fenghai was designated "Engineering Technology Centre of Parenteral Nutritious Medicines in Jiangsu Province" by Bureau of Science and Technology of Jiangsu Province and Bureau of Finance of Jiangsu Province
- Jiangsu Qingjiang was designated "Recognized Enterprise Technology Centre in Jiangsu Province" by the Economic and Information Committee of Jiangsu Province, the Development and Reform Committee of Jiangsu Province, Bureau of Science and Technology of Jiangsu Province, Bureau of Finance of Jiangsu Province, State Tax Bureau of Jiangsu Province, Local Tax Bureau of Jiangsu Province and the PRC's Customs of Nanjing
- Qingdao Haier was designated "Qingdao Chemical and Pharmaceutical Engineering Research Centre" by Bureau of Science and Technology of Qingdao City
- Beijing Tide and CTGP were designated "High and New Technology Enterprise" by Beijing Municipal Science and Technology Committee
- Beijing Tide was designated "Pharmaceutical Industry Enterprise (non-listed) with most investment value in the PRC" by the PRC's Pharmaceutical Industry Information Centre
- Beijing Tide was awarded "Drug Delivery System Preparation Technology and R&D Centre of Beijing City" by the Science and Technology Committee of Beijing City
- Beijing Tide was awarded "The Potential Enterprises in the PRC in 2009" by Forbes Asia

Product Awards

- "Tianqingganmei and its production method" received the "The Tenth Chinese Patent Gold medal" jointly granted by World Intellectual Property Organization and State Intellectual Property Office of the PRC
- "Tianqingganmei injections" won the gold medal in "The Third Chinese International Patented and Famous Brands Exhibition" organized by State Intellectual Property Office of the PRC
- "Ganlixin injections and capsules" was commended "People's Safe Medicine Branding" in "Safe Medicine for Everyone", an event jointly organized by Health Times magazine, Health Digest magazine, China Health magazine and People's Health magazine
- "Tianqingganmei injections" received "Scientific and Technological Progress Second Honor Award" from Jiangsu Provincial Government
- "Tianqingganping enteric capsules" was awarded "National Torch Programme Project Certificate" from the PRC's Ministry of Science and Technology
- "Kaishi injections" received "National New Key Product Certificate" jointly awarded from the PRC's Ministry of Science and Technology, the PRC's Ministry of Commerce, the PRC's National General Administration of Quality Supervision, Inspection and Quarantine and the State Environmental Protection Administration of the PRC
- "Kaishi injections" received "Beijing Science and Technology Second Honor Award" from the Beijing Municipal People's Government
- "Entecavir", "Biapenem", "Getai", "Renyi", "Tianqingning" and "Yitong" were granted "High and New Technology Product Confirmation Certificate" by the Bureau of Technology of Jiangsu Province
- "Kaifen injections" received "National New Key Product Certificate" jointly awarded from the PRC's Ministry of Science and Technology, the PRC's Ministry of Commerce, the PRC's National General Administration of Quality Supervision, Inspection and Quarantine and the State Environmental Protection Administration of the PRC
- "Biapenem Raw Material and Powder" received "State Torch Programme Project Certificate" from Torch High and New Technology Industry Development Centre of Ministry of Science and Technology
- "Entecavir Raw Material and Powder" received "State Focus New Product Certificate" from PRC's Ministry of Science and Technology, PRC's Ministry of Environmental Protection, PRC's Ministry of Commerce and State Quality Control and Inspection Bureau

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors (the "Board"), I am pleased to report the results of the Group for the year ended 31 December, 2015.

INDUSTRY REVIEW

In 2015, the global economy had been undergoing intensive adjustment and lacked the momentum of strong recovery. With the ongoing transformation of the economic structure in the PRC, the growth in the traditional economic growth model was slowed down with the Gross Domestic Product recorded a year-on-year growth of 6.9% in 2015. Industry reform measures such as the implementation of medical insurance premium requirements, tendering and price reduction and medical administration had adversely affected sales to the hospitals, the principal end-customers of the Group's pharmaceuticals. However, the influence of these policies on the retail and online sales of pharmaceutical products in the overall pharmaceutical industry was virtually unnoticed. Cost pressure faced by pharmaceutical companies continued to rise due to the impact of the medicine testing and reform, quality consistency assessment and GMP/Good Supply Practice policies. The growth in income of the pharmaceutical industry during the year was slower compared with the previous year. As for the overall situation, the growth of aggregate sale of the industry for the year was also substantially lower than last year.

CT Tianqing's factory

NJCTT's factory

Beijing Tide's factory

CT Tianqing's R&D Centre

BUSINESS REVIEW

During the year under review, measures such as the implementation of medical insurance premium requirements, tendering and price reduction have posed greater sales pressure on companies lacking core competencies. Riding on the research and development ("R&D") capabilities accumulated over the years, the Group has embarked on initiatives complementing the country's medical insurance premium policy and increased its efforts in promoting quality clinical necessities, which enabled it to achieve growth in sales and profits far exceeding the industry average. Among the product sales, Hepatitis medicines including Runzhong and Tianqingganmei maintained stable growth; the new product Tianding registered explosive growth during the year; cardio-cerebral medicines including Tuotuo and Beraprost Sodium have become the new growth drivers of the medicine category; oncology medicines including Qingweike, Gelike, Yinishu and Shoufu showed rapid growth and contributed to the expanding market share; Flurbiprofen cataplasms (high quality dosage form) recorded quick and strong sales growth riding on its increasingly prominent presence in the analgesic and anti-inflammatory field. Among other medicine types, respiratory system medicine Tianqingsule inhalation powder showed higher growth. The Group's subsidiary, CT Tianqing, attained a higher ranking and successfully entered the list of the top 20 in the "List of the Top 100 Enterprises in the PRC Pharmaceutical Industry for 2014" issued by the Pharmaceutical Industry Information Centre of PRC. The Group values talent and has focused on investment in R&D over the years. This constant pursuit has enabled it to demonstrate stronger competitive advantages even as the PRC continues to raise approval and management standards.

In addition to further increasing its investment in R&D, the Group has also actively explored and extended multilateral cooperation with domestic and overseas pharmaceutical companies, R&D institutes and pharmaceutical academic institutions in the areas of products, technology introduction and transfer as well as joint R&D. The Group's subsidiary CT Tianqing has entered into an exclusive license agreement with Janssen Pharmaceuticals Inc. ("Janssen"), a company under Johnson & Johnson in the US, pursuant to which the international development license outside the PRC of a potential new medicine for the treatment of hepatitis has been granted to Janssen, from which the Group may receive an upfront payment and milestone payments amounting to a maximum of US$253 million (approximately RMB1.6 billion) in total, and royalty payments after the medicine is launched on the market.

On the investment side, the Group has continuously focused on seeking for the investment opportunities in enlarged healthcare fields including pharmaceuticals and treatments.

The Group recorded revenue of approximately HK$14,550.23 million during the year under review, an increase of approximately 17.5% over last year. Before and after accounted for unrealized fair value gains and losses of equity investments and financial assets, profit attributable to the Group was approximately HK$1,772.70 million and approximately HK$1,778.69 million, respectively, approximately 20.0% and approximately 17.5% higher than that of last year, respectively. Based on the profit attributable to the Group before and after accounted for unrealized fair value gains and losses of equity investments and financial assets, the basic earnings per share were approximately HK33.83 cents and approximately HK33.95 cents, respectively, approximately 13.1% and approximately 10.9% higher than that of last year, respectively. Cash and bank balances totaled approximately HK$2,711.06 million.

Qingdao Haier's factory


Jiangsu Qingjiang's factory


Jiangsu Fenghai's factory


Shanghai Tongyong's factory


Shaoyang Hospital

Chairman's Statement

The Group continues to focus on developing specialized medicines where its strengths lie so as to build up its brand in specialist therapeutic areas. Leveraging on its existing medicine series for treating hepatitis and cardio-cerebral diseases, the Group also actively develops oncology medicines, analgesic medicines, orthopedic medicines, anti-infectious medicines, parenteral nutritious medicines, respiratory system medicines, anorectal medicines and diabetic medicines, etc.

PROSPECTS

Looking to 2016, structure changes in the industry will continue, driven by the structural adjustment in the domestic economy and structural reform in the supply side. The PRC will also raise its requirements in environmental protection. Deepening reform in public hospitals and the introduction of hierarchical medical systems have also added challenges to the marketing efforts of pharmaceutical companies. More products will face the possibility of price reduction along with the implementation of a new round of tendering in many provinces. The country has also raised the standards in new medicine approvals in order to improve product quality. This move will also gradually eliminate companies lacking core competitiveness and lead to a more healthy development in the industry. The country's supportive policies to integrate pharmaceuticals and treatment with internet technology have also created new development opportunities for the industry.

The Group expects the income from the pharmaceutical industry will continue to experience slower growth in 2016. In spite of this, companies with core competitiveness will be presented with development opportunities across various aspects of their businesses. The Group will endeavor to maintain a leadership position in pharmaceuticals with its growth exceeding that of the industry.

APPRECIATION

On behalf of the Board, I would like to express my gratitude to our shareholders for their trust, support and understanding, as well as to all staff for their dedication and diligence.

NJCTT's production plant for PVC-free large volume injections

CT Tianqing's capsules production line

Beijing Tide's small volume injections production line

Jiangsu Fenghai's R&D Centre

Qingdao Haier's production line

Management Discussion and Analysis

HEPATITIS MEDICINES

For the year ended 31 December, 2015, the sales of hepatitis medicines amounted to approximately HK$6,948.02 million, representing approximately 47.8% of the Group's revenue.

CT Tianqing mainly produces two categories of hepatitis medicines that can protect the liver while lowering enzyme levels and combating hepatitis virus. Ganlixin injections and capsules made with ingredients extracted from Licorice have the dual effects of liver protection and lowering enzyme level. For the year ended 31 December, 2015, its sales amounted to approximately HK$155.70 million. After the expiration of the protection period of the product, many replicas have emerged into the market, resulting in intensified competition. The Group thus developed Tianqingganping enteric capsules with better therapeutic effect than Ganlixin capsules and its intellectual property right being protected. Sales of the medicine continued to increase to approximately HK$501.03 million in the year, representing a growth of approximately 16.1% when compared with last year. In 2005, CT Tianqing launched the patented medicine Tianqingganmei injections, which was made with Isoglycyrrhizinate separated from Licorice. During the year under review, the product has bright prospects and recorded the sales of approximately HK$2,256.43 million, an increase of approximately 17.2% against last year. The Group believes that medicine series made with ingredients extracted from Licorice will help to maintain CT Tianqing's leadership in the market for medicines protecting the liver and lowering enzyme levels.

The Group launched a patented hepatitis medicine called Mingzheng capsules in 2006. As a first-tier synthetic drug for combating hepatitis virus in the international market, the product has been well received by the market since launched with sales increasing rapidly. Mingzheng capsules have become another blockbuster product for combating hepatitis virus. For the year ended 31 December, 2015, its sales amounted to approximately HK$657.06 million.

CT Tianqing's self-developed new medicine for hepatitis B, Runzhong (Entecavir) dispersible tablet, has obtained the new product approval certificate and production approval in February 2010, making CT Tianqing the first pharmaceutical manufacturer to gain the approval for this product in the PRC. The product was launched to the market since March 2010. For the year ended 31 December, 2015, the sales amounted to approximately HK$3,120.77 million, an increase of approximately 33.4% against last year. Runzhong dispersible tablet is the latest generation of guanine nucleoside analogue oral medicine used mainly for the treatment of hepatitis B. It inhibits viral replication and has lower risk of triggering the emergence of medicine-resistant virus. After Entecavir was launched in 2005, the medicine recorded strong sales growth around the world as one of the most efficacious hepatitis B medicines.

CARDIO-CEREBRAL MEDICINES

For the year ended 31 December, 2015, after accounted for certain pharmaceutical products not being consolidated but under the management of the Group, the sales of cardio-cerebral medicines amounted to approximately HK$3,220.39 million, representing approximately 18.1% of the non-Generally Accepted Accounting Practice ("GAAP") adjusted enlarged revenue of the Group. The consolidated sales of cardio-cerebral medicines of the Group amounted to approximately HK$1,372.39 million, representing approximately 9.4% of the Group's revenue.

Dasatinib tablets | Kaishi injections | Spring PVC-free soft bags for intravenous injections | Spring injections | Tianqinganan injections | Tianqingning injections | Tianding (Maleicacid Entecavir) capsules | Yishenjuanbi pills | Runzhong dispersible tablets | Zoledronic acid injections

Management Discussion and Analysis

NJCTT's Tianqingning injections is a plasma-volume expander for patients with blood volume deficiencies. As this product can be used as plasma for all blood types, it has huge market potential. For the year ended 31 December, 2015, the product recorded the sales of approximately HK$184.58 million. The sales of another pharmaceutical product, Yilunping tablets, amounted to approximately HK$546.50 million for the year ended 31 December, 2015, a year-on-year increase of approximately 13.5%. For the year ended 31 December, 2015, the sales of Tuotuo calcium tablets amounted to approximately HK$479.23 million, an year-on-year increase of approximately 40.6%.

Kaishi injections works on the Drug Delivery System (DDS) theory to improve cardio-cerebral micro-circulation blockage. It is the first micro-sphere target sustained release medicine in the PRC. The proprietary pharmaceutical technology used by the Group enhances the product to have more apparent effect than similar products in the market and occupied a substantial portion of market share. It received many awards from various countries since launched and was awarded GMP medicine certification by the Public Welfare and Health Ministry of Japan in February 2008. For the year ended 31 December, 2015, the sales of Kaishi injections amounted to approximately HK$1,566.64 million.

ONCOLOGY MEDICINES

For the year ended 31 December, 2015, the sales of oncology medicines amounted to approximately HK$1,473.88 million, representing approximately 10.1% of the Group's revenue.

Oncology medicines are mainly developed and manufactured by CT Tianqing and NJCTT. For the year ended 31 December, 2015, sales of Zhiruo injections amounted to approximately HK$357.07 million, an increase of approximately 25.9% as compared with last year. The sales of Saiweijian injections amounted to approximately HK$292.86 million during the year under review, an increase of approximately 26.0% as compared with last year. The sales of Tianqingyitai injections amounted to approximately HK$222.43 million during the year under review, an increase of approximately 11.5% as compared with last year. For the year ended 31 December, 2015, the sales of a new product, Qingweike injections, amounted to approximately HK$133.27 million, an increase of 60.5% as compared with last year. Shoufu tablets was launched in February 2014. For the year ended 31 December, 2015, its sales amounted to approximately HK$107.34 million, a significant increase of approximately 137.6% as compared with last year. Sales of Gelike capsules for the year ended 31 December, 2015 amounted to approximately HK$114.38 million, an increase of approximately 69.6% as compared with last year.

ANALGESIC MEDICINES

For the year ended 31 December, 2015, after accounted for certain pharmaceutical products not being consolidated but under the management of the Group, the sales of analgesic medicines amounted to approximately HK$1,421.77 million, representing approximately 8.0% of the non-GAAP adjusted enlarged revenue of the Group.

Launched in 2005, the analgesic medicine Kaifen injections is a Flurbiprofen Axetil microsphere target sustained release analgesic injection produced based on the DDS theory and enabled by advanced target technology. The product is developed and manufactured by Beijing Tide and is famous for strong pain relieving effect with minimal side effects. The sales of the product for the year ended 31 December, 2015 amounted to approximately HK$1,191.14 million, approximately 23.7% higher than that of last year.

Tianqingyitai injections | Renyi injections | Imatinib Mesylate capsules | Taibai sustained release tablets | Yifei injections | Beijia tablets | Tianqingzhengshu tablets | Qingweike (Decitabine for injections) | Ossified Oestriol capsules | Fenghaineng fructose injections

Management Discussion and Analysis

ORTHOPEDIC MEDICINES

For the year ended 31 December, 2015, the sales of orthopedic medicines amounted to approximately HK$1,040.64 million, representing approximately 7.2% of the Group's revenue.

The main product of orthopedic medicines is the new ossified triol capsules. For the year ended 31 December, 2015, its sales amounted to approximately HK$748.66 million, rose by approximately 7.2% as compared with last year. For the year ended 31 December, 2015, the sales of another product, Jiuli tablets, amounted to approximately HK$213.42 million, an increase of approximately 15.0% as compared with last year.

PARENTERAL NUTRITIOUS MEDICINES

For the year ended 31 December, 2015, the sales of parenteral medicines amounted to approximately HK$914.07 million, representing approximately 6.3% of the Group's revenue.

The main product of parenteral nutritious medicines is Xinhaineng injections. For the year ended 31 December, 2015, its sales amounted to approximately HK$672.13 million, an increase by approximately 8.9% as compared with last year. For the year ended 31 December, 2015, the sales of Fenghaineng fructose injections amounted to approximately HK$230.41 million.

ANTI-INFECTIOUS MEDICINES

For the year ended 31 December, 2015, the sales of anti-infectious medicines amounted to approximately HK$906.07 million, representing approximately 6.2% of the Group's revenue.

The main product of anti-infectious medicines is Tiance injections. For the year ended 31 December, 2015, its sales amounted to approximately HK$764.54 million, approximately 37.5% higher than that of last year.

RESPIRATORY SYSTEM MEDICINES

For the year ended 31 December, 2015, the sales of respiratory medicines amounted to approximately HK$528.51 million, representing approximately 3.6% of the Group's revenue.

The main product of respiratory system medicines is Tianqingsule inhalation powder. For the year ended 31 December, 2015, its sales amounted to approximately HK$297.49 million, an increase by approximately 52.3% as compared with last year. For the year ended 31 December, 2015, the sales of another pharmaceutical product, Chia Tai Suke tablets, amounted to approximately HK$147.31 million, an increase of approximately 25.9% as compared with last year.

ANORECTAL MEDICINES

For the year ended 31 December, 2015, the sales of anorectal medicines amounted to approximately HK$253.12 million, representing approximately 1.7% of the Group's revenue.

The main product of anorectal medicines is Getai tablets. For the year ended 31 December, 2015, its sales amounted to approximately HK$183.91 million.

DIABETIC MEDICINES

For the year ended 31 December, 2015, the sales of diabetic medicines amounted to approximately HK$93.14 million, representing approximately 0.6% of the Group's revenue.

Compound Diphenhydramine Liniment | Ganlixin capsules | Ganlixin injections | Tianqingfuxin capsules | Tianqingfuxin injections | Tianqingganping enteric capsules | Tianqingganmei injections | Mingzheng capsules | Saiweijian injections | Flurbiprofen cataplasms

Management Discussion and Analysis

The main diabetic medicine of the Group, Taibai sustained release tablets, which is used for lowering blood sugar level, was developed and manufactured by CT Tianqing. There are more than 90 million diabetics in the PRC and the Metformin Hydrochloride has been identified as a first-tier medicine for lowering blood sugar level. As Taibai sustained release tablets has sustained release capability, it can stabilize a patient's blood sugar level. For the year ended 31 December, 2015, the sales of the product amounted to approximately HK$75.06 million, an increase by approximately 31.2% as compared with last year.

R&D

The Group has continued to focus its R&D efforts on new cardio-cerebral, hepatitis, oncology, analgesic and respiratory system medicines. During the year under review, the Group obtained 2 production approvals, was granted 25 clinical approvals, and made 83 new clinical applications, 23 production applications and 2 production applications after clinical completion. Moreover, a total of 361 pharmaceutical products had obtained clinical approval, or were under clinical trial or applying for production approval. Out of these, 41 were for cardio-cerebral medicines, 18 for hepatitis medicines, 146 for oncology medicines, 21 for respiratory system medicines, 21 for diabetic medicines and 114 for other medicines.

Over the years, the Group has been placing high importance on the development of proprietary innovative medicines and generic drugs by itself, as well as through collaboration and imitation, to raise both R&D standards and efficiency. In light of the fact that R&D continues to be the lifeblood of the Group's development, the Group continues to devote into more resources. For the year ended 31 December, 2015, the R&D expenditure of approximately HK$1,301.96 million, which accounted for approximately 8.9% of the Group's revenue, was charged to the statement of profit or loss.

The Group also places major emphasis on the protection of intellectual property rights. It encourages its enterprises to apply for patent applications as a means to enhance the Group's core competitiveness. During the year under review, the Group has made 205 new patent applications (197 invention patents, 7 utility model patents and 1 apparel design patent) and received 59 patent license notices (48 invention patents, 8 utility model patents and 3 apparel design patents). Altogether, the Group has obtained 445 invention patent approvals, 12 utility model patents and 53 apparel design patents.

INVESTOR RELATIONS

The Group is dedicated to maintaining high standards of corporate governance to ensure its sustainable long-term development. During the year under review, the Group has maintained effective communications with investors via various channels. These communications have facilitated local and overseas investors' understanding of the Group's business and its latest business developments. The Group also understands the importance of good investor relations to corporate management, hence, efforts have also been undertaken to solicit opinions and to obtain pertinent information through regular investor meetings in order to further upgrade its corporate governance standards.

During the year under review, the Group has proactively embarked on a number of initiatives to communicate the latest business information to investors in a timely fashion. It has participated in 12 major investor conferences and roadshows across Europe, the US and Asia. Major events included the "Goldman Sachs Investment Conference", "Morgan Stanley China Investment Summit", "Deutsche Bank 14th Annual Global Emerging Markets One-on-One Conference", "J.P Morgan Healthcare Conference Emerging Markets Track" and "CLSA Healthcare Seminar". Furthermore, the Group has also arranged for a number of factory site visits, teleconferences and one-on-one meetings with international and domestic institutional investors. Altogether, these events have served to increase the knowledge of more than 470 potential major investors about the Group's operations and our latest business developments, thus solidifying the confidence of shareholders, investors and customers in the Group's performance and prospects.

In addition, the Group posts its annual and interim reports, and issues quarterly, interim and annual results announcements, disclosures and circulars on its corporate website as well as on the website of Hong Kong Exchanges and Clearing Limited. The Group also issues corporate announcements in a timely manner to inform shareholders and investors about its latest developments, further facilitating a high degree of transparency.

CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company had complied with all the Code Provisions set out in the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") ("Listing Rules") for the year ended 31 December, 2015 except for Code Provision A.6.7 in relation to the attendance of general meetings by independent non-executive directors ("INEDs"). One INED was unable to attend the annual general meeting of the Company held on 2 June, 2015 and three INEDs were unable to attend the extraordinary general meeting of the Company held on 11 November, 2015 due to other business engagement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the Model Code for Securities Transactions by Directors as set out in Appendix 10 of the Listing Rules (the "Model Code"). Having made specific enquiry of all Directors, it was confirmed that for the year ended 31 December, 2015 all Directors had complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by Directors adopted by the Company.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's liquidity remains strong. During the year under review, the Group's primary source of funds was cash derived from operating activities. As at 31 December, 2015, the Group's cash and bank balances were approximately HK$2,711.06 million (31 December, 2014: approximately HK$4,468.33 million).

CAPITAL STRUCTURE

As at 31 December, 2015, the Group had short term loans of approximately HK$1,419.99 million (31 December, 2014: approximately HK$435.19 million) and had long term loans of approximately HK$306.06 million (31 December, 2014: approximately HK$1,288.60 million).

CHARGE ON ASSETS

As at 31 December, 2015, the Group had the charge on assets of approximately HK$533.72 million (31 December, 2014: approximately HK$52.08 million).

CONTINGENT LIABILITIES

As at 31 December, 2015, the Group and the Company had no material contingent liabilities (31 December, 2014: Nil).

ASSETS AND GEARING RATIO

As at 31 December, 2015, the total assets of the Group amounted to approximately HK$16,482.62 million (31 December, 2014: approximately HK$14,163.94 million) whereas the total liabilities amounted to approximately HK$6,039.57 million (31 December, 2014: approximately HK$5,345.65 million). The gearing ratio (total liabilities over total assets) was approximately 36.6% (31 December, 2014: approximately 37.7%).

EMPLOYEE AND REMUNERATION POLICIES

The Group had 15,259 employees as at 31 December, 2015 and remunerates its employees based on their performance, experience and the prevailing market rates. Other employee benefits include mandatory provident fund, insurance and medical coverage, subsidized training programmes as well as a share option scheme. Total staff cost (including Directors' remuneration) for the year was approximately HK$1,324,068,000 (2014: approximately HK$1,066,406,000).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

Most of the assets and liabilities of the Group were denominated in Renminbi, US dollars and HK dollars. In the PRC, foreign investment enterprises are authorized to convert Renminbi to foreign currency in respect of current account items (including payment of dividend and profit to the foreign joint venture partner). The exchange rate of HK dollars and US dollars is pegged under the fixed linked system over a long period of time. The Directors consider that the Group is not significantly exposed to foreign currency risk and no hedging or other alternatives have been implemented.

INDEPENDENT NON-EXECUTIVE DIRECTORS, AUDIT COMMITTEE AND REVIEW OF RESULTS

The Group has complied with Rules 3.10 and 3.10(A) of the Listing Rules relating to the appointment of a sufficient number of the INEDs and at least an INED with appropriate professional qualifications, or accounting or related financial management expertise. The Company has appointed four INEDs including two with financial management expertise. Details of their biographies will be set out in the 2015 Annual Report of the Company.

The Audit Committee is comprised of three INEDs. It has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the consolidated financial statements of the Company for the year ended 31 December, 2015.

EVENTS AFTER THE REPORTING PERIOD

On 7 January, 2016, the Company entered into a subscription agreement with China Cinda Asset Management Co., Ltd. ("China Cinda"), a company listed on the Stock Exchange, for the subscription of 1,907,845,112 new H shares of China Cinda at the subscription price of RMB2.58 (equivalent to approximately HK$3.05) per subscription share (the "Subscription"). The Subscription was subsequently terminated on 4 February, 2016. For details, please refer to the announcements of the Company dated 7 January, 2016 and 4 February, 2016.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the period from 1 January, 2015 to 31 December, 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Corporate Governance Report

Sino Biopharmaceutical Limited (the "Company") is pleased to present the Corporate Governance Report. The Company is committed to achieving high standards of corporate governance that properly protects and promotes the interests of all shareholders and enhances corporate value and accountability.

For the year ended 31 December, 2015, the Company has applied the principles of and complied with all the Code Provisions set out in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for Code Provision A.6.7 in relation to the attendance of general meetings by independent non-executive directors ("INEDs"). Due to other pre-arranged business engagements, one INED was unable to attend the annual general meeting of the Company held on 2 June, 2015 and three INEDs were unable to attend the extraordinary general meeting of the Company held on 11 November, 2015.

Despite the removal of the requirement for qualified accountant on 1 January, 2009, the Company continues to engage a qualified accountant to oversee its finance, accounting and financial reporting functions.

This report describes our corporate governance code and explains the application of the CG Code and any deviation from the CG Code, if any.

A. BOARD OF DIRECTORS

THE BOARD

The Board is accountable to the shareholders for leadership and control of the Company and is collectively responsible for promoting the success of the Company and its businesses by directing and supervising the Company's affairs. The Board focuses on overall corporate strategies and policies with particular attention paid to the growth and financial performance of the Group.

The Board has determined that certain matters such as strategic planning, significant transactions and annual budget should be retained for the Board's approval. It has formalised the functions reserved to the Board to achieve a clear division of the responsibilities of the Board and the management. The Board has delegated its responsibilities to senior management to deal with day-to-day operations and reviewed those arrangements on a periodic basis. Management then reports back to the Board and obtains prior approval before making decisions for key matters or entering into any material commitments on behalf of the Company. The Board has conducted regular review on the contribution required from a director to performing his/her responsibilities to the Company, and whether he/she is spending sufficient time performing them.

To maximise the efficiency of the Board and to encourage active participation and contribution by Board members, the Board has established an Executive Board Committee (the "EBC"), the Audit Committee (the "AC"), the Remuneration Committee (the "RC") and the Nomination Committee (the "NC") with specific terms of reference, which are on terms no less exacting than those set out in the CG Code, to assist in the execution of their duties. The written terms of reference of each of the committees are reviewed and amended, if necessary, from time to time on the committees' structure, duties and memberships, and have been posted on the websites of the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange").

The Company Secretary and the Qualified Accountant shall, where appropriate and necessary, attend all meetings of the Board/committees to advise on corporate governance, statutory compliance, accounting and financial matters. All directors have access to the Company Secretary who is responsible for the Group's compliance with the continuing obligations of the Listing Rules, Code on Takeover and Mergers and Share Repurchases, Companies Ordinance, Securities and Futures Ordinance and other applicable laws, rules and regulations.

All directors are given the opportunities to include matters to be discussed in the agenda of the Board/committees meetings. The Company Secretary is delegated with the responsibility to prepare the agenda and, where appropriate, take into account any matters proposed by each director/committee member for inclusion in the agenda.

The Board meets regularly and at least four board meetings are scheduled annually at approximately quarterly intervals. Directors are encouraged to participate actively either in person or through electronic means of communications. Ad-hoc meetings are convened when they are considered necessary. During the year ended 31 December, 2015, the Board held four regular meetings for discussion of the Company's financial results. Notices of regular Board/committees meetings were given at least 14 days before the date of meeting. For all other Board/committees meetings, reasonable notices were given.

Other than exceptional circumstances, an agenda accompanied by any related materials are circulated to all directors in a timely manner and at least 3 days before the date of scheduled meeting. Where queries are raised by directors, response should be given as promptly and fully as possible within a reasonable time.

Minutes of the Board/committees meetings are recorded in details for the matters considered by the participants of such meetings and the decisions reached, including concerns raised by directors or dissenting views expressed. Draft and final versions of minutes are circulated to relevant directors or committee members within a reasonable time after the meetings are held and taken as the true records of the proceedings of such meetings. They are kept by the Company Secretary or Secretary of the committees and are open for inspection at any reasonable time on reasonable notice by any director. All directors are entitled to have access to board papers and related materials unless there are legal or regulatory restrictions on disclosure due to regulatory requirements.

Directors are provided with complete and adequate explanation and information to enable them to make an informed decision or assessment of the Group's performance, position and prospects and to discharge their duties and responsibilities on a timely basis. The directors, in order to properly discharge their duties, are given access to independent professional advisers, when necessary, at the expense of the Company.

If a director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will be dealt with by way of a physical Board meeting and the interested director shall not vote nor shall he/she be counted in the quorum present at the relevant meeting. INEDs who have no interests in the transaction shall be present at that Board meeting.

BOARD COMPOSITION

The Board currently consists of a total of eleven directors, including the Chairman, the Chief Executive Officer ("CEO"), five executive directors and four INEDs.

Position		Name
Chairman	:	Miss Tse, Theresa Y Y
Executive directors	:	Mr. Tse Ping
	:	Mr. Xu Xiaoyang (CEO)
	:	Mr. Tse Hsin
	:	Mr. Wang Shanchun
	:	Mr. Tian Zhoushan
	:	Ms. Li Mingqin
INEDs	:	Mr. Lu Zhengfei
	:	Mr. Li Dakui
	:	Ms. Lu Hong
	:	Mr. Zhang Lu Fu

The attributes, skills and expertise among the Board members have a balanced mix of core competencies in areas such as pharmaceutical, accounting and finance, business and management and marketing strategies.

The INEDs meet the requirements of independence under the Listing Rules so that there is a sufficient element of independence in the Board to exercise independent judgements. The Board considers that all of the INEDs are independent and has received from each of them a confirmation of independence as required by the Listing Rules.

The INEDs have the same duties of care and skill and fiduciary duties as the executive directors. The functions of INEDs include, but not limited to:

- participating in Board meetings to bring an independent judgement to bear on issues of corporate strategy, corporate performance, accountability, resources, key appointments and standard of conducts;
- taking the lead where potential conflicts of interests arise;
- serving and actively participating in committees, if invited;
- attending general meetings of the Company, where appropriate, and developing a balanced understanding of the views of shareholders; and
- scrutinising the Group's performance in achieving agreed corporate goals and objectives and monitoring the reporting of results.

CORPORATE GOVERNANCE FUNCTIONS

The Board shall be responsible for the following functions:

- develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- review and monitor the training and continuous professional development of directors and senior management;
- review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- develop and review the code of conduct and compliance manual, if any, applicable to employees and directors;
- review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report;
- do any such things to enable the Board committees to discharge their duties and functions;
- conform to any requirement, direction, and regulation that may from time to time be prescribed by the Board or contained in the constitution of the Company or imposed by legislation; and
- consider and make recommendations on any other corporate governance issues.

CHAIRMAN AND CHIEF EXECUTIVE

The CG Code Provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Miss Tse, Theresa Y Y acts as the Chairman and Mr. Xu Xiaoyang serves as CEO of the Company.

The Chairman is responsible for overseeing the operations of the Board and formulating overall strategies and policies of the Company. The Chairman also seeks to ensure that all directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information in a timely manner.

Miss Tse, Theresa Y Y is the daughter of Mr. Tse Ping and the niece of Mr. Tse Hsin, respectively, both being executive directors of the Company. Save for this, there are no family relationships among members of the Board.

Mr. Xu Xiaoyang is responsible for managing the Group's business and operations. He has no financial, business, family or other material/relevant relationship with other members of the Board and the Chairman.

APPOINTMENT, RE-ELECTION AND REMOVAL

The Company has formal and proper procedure for consideration of the appointment of new directors to the Board and the resignation of any director.

The Articles of Association of the Company provide that (i) one-third of the directors for the time being or, if their number is not a multiple of three, the number nearest to but not less than one-third shall be subject to retirement by rotation provided that every director shall be subject to retirement by rotation at least once every three years; and (ii) the directors to retire by rotation shall include any director who wishes to retire and not to offer himself/herself for re-election. The retiring directors shall be those who have been longest in office since their last re-election or appointment.

Mr. Lu Zhengfei and Mr. Li Dakui were appointed as an INED in November 2005 and September 2004, respectively, and have served the Board for more than nine years. Each of Mr. Lu Zhengfei and Mr. Li Dakui has confirmed his independence pursuant to Rule 3.13 of the Listing Rules. The Board considers that Mr. Lu Zhengfei and Mr. Li Dakui continue to be independent as they have satisfied all the criteria for independence set out in Rule 3.13 of the Listing Rules. Both INEDs will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company, and their respective appointment will be subject to a separate resolution to be approved by the shareholders of the Company in accordance with CG Code Provision A.4.3.

The name and biographical details of the directors who will offer themselves for election or re-election at the forthcoming annual general meeting are set out in a circular accompanying the notice of meeting, which will be despatched together with the annual report, to assist shareholders in making an informed decision on their elections.

TRAINING AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Directors

Each newly appointed director receives comprehensive, formal and tailored induction on the first occasion of his/her appointment, in order to make sure that he/she has appropriate understanding of the business and operations of the Company and is fully aware of his/her responsibilities and obligations under the Listing Rules and other relevant regulatory requirements.

Pursuant to CG Code Provision A.6.5, all directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. During the year under review, all Directors have participated in continuous professional development by reading relevant materials on the topics related to corporate governance and regulations.

Company Secretary

The Company Secretary is responsible for facilitating the Board process, as well as communications among the Board members, shareholders and management. During the year under review, Ms. Leung Sau Fung, Fanny ("Ms. Leung") served as the Company Secretary of the Company until 25 August, 2015, on which date Ms. Leung resigned as Company Secretary and Mr. Chan Oi Nin Derek ("Mr. Chan") was appointed as Company Secretary in place of Ms. Leung, with immediate effect. Mr. Chan is a full time employee of the Company and possesses the professional qualifications as required under Rule 3.28 of the Listing Rules. Biography of Mr. Chan is set out in the section "Directors and Senior Management Profile" of this annual report. Ms. Leung and Mr. Chan have undertaken no less than 15 hours in aggregate of relevant professional training by attending seminars to update their knowledge and skills in compliance with Rule 3.29 of the Listing Rules.

COMMITTEES

The Board has established the AC on 19 September, 2000. The EBC and the RC were established in October, 2005, and the NC was set up on 30 March, 2012.

Executive Board Committee

During the year ended 31 December, 2015, the EBC consisted of Miss Tse, Theresa Y Y as the Chairman and Mr. Tse Ping, Mr. Xu Xiaoyang, Mr. Tse Hsin, Mr. Zhang Baowen, and Ms. Cheng Cheung Ling as members. On 30 June, 2015, Mr. Tse Ping resigned as the Chairman of the EBC but remains as a member of the committee, and Miss Tse, Theresa Y Y was appointed as a member and the Chairman of the EBC. Mr. Zhang Baowen resigned as a member of the EBC on 20 April, 2015. Ms. Cheng Cheung Ling was appointed as a member of the EBC on 20 April, 2015 but subsequently resigned on 26 November, 2015.

The EBC meets as and when required to oversee the day-to-day management of the Group.

All resolutions or recommendations approved by the EBC will be reported to the Board, unless there are legal or regulatory restrictions.

Remuneration Committee

On 20 April, 2015, (i) Mr. Mei Xingbao resigned as the Chairman and a member; (ii) Ms. Li Jun resigned as a member; (iii) Mr. Zhang Lu Fu was appointed as a member and the Chairman; and (iv) Ms. Lu Hong was appointed as a member of the RC. Mr. Lu Zhengfei served as a member of the RC throughout the year under review.

The principal functions of the RC include:

- recommending to the Board on the policies and structure of the remuneration of directors of the Company and senior management of the Group;
- recommending the basis of the remuneration packages of all executive directors and senior management;
- reviewing and approving their performance-based remuneration;
- reviewing the compensation to directors and senior management in connection with any loss or termination of their office or appointment; and
- ensuring no director or any of his/her associates are involved in deciding his/her own remuneration.

The RC held one meeting during the year, with full attendance of its serving members, to discuss and review the basis of the remuneration policies and packages of the directors of the Company and senior management of the Group. The emoluments of directors are determined by reference to the skills, experiences, responsibilities, employment conditions and time-commitment in the Group's affairs and performance of each director as well as salaries paid by comparable companies and the prevailing market conditions.

Information relating to the remuneration of each Director for the year under review is set out in note 8 to the financial statements of this annual report.

Audit Committee

During the year under review, the AC consisted of Mr. Lu Zhengfei (Chairman), Mr. Li Dakui, Ms. Lu Hong, and Ms. Li Jun. Ms Li Jun resigned as a member of the AC while Ms. Lu Hong was appointed as a member of the AC on 20 April, 2015. The members together have sufficient accounting and financial management expertise and legal and business experience to discharge their duties.

The major duties and responsibilities of the AC are set out clearly in its terms of reference, which include:

- considering and recommending the appointment, re-appointment and removal of external auditors;
- approving the remuneration and terms of engagement of external auditors;
- discussing with external auditors the independency and reporting obligations of the auditors and the nature and scope of the audit before the audit commences;
- monitoring integrity of financial statements and reviewing the quarterly, interim and annual financial statements and reports before submission to the Board;
- reviewing the Group's financial controls, internal control and risk management systems;
- considering any findings of major investigations for internal control matters as delegated by the Board or on its own initiative and management's response;
- reviewing external auditors' management letter, or any material queries raised by the auditors to management in respect of the accounting records, financial accounts or systems of control and management's response and ensuring that the Board will provide a timely response to the issues raised; and
- discussing with management and ensuring that management has reviewed if there is adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting functions.

The AC performed the following work during the year under review:

- reviewed and discussed with management and external auditors regarding the financial statements for the year ended 31 December, 2015 and auditors' management letter;
- reviewed with management the unaudited financial statements for the three months ended 31 March, 2015, the six months ended 30 June, 2015, and the nine months ended 30 September, 2015, respectively;
- reviewed the findings and recommendations of the internal audit department on the operations and performance of the Group;
- reviewed the risk management and internal control systems of the Group and the effectiveness of the Group's internal audit function;
- reviewed the external auditors' plan for statutory audit and engagement letter;
- recommended to the Board, for the approval by shareholders, of the re-appointment of the auditors; and
- discussed with management and ensured that the Board had conducted an annual review such that there was adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting functions.

Nomination Committee

During the year under review, the NC consisted of Miss Tse, Theresa Y Y as the Chairman and Mr. Tse Ping, Mr. Lu Zhengfei, Ms. Lu Hong, Mr. Zhang Lu Fu, Ms. Li Jun and Mr. Mei Xingbao as members. On 30 June, 2015, Mr. Tse Ping resigned as the Chairman of the NC but remains as a member of the committee, and Miss Tse, Theresa Y Y was appointed as a member and the Chairman of the NC. Ms. Li Jun and Mr. Mei Xingbao resigned as a member of the NC on 20 April, 2015.

The NC has set out in its terms of reference the major duties and responsibilities as follows:

- formulating a formal and transparent procedure for developing nomination policies for approval by the Board, which shall take into consideration factors such as skills, knowledge, experiences, length of service, description of the role and capabilities required for a particular appointment;
- reviewing the structure, size and composition (including the mix of skills, knowledge, experience and length of service and diversity needed) of the Board at least annually; and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- reviewing the board diversity policy of the Company from time to time to ensure its continuous effectiveness;
- establishing guidelines for the recruitment of the chief executive and senior management staff and identifying leadership needs of and succession planning for the Company in relation to both directors and other senior executives;
- assessing the independence of the INED and review the INEDs' annual confirmations on their independence;
- making recommendations to the Board on the re-appointment of any INED at the conclusion of his/her specified term of office; and
- making recommendations to the Board on matters relating to any actual or potential conflict of interests of directors (including prohibition of voting by the interested director).

During the year under review, no meeting of the NC was held. However, in the Board meeting held on 20 April, 2015 and 30 June, 2015, respectively, the Board had reviewed the structure, size and composition of the Board in accordance with the Company's board diversity policy and the procedures and criteria for nomination and resignation of directors.

BOARD DIVERSITY POLICY

The board diversity policy of the Company sets out the approach for achieving diversity of the Board, including but not limited to the appropriate balance of skills, experience and diversity of perspectives that are required to support the attainment of the Company's strategic objectives and the sustainable development of the Company. It has been established in light of the fact that there is increasing emphasis on diversity as a component for wider and more comprehensive corporate governance framework.

The NC of the Company may make recommendations to the Board for identifying the necessary criteria when considering appointment of new directors of the Company. Selection of appropriate candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on the anticipated merit and contribution that the selected candidate will bring to the Board.

The NC of the Company shall monitor the board diversity policy from time to time and make necessary adjustments such that it best suits the needs of the Company. It will also monitor the implementation of the policy to ensure its continuous effectiveness.

BOARD AND COMMITTEE MEETINGS ATTENDANCE

The Board held four regular meetings in 2015. Details of the attendance of individual director at Board meetings, committee meetings and general meetings during the year under review are set out below:

	Number of meetings attended/held			
Directors	**The Board**	**Audit Committee**	**Remuneration Committee**	**General Meetings**
Executive Directors				
Miss Tse, Theresa Y Y (appointed on 30 June, 2015)	2/2	N/A	N/A	0/1
Mr. Tse Ping	4/4	N/A	N/A	2/2
Mr. Xu Xiaoyang	4/4	N/A	N/A	2/2
Mr. Tse Hsin	4/4	N/A	N/A	2/2
Mr. Wang Shanchun (appointed on 20 April, 2015)	3/3	N/A	N/A	0/2
Mr. Tian Zhoushan (appointed on 20 April, 2015)	3/3	N/A	N/A	0/2
Ms. Li Mingqin (appointed on 20 April, 2015)	3/3	N/A	N/A	1/2
Mr. Zhang Baowen (resigned on 20 April, 2015)	1/1	N/A	N/A	N/A
Ms. Cheng Cheung Ling (resigned on 26 November, 2015)	4/4	N/A	N/A	1/2
Mr. Tao Huiqi (resigned on 20 April, 2015)	1/1	N/A	N/A	N/A
Mr. He Huiyu (resigned on 20 April, 2015)	1/1	N/A	N/A	N/A
Independent Non-Executive Directors				
Mr. Lu Zhengfei	4/4	4/4	1/1	1/2
Mr. Li Dakui	4/4	4/4	N/A	0/2
Ms. Lu Hong (appointed on 20 April, 2015)	3/3	3/3	1/1	1/2
Mr. Zhang Lu Fu (appointed on 20 April, 2015)	3/3	N/A	1/1	2/2
Ms. Li Jun (resigned on 20 April, 2015)	1/1	0/1	N/A	N/A
Mr. Mei Xingbao (resigned on 20 April, 2015)	1/1	N/A	N/A	N/A
Number of meetings	4	4	1	2

SECURITIES TRANSACTIONS BY DIRECTORS AND OFFICERS

The Company has adopted a code of conduct regarding securities transactions by directors and senior management/employees on terms no less exacting than the Model Code for Securities Transactions by Directors as set out in Appendix 10 to the Listing Rules (the “Model Code”).

Having made specific enquiry of all directors, it was confirmed that for the year under review all directors had fully complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company.

Management/employees as defined in the Code who because of their employment possess any inside information at any time are prohibited from dealing in securities of the Company to the same extent as directors.

INSURANCE COVER FOR DIRECTORS’ LIABILITIES

The Company has arranged directors’ and officers’ liability insurance for all directors and senior officers against legal liability arising from their performance of duties. The insurance coverage is reviewed on an annual basis.

REMUNERATION OF SENIOR MANAGEMENT

There were 23 employees being classified as senior management for the year ended 31 December, 2015. The details of the remuneration of senior management were disclosed as below:

	Amount of remuneration for the year				
	Below HK$500,000	HK$500,000 – HK$1,000,000	HK$1,000,001 – HK$1,500,000	Above HK$1,500,000	Total number
Number of senior management	1	5	7	10	23

B. ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING

The Board acknowledges its responsibility for preparing the accounts which give a true and fair view of the state of affairs of the Company and of the Group, with supporting assumptions or qualifications as necessary. The directors also ensure the timely publication of the financial statements of the Company.

The management provides explanation and information to the Board to enable it to make an informed assessment of the financial and other information to be approved.

The Board endeavours to ensure a balanced, clear and understandable assessment of the Group's position and prospects when the Group extends financial reports and other information to general public and regulators pursuant to the Listing Rules and other statutory requirements.

The Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board continues to prepare the financial statements on a going concern basis.

INTERNAL CONTROL

The Board is responsible for managing business and operational risks and maintaining a proper and effective system of internal control to safeguard the Group's assets.

An internal audit department has been established to review major operational and financial systems of the Group on a continuing basis and it aims to cover all significant functions within the Group on a rotational basis. The scope of the internal audit department's review and the audit programmes have been approved by the Audit Committee. The department reports directly to the Audit Committee and the Chairman of the Board, and submits regular reports for their review in accordance with the approved programmes. For the year ended 31 December, 2015, the directors had conducted an annual review of the effectiveness of the Group's system of internal control covering all material controls, including financial, operational, compliance and risk management functions. Based on the results of the review, the directors considered that such system of internal control was effective and adequate.

The Group maintains a centralised cash management system to oversee the Group's investment and borrowing activities.

The Group has established guidelines and procedures for the approval and control of expenditure. Operating expenditures are subject to the overall budget control and are controlled by each business with approval levels for such expenditures being set by reference to each executive's and officer's level of responsibility. Capital expenditures are subject to overall control within the annual budget review and approval process, and more specific control and approval prior to commitment by the directors are required for unbudgeted expenditures.

The Board had also conducted a review of and was satisfied with the findings on the adequacy of resources, qualifications and experience, training programmes and budget of staff of the Group's accounting and financial reporting functions for the year under review.

AUDITORS' REMUNERATION

During the year under review, the remuneration paid to the Group's external auditors is set out as follows:

	Fee paid/payable for the year (HK$'000)
Services rendered	
Audit services	4,661
Non-audit services	38

C. COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company aims to provide its shareholders with high standards of disclosure and financial transparency through the publication of annual and interim reports, quarterly results announcements, other announcements and circulars made through the Company's and Stock Exchange's websites.

The Company has established a comprehensive communication policy with shareholders and shall modify the same from time to time, to best safeguard the interests of shareholders.

The annual general meeting ("AGM") or other general meetings provide a useful forum for shareholders to exchange views with the Board. The Chairman of the Board as well as the Chairmen of the AC and/or RC, or in their absence, members of the committees or senior management of the Company shall be available to answer the shareholders' questions. The Chairman of the independent board committee shall also attend the general meetings for approving a connected transaction or any transaction that is subject to independent shareholders' approval.

During the year under review, at the 2015 AGM, directors including Mr. Tse Ping (the then Chairman of the Board), Mr. Xu Xiaoyang, Ms. Cheng Cheung Ling, Mr. Tse Hsin, Ms. Li Mingqin, Mr. Lu Zhengfei (the Chairman of the AC), Ms. Lu Hong and Mr. Zhang Lu Fu (the Chairman of the RC) were present at the meeting and answered questions raised by shareholders. A representative from the external auditors, Messrs. Ernst & Young, also attended the 2015 AGM and was available to answer shareholders' questions about the conduct of the audit and the preparation and content of the auditors' report. At the 2015 AGM and the other general meeting held during the year under review, all resolutions were passed by way of poll.

Notice of the AGM was sent to shareholders at least 20 clear business days before the meeting and at least 10 clear business days' notice was given for the other general meeting.

SHAREHOLDERS' RIGHT

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

Pursuant to article 58 of the Articles of Association of the Company, the Board may whenever it thinks fit call extraordinary general meetings. Any one or more members of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so 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 the requisitionist(s) by the Company.

ENQUIRIES TO THE BOARD

Enquiries may be put forward to the Board through the Company's registered office at Unit 09, 41st Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.

The Company regularly releases latest corporate news of the Group on its website at http://www.sinobiopharm.com. The public are welcome to give comments and make enquiries through the Company's website.

Report of Directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December, 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 1 to the financial statements.

There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December, 2015 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 57 to 146.

The payment for the first quarter dividend of HK$0.015 per ordinary share, the interim dividend of HK$0.015 per ordinary share, and the third quarter dividend of HK$0.01 per ordinary share totaling HK$222,366,000 was paid during 2015.

The directors recommend the payment of a final dividend of HK1.5 cent per ordinary share in respect of the year ended 31 December, 2015 to shareholders on Wednesday, 13 July, 2016.

The proposal for the distribution of the final dividend above is subject to the consideration and approval of the shareholder at the forthcoming annual general meeting.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed for the following periods:–

(a) For the purpose of determining shareholders who are entitled to attend and vote at the annual general meeting, the register of members of the Company will be closed from Tuesday, 14 June, 2016 to Wednesday, 15 June, 2016, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the attendance and voting at the annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Tricor Tengis Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Monday, 13 June, 2016.

(b) For the purpose of determining shareholders who are qualified for the final dividend, the register of members of the Company will be closed from Thursday, 30 June, 2016 to Monday, 4 July, 2016, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Tricor Tengis Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Wednesday, 29 June, 2016.

BUSINESS REVIEW

A review of the business of the Group and analysis of the Group's performance during the year is provided in the Chairman's Statement and Management's Discussion and Analysis sections on pages 10 to 18 of this annual report.

Report of Directors

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out below. This summary does not form part of the audited financial statements.

	2015 HK$'000	2014 HK$'000	2013 HK$'000	2012 HK$'000 *(Restated)*	2011 HK$'000 *(Restated)*
TURNOVER	14,550,225	12,378,350	9,901,196	7,496,888	5,171,354
Cost of sales	(3,249,697)	(2,920,531)	(2,228,351)	(1,610,587)	(1,170,199)
Gross profit	11,300,528	9,457,819	7,672,845	5,886,301	4,001,155
Other income and gains	391,633	293,182	188,782	139,253	100,174
Selling and distribution costs	(5,897,286)	(5,342,527)	(4,413,986)	(3,322,544)	(2,267,047)
Administrative expenses	(1,234,046)	(824,966)	(638,312)	(669,960)	(494,042)
Other operating expenses	(1,362,387)	(1,075,997)	(908,321)	(540,972)	(577,592)
Finance costs	(79,812)	(43,096)	(2,500)	(9,650)	(11,418)
Share of profits and losses of associates	325,254	336,792	238,002	240,179	199,576
PROFIT BEFORE TAX	3,443,884	2,801,207	2,136,510	1,722,607	950,806
Income tax expenses	(532,876)	(440,153)	(354,551)	(305,135)	(121,567)
PROFIT FOR THE YEAR	2,911,008	2,361,054	1,781,959	1,417,472	829,239
Attributable to:					
Owners of the parent	1,778,692	1,513,205	1,036,764	890,758	462,801
Non-controlling interests	1,132,316	847,849	745,195	526,714	366,438
	2,911,008	2,361,054	1,781,959	1,417,472	829,239
TOTAL ASSETS	16,482,618	14,163,941	9,968,867	7,701,178	6,208,864
TOTAL LIABILITIES	(6,039,573)	(5,345,645)	(2,743,904)	(1,916,482)	(1,432,499)
NET ASSETS	10,443,045	8,818,296	7,224,963	5,784,696	4,776,365
NON-CONTROLLING INTERESTS	(2,687,157)	(2,207,654)	(1,737,947)	(1,202,720)	(940,360)

PROPERTIES, PLANT AND EQUIPMENT

Details of movements in the properties, plant and equipment of the Company and the Group during the year are set out in note 13 to the financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital and share options (if any) during the year, together with the reasons therefor, are set out in notes 32 and 33 to the financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the period from 1 January, 2015 to 31 December, 2015.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in notes 34 and 42 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December, 2015, the Company's reserves, including share premium account, available for cash distribution/or distribution in specie, calculated in accordance with the provisions of the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, and after taking into account for the proposed final dividend of approximately HK$111,183,000 (2014: approximately HK$74,122,000), amounted to approximately HK$2,810,495,000 (2014: approximately HK$2,182,507,000). Under the laws of the Cayman Islands, a company may make distribution to its members out of the share premium account under certain circumstances.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year. Purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, owned more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers.

Report of Directors

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:
Miss Tse, Theresa Y Y (appointed on 30 June, 2015)
Mr. Tse Ping
Mr. Zhang Baowen (resigned on 20 April, 2015)
Mr. Xu Xiaoyang
Ms. Cheng Cheung Ling (resigned on 26 November, 2015)
Mr. Tse Hsin
Mr. Wang Shanchun (appointed on 20 April, 2015)
Mr. Tian Zhoushan (appointed on 20 April, 2015)
Ms. Li Mingqin (appointed on 20 April, 2015)
Mr. Tao Huiqi (resigned on 20 April, 2015)
Mr. He Huiyu (resigned on 20 April, 2015)

Independent non-executive directors:
Mr. Lu Zhengfei
Mr. Li Dakui
Ms. Li Jun (resigned on 20 April, 2015)
Mr. Mei Xingbao (resigned on 20 April, 2015)
Ms. Lu Hong (appointed on 20 April, 2015)
Mr. Zhang Lu Fu (appointed on 20 April, 2015)

In accordance with article 86 of the Company's articles of association, Ms. Tse, Theresa Y Y will hold office until the conclusion of the forthcoming annual general meeting of the Company ("AGM") and, being eligible, offer herself for re- election at the AGM.

In accordance with article 87 of the Company's articles of association, Mr. Xu Xiaoyang and Mr. Tse Hsin will retire by rotation and, being eligible, offer themselves for re-election at the AGM.

Each of the independent non-executive directors is appointed for a term of two years subject to retirement by rotation and re-election at the annual general meeting of the Company, in accordance with the Company's articles of association. Thus, Mr. Lu Zhengfei and Mr. Li Dakui will retire by rotation and, being eligible, offer themselves for re-election at the AGM.

The Company has received from each of the independent non-executive directors an annual confirmation of independence pursuant to the independence guidelines under the Listing Rules and that the Company considers such directors to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 47 to 52 of the annual report.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming AGM has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 38 to the financial statements, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31 December, 2015, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors (the "Model Code") as set out in Appendix 10 of the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in ordinary shares of the Company

		Number of shares held, capacity and nature of interest				
Name of Director	Note	Capacity/ Nature of interest	Directly beneficially owned	Through controlled corporations	Total	Approximate percentage of the Company's issued share capital
Mr. Tse Ping	(1)	Beneficial owner	135,000,000	1,080,626,722	1,215,626,722	16.40%
Mr. Tse Hsin		Beneficial owner	60,498,000	–	60,498,000	0.82%

Note:

(1) Mr. Tse Ping held 1,080,626,722 shares through Validated Profits Limited, the entire issued share capital of which is owned by Mr. Tse Ping.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

Long position in shares of associated corporations of the Company

Name of Director	Name of associated corporation	Note	Capacity	Number of shares	Approximate percentage of shareholding
Mr. Tse Ping	Beijing Tide	(1)	Interest in controlled corporation	288,000,000	57.6%
Mr. Xu Xiaoyang	Qingdao Haier		Beneficial owner	7,560	0.1%
Mr. Tse Hsin	CT Tianqing		Beneficial owner	229,250	0.18%
	NJCTT		Beneficial owner	26,583	0.53%

Note:

(1) Mr. Tse Ping holds interests in France Investment (China 1) Group Limited and Sino Biopharmaceutical Limited, respectively, which indirectly holds interests in Beijing Tide.

Saved as disclosed above, as at 31 December, 2015, none of the Directors and chief executives of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

PERSONS WHO HAVE AN INTEREST AND/OR SHORT POSITION WHICH IS DISCLOSEABLE UNDER THE SECURITIES AND FUTURES ORDINANCE AND SUBSTANTIAL SHAREHOLDERS

As at 31 December, 2015, the following persons (not being a Director or chief executive of the Company) had the following interests and/or short positions in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under to Section 336 of the SFO were as follows:

Interests in shares and/or underlying shares

Name	Notes	Capacity/ Nature of Interest	Number of shares and/or underlying shares of the Company	Approximate percentage of issued share capital of the Company
Validated Profits Limited	(1)	Beneficial owner	1,080,626,722 (L)	14.58%
Chia Tai Bainian Holdings Limited	(2)	Beneficial owner	1,050,000,000 (L)	14.17%
Remarkable Industries Limited	(2)	Beneficial owner	750,000,000 (L)	10.11%
JP Morgan Chase & Co.	(3)	Beneficial owner	54,669,877 (L)	0.74%
			336,000 (S)	0.00%
		Investment manager	217,590,000 (L)	2.93%
		Custodian corporation/ Approved lending agent	176,990,715 (P)	2.39%

Notes:

(1) Validated Profits Limited is an investment holding company wholly-owned by Mr. Tse Ping who is its sole director and a Director.

(2) Each of Chia Tai Bainian Holdings Limited and Remarkable Industries Limited is an investment holding company wholly-owned by Ms. Cheng Cheung Ling who is a director of each of these companies.

(3) These interests were reproduced from the notice of disclosure of interests in the Company filed by JP Morgan Chase & Co. and published on the website of the Stock Exchange as adjusted by the allotment of bonus shares of the Company on 19 November, 2015.

(4) The letter "L" indicates a long position, the letter "S" indicates a short position and the letter "P" indicates interests in a lending pool.

Save as disclosed above, as at 31 December, 2015, no person (not being a Director or chief executive of the Company) had an interest and/or short position in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Saved as disclosed under the heading "Directors and Chief Executives' interests and short positions in share, underlying shares and debentures" above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or their respective spouse or minor children, or were any such rights exercised by them; nor was the Company or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

CONTINUING CONNECTED TRANSACTIONS

During the year, the Group have the following related party transactions, as further detailed in note 38 to the financial statements, which also constituted continuing connected transactions under the Listing Rules:–

On 4 December, 2013, CT Tianqing (a 60% indirectly-owned subsidiary of the Company), as service provider, has entered into the 2013 NJCTT Master Technical Services and Tenancy Agreement with NJCTT (an associate of Jiangsu Agribusiness and a connected person of the Company) for the provision of research and development services for improvement and application of cardio-cerebral medicines for three years from 1 January, 2014 to 31 December, 2016 for an annual cap not exceeding RMB35,500,000 (approximately HK$44,900,000) each year. There are no transactions arising from the 2013 NJCTT Master Technical Services and Tenancy Agreement in 2015 (2014: Nil).

On 4 December, 2013, CT Tianqing (a 60% indirectly-owned subsidiary of the Company), as service provider, has entered into the 2013 JQ Master Technical Services Agreement with Jiangsu Qingjiang (an associate of Jiangsu Agribusiness and a connected person of the Company) for the provision of research and development services for improvement and application of orthopedic medicines for three years from 1 January, 2014 to 31 December, 2016 for an annual cap not exceeding RMB20,000,000 (approximately HK$25,300,000), RMB30,000,000 (approximately HK$37,900,000) and RMB50,000,000 (approximately HK$63,200,000), respectively. There are no transactions arising from the 2013 JQ master Technical Services and Tenancy Agreement in 2015 (2014: Nil).

On 4 December, 2013, Lianyungang Chia Tai Tianqing Medicines Co., Ltd. ("LYG Tianqing") (an indirect non-wholly owned subsidiary of the Company), as the purchaser, has entered into the 2013 NJCTT-LYG Tianqing Master Pharmaceuticals Supply Agreement with NJCTT (an associate of Jiangsu Agribusiness, a 33.5% equityholder of CT Tianqing and a connected person of the Company), as the supplier, for the purchase of cardio-cerebral, digestive system, oncology and anti-infectious medicines for three years from 1 January, 2014 to 31 December, 2016 for an annual cap not exceeding RMB63,300,000 (approximately HK$80,000,000), RMB75,900,000 (approximately HK$95,900,000) and RMB90,900,000 (approximately HK$114,900,000), respectively. The transaction amounted to approximately HK$34,398,000 for the year ended 31 December, 2015 (2014: approximately HK$ 37,158,000) and has been eliminated on consolidation.

On 4 December, 2013, LYG Tianqing (an indirect non-wholly owned subsidiary of the Company), as the purchaser, has entered into the 2013 LYG Tianqing-JF Master Pharmaceuticals Purchase Agreement with Jiangsu Fenghai (an associate of Jiangsu Agribusiness and a connected person of the Company), as the supplier, for the purchase of nutritious, anti-infectious, digestive system, antipsychotic, respiratory system, cardio-cerebral, gynaecology and internal medicines for three years from 1 January, 2014 to 31 December, 2016 for an annual cap not exceeding RMB12,900,000 (approximately HK$16,300,000), RMB15,300,000 (approximately HK$19,300,000) and RMB18,400,000 (approximately HK$23,300,000), respectively. The transaction amounted to approximately HK$14,356,000 for the year ended 31 December, 2015 (2014: approximately HK$ 10,475,000) and has been eliminated on consolidation.

On 4 December, 2013, LYG Tianqing (an indirect non-wholly owned subsidiary of the Company), as the purchaser, has entered into the 2013 LYG Tianqing-JFM Master Pharmaceuticals Purchase Agreement with Jiangsu Chia Tai Fenghai Medicines Co., Ltd. ("Jiangsu Fenghai Medicines") (an associate of Jiangsu Agribusiness and a connected person of the Company), as the supplier, for the purchase of oncology medicines for three years from 1 January, 2014 to 31 December, 2016 for an annual cap not exceeding RMB1,500,000 (approximately HK$1,900,000), RMB2,000,000 (approximately HK$2,500,000) and RMB2,500,000 (approximately HK$3,200,000), respectively. The transaction amounted to approximately HK$1,618,000 for the year ended 31 December, 2015 (2014: approximately HK$ 975,000) and has been eliminated on consolidation.

CONTINUING CONNECTED TRANSACTIONS (continued)

On 4 December, 2013, the Company, as the tenant, has entered into the 2013 Billion Source-Sino Tenancy Agreement with Billion Source Holdings Limited (owned as to 50% by each of Mr. Tse Ping (a director of the Company) and Ms. Cheng Cheung Ling, a connected person of the Company), as the landlord, regarding the letting of premises in Beijing for a term of three years from 1 January, 2014 to 31 December, 2016 for an annual rental not exceeding RMB3,600,000 (approximately HK$4,500,000), RMB3,840,000 (approximately HK$4,900,000) and RMB4,200,000 (approximately HK$5,300,000), respectively. The transaction amounted to approximately HK$4,489,000 for the year ended 31 December, 2015 (2014: approximately HK$4,500,000).

On 4 December, 2013, CT Tianqing (a 60% indirectly-owned subsidiary of the Company), as service provider, has entered into the CT Tianqing Master Entrusted Pharmaceutical Processing Agreement with NJCTT (an associate of Jiangsu Agribusiness, a 33.5% equity holder of CT Tianqing and a connected person of the Company) for the provision of processing of sub-contract production for lyophilized formulation for NJCTT for three years from 1 January, 2014 to 31 December, 2016 for an annual cap not exceeding RMB10,000,000 (approximately HK$12,600,000) each year. The transaction amounted to approximately HK$386,000 for the year ended 31 December, 2015 (2014: approximately HK$3,883,000) and has been eliminated on consolidation.

On 4 December, 2013, CT Tianqing (a 60% indirectly-owned subsidiary of the Company), as the landlord, has entered into the CT Tianqing-Jiangsu Fenghai Tenancy Agreement with Jiangsu Fenghai (an associate of Jiangsu Agribusiness and a connected person of the Company), as the tenant, regarding the leasing of premises and 4 car parking spaces at Nanjing for a term of three years from 1 January, 2014 to 31 December, 2016 for an annual rental not exceeding RMB900,000 (approximately HK$1,100,000) each year. The transaction amounted to approximately HK$580,000 for the year ended 31 December, 2015 (2014: approximately HK$429,000) and has been eliminated on consolidation.

On 4 December, 2013, CT Tianqing (a 60% indirectly-owned subsidiary of the Company), as the landlord, has entered into the Master Technical Services and Tenancy Agreement with NJCTT, as the tenant, regarding the leasing of premises at Nanjing for a term of three years from 1 January, 2014 to 31 December, 2016 for an annual rental not exceeding RMB4,500,000 (approximately HK$5,700,000) each year. The transaction amounted to approximately HK$3,408,000 for the year ended 31 December, 2015 (2014: approximately HK$3,477,000) and has been eliminated on consolidation.

On 4 December, 2013, LYG Runzhong (an indirect non-wholly-owned subsidiary of the Company), as the tenant, has entered into the LYG Hualing-LYG Runzhong Tenancy Agreement with Lianyungang Chia Tai Hualing Pharmaceutical Co., Ltd. ("LYG Hualing") (an associate of Jiangsu Agribusiness and a connected person of the Company), as the landlord, regarding the leasing of industrial complex, roads and facilities at Lianyungang for a term of three years from 1 January, 2014 to 31 December, 2016 for an annual rental not exceeding RMB14,200,000 (approximately HK$17,900,000), RMB15,800,000 (approximately HK$20,000,000) and RMB17,300,000 (approximately HK$21,900,000), respectively. The transaction amounted to approximately HK$12,872,000 for the year ended 31 December, 2015 (2014: approximately HK$9,894,000) and has been eliminated on consolidation.

On 4 December, 2013, Shanghai Tongyong (an indirect non-wholly owned subsidiary of the Company), as the supplier, has entered into the Jiangsu Fenghai Medicines-Shanghai Tongyong Master Pharmaceuticals Purchase Agreement with Jiangsu Fenghai Medicines (an associate of Jiangsu Agribusiness and a connected person of the Company), as the purchaser, regarding the purchase of dermatology medicines for three years from 1 January, 2014 to 31 December, 2016 for an annual cap not exceeding RMB800,000 (approximately HK$1,000,000), RMB1,200,000 (approximately HK$1,500,000) and RMB1,600,000 (approximately HK$2,000,000), respectively. There are no transactions arising from the Jiangsu Fenghai Medicines – Shanghai Tongyong Master Pharmaceutical Purchase Agreement in 2015 (2014: Nil).

CONTINUING CONNECTED TRANSACTIONS (continued)

On 4 December, 2013, LYG Runzhong (an indirect non-wholly owned subsidiary of the Company), as the supplier, has entered into the Jiangsu Fenghai-LYG Runzhong Master Pharmaceuticals Purchase Agreement with Jiangsu Fenghai (an associate of Jiangsu Agribusiness and a connected person of the Company), as the purchaser, for the purchase of raw materials of medicines for treating diarrhea and respiratory system diseases for three years from 1 January, 2014 to 31 December, 2016 for an annual cap not exceeding RMB4,000,000 (approximately HK$5,100,000), RMB5,000,000 (approximately HK$6,300,000) and RMB6,000,000 (approximately HK$7,600,000), respectively. The transaction amounted to approximately HK$567,000 for the year ended 31 December, 2015 (2014: approximately HK$1,174,000) and has been eliminated on consolidation.

On 4 December, 2013, NJCTT (an indirect non-wholly owned subsidiary of the Company), as the purchaser, has entered into the NJCTT-LYG Runzhong Master Pharmaceuticals Purchase Agreement with LYG Runzhong (an associate of Jiangsu Agribusiness and a connected person of the Company), as the supplier, for the purchase of medicines for treating cardio-cerebral diseases, oncology and anorectal diseases for three years from 1 January, 2014 to 31 December, 2016 for an annual cap not exceeding RMB40,000,000 (approximately HK$50,500,000), RMB56,000,000 (approximately HK$70,800,000) and RMB78,400,000 (approximately HK$99,100,000), respectively. The transaction amounted to approximately HK$19,007,000 for the year ended 31 December, 2015 (2014: approximately HK$22,501,000) and has been eliminated on consolidation.

On 4 December, 2013, NJCTT (an indirect non-wholly owned subsidiary of the Company), as the purchaser, has entered into the NJCTT-Jiangsu Qingjiang Master Pharmaceuticals Purchase Agreement with Jiangsu Qingjiang (an associate of Jiangsu Agribusiness and a connected person of the Company), as the supplier, for the purchase of raw materials of oncology medicines for three years from 1 January, 2014 to 31 December, 2016 for an annual cap not exceeding RMB2,000,000 (approximately HK$2,500,000), RMB3,000,000 (approximately HK$3,800,000) and RMB4,000,000 (approximately HK$5,100,000), respectively. The transaction amounted to approximately HK$2,657,000 for the year ended 31 December, 2015 (2014: approximately HK$602,000) and has been eliminated on consolidation.

On 4 December, 2013, LYG Tianqing (an indirect non-wholly owned subsidiary of the Company), as the purchaser, has entered into the LYG Tianqing-Jiangsu Qingjiang Master Pharmaceuticals Purchase Agreement with Jiangsu Qingjiang (an associate of Jiangsu Agribusiness and a connected person of the Company), as the supplier, for the purchase of cardio-cerebral, respiratory system and orthopedic medicines for three years from 1 January, 2014 to 31 December, 2016 for an annual cap not exceeding RMB3,300,000 (approximately HK$4,200,000), RMB4,000,000 (approximately HK$5,100,000) and RMB4,800,000 (approximately HK$6,100,000), respectively. The transaction amounted to approximately HK$802,000 for the year ended 31 December, 2015 (2014: approximately HK$3,448,000) and has been eliminated on consolidation.

On 4 December, 2013, Suzhou Tianqing Xingwei Medicines Co., Ltd. ("Suzhou Xingwei") (an indirect non-wholly owned subsidiary of the Company), as the purchaser, has entered into the Suzhou Xingwei-Jiangsu Fenghai Master Pharmaceuticals Purchase Agreement with Jiangsu Fenghai (an associate of Jiangsu Agribusiness and a connected person of the Company), as the supplier, for the purchase of infusion solution including mainly invert sugar for three years from 1 January, 2014 to 31 December, 2016 for an annual cap not exceeding RMB10,000,000 (approximately HK$12,600,000), RMB13,000,000 (approximately HK$16,400,000) and RMB16,900,000 (approximately HK$21,400,000), respectively. The transaction amounted to approximately HK$3,316,000 for the year ended 31 December, 2015 (2014: approximately HK$1,427,000) and has been eliminated on consolidation.

On 4 December, 2013, Suzhou Xingwei (an indirect non-wholly owned subsidiary of the Company), as the purchaser, has entered into the Suzhou Xingwei-Jiangsu Qingjiang Master Pharmaceuticals Purchase Agreement with Jiangsu Qingjiang (an associate of Jiangsu Agribusiness and a connected person of the Company), as the supplier, for the purchase of anti-infectious and endocrinal medicines for three years from 1 January, 2014 to 31 December, 2016 for an annual cap not exceeding RMB10,000,000 (approximately HK$12,600,000), RMB13,000,000 (approximately HK$16,400,000) and RMB16,900,000 (approximately HK$21,400,000), respectively. There are no transactions arising from the Jiangsu Fenghai Medicines – Shanghai Tongyong Master Pharmaceutical Purchase Agreement in 2015 (2014: Nil).

CONTINUING CONNECTED TRANSACTIONS (continued)

On 4 December, 2013, Suzhou Xingwei (an indirect non-wholly owned subsidiary of the Company), as the purchaser, has entered into the Suzhou Xingwei-LYG Tianqing Master Pharmaceuticals Purchase Agreement with LYG Tianqing (an associate of Jiangsu Agribusiness and a connected person of the Company), as the supplier, for the purchase of hepatitis, oncology, anti-infectious, diabetes, respiratory system and osteoporosis medicines for three years from 1 January, 2014 to 31 December, 2016 for an annual cap not exceeding RMB156,000,000 (approximately HK$197,100,000), RMB202,800,000 (approximately HK$256,300,000) and RMB255,000,000 (approximately HK$322,200,000), respectively. The transaction amounted to approximately HK$214,902,000 for the year ended 31 December, 2015 (2014: approximately HK$153,941,000) and has been eliminated on consolidation.

On 4 December, 2013, Suzhou Xingwei (an indirect non-wholly owned subsidiary of the Company), as the purchaser, has entered into the Suzhou Xingwei-NJCTT Master Pharmaceuticals Purchase Agreement with NJCTT (an associate of Jiangsu Agribusiness and a connected person of the Company), as the supplier, for the purchase of cardio-cerebral, anti-infectious, digestive system, oncology and anti-cardiac failure medicines for three years from 1 January, 2014 to 31 December, 2016 for an annual cap not exceeding RMB20,000,000 (approximately HK$25,300,000), RMB26,000,000 (approximately HK$32,900,000) and RMB33,800,000 (approximately HK$42,700,000), respectively. The transaction amounted to approximately HK$21,512,000 for the year ended 31 December, 2015 (2014: approximately HK$11,523,000) and has been eliminated on consolidation.

On 4 December, 2013, NJCTT (an indirect non-wholly-owned subsidiary of the Company), as the supplier, has entered into the NJCTT-Jiangsu Fenghai Medicines Master Pharmaceuticals Supply Agreement with Jiangsu Fenghai Medicines (an associate of Jiangsu Agribusiness), as the purchaser, for the supply of cardio-cerebral, anti-infectious, digestive system, oncology and anti-cardiac failure medicines for three years from 1 January, 2014 to 31 December, 2016 for an annual cap not exceeding RMB9,600,000 (approximately HK$12,100,000), RMB11,600,000 (approximately HK$14,700,000) and RMB15,000,000 (approximately HK$19,000,000), respectively. The transaction amounted to approximately HK$4,086,000 for the year ended 31 December, 2015 (2014: approximately HK$3,950,000) and has been eliminated on consolidation.

On 4 December, 2013, Chia Tai Shaoyang Orthopedic Hospital ("Shaoyang Hospital") (an indirect non-wholly owned subsidiary of the Company), as the purchaser, has entered into the NJCTT-Shaoyang Hospital Master Pharmaceuticals Supply Agreement with NJCTT (an associate of Jiangsu Agribusiness and a connected person of the Company), as the supplier, for the supply of cardio-cerebral, anti-infectious, digestive system, oncology and anti-cardiac failure medicines for three years from 1 January, 2014 to 31 December, 2016 for an annual cap not exceeding RMB2,000,000 (approximately HK$2,500,000), RMB2,600,000 (approximately HK$3,300,000) and RMB3,500,000 (approximately HK$4,400,000), respectively. The transaction amounted to approximately HK$2,909,000 for the year ended 31 December, 2015 (2014: approximately HK$1,966,000) and has been eliminated on consolidation.

On 4 December, 2013, the Company, as the tenant, has entered into the Sino-Ledo Properties Tenancy Agreement with Ledo Properties Ltd. (held as to 99% by Ms. Cheng, a connected person of the Company), as the landlord, regarding the letting of the premises in Hong Kong for a term of three years from 1 January, 2014 to 31 December, 2016 for an annual rental not exceeding HK$1,200,000, HK$1,440,000 and HK$1,800,000, respectively. The transaction amounted to HK$1,200,000 for the year ended 31 December, 2015 (2014: HK$1,200,000).

On 4 December, 2013, LYG Runzhong (an indirect non-wholly owned subsidiary of the Company), as the purchaser, has entered into the LYG Hualing-LYG Runzhong Master Pharmaceuticals Supply Agreement with LYG Hualing (an associate of Jiangsu Agribusiness and a connected person of the Company), as the supplier, for the supply of raw materials of anti-infectious medicines for three years from 1 January, 2014 to 31 December, 2016 for an annual cap not exceeding RMB32,300,000 (approximately HK$40,800,000), RMB36,500,000 (approximately HK$46,100,000) and RMB39,600,000 (approximately HK$50,000,000), respectively. The transaction amounted to approximately HK$32,493,000 for the year ended 31 December, 2015 (2014: approximately HK$22,009,000) and has been eliminated on consolidation.

CONTINUING CONNECTED TRANSACTIONS (continued)

On 4 December, 2013, Chia Tai Pharmaceutical Investment (Beijing) Co., Ltd. ("CTP Investment") (a wholly-owned subsidiary of the Company), as service provider, has entered into the CTOCRD Master Consultancy Services Agreement with Chia Tai Oversea Chinese Realty Development Co., Ltd. ("CTOCRD") (an associate of the Chearavanont Shareholders and a connected person of the Company) for the provision of consultancy services in relation to corporate management, information technology, financial, internal control and human resources matters for three years from 1 January, 2014 to 31 December, 2016 for an annual cap not exceeding RMB6,000,000 (approximately HK$7,600,000) each year. The transaction amounted to approximately HK$6,983,000 for the year ended 31 December, 2015 (2014: approximately HK$7,124,000).

* The exchange rates used for the conversion of RMB into Hong Kong dollars represented the exchanged rates on the dates of the respective announcements.

The independent non-executive directors have reviewed the transactions and confirmed to the Board of Directors that, in their opinion, the transactions, and the arrangements governing those transactions, are entered into by the relevant members of the Group in the ordinary and usual course of business and on normal commercial terms, and are fair and reasonable so far as the shareholders of the Company are concerned and in the interests of the shareholders of the Company as a whole.

Messrs Ernst & Young, the auditors of the Company have confirmed that the continuing connected transactions as stated above (i) have received the approval of the Board of Directors of the Company; (ii) are in accordance with the pricing policies of the Company and have been entered into in accordance with the relevant agreements governing the transactions; and (iii) have not exceeded the respective caps as disclosed in the previous announcements.

DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

Save as disclosed below, the Directors are not aware of any circumstances which would give rise to a disclosure obligation pursuant to the requirements under Rule 13.18 of the Listing Rules as at 31 December, 2015.

The Company has entered into a facility agreement (the "Facility Agreement") on 20 December, 2013 with a consortium of banks jointly led by Société Générale Asia Limited, Industrial and Commercial Bank of China (Asia) Limited and Mega International Commercial Bank Co., Ltd., Offshore Banking Branch (also the "Agent") for a three-year unsecured loan in the principal sum of USD165,000,000 (the "Syndicated Loan"). As at 31 December, 2015, the outstanding principal owed by the Company under the Syndicated Loan was USD165,000,000 (31 December, 2014: USD165,000,000).

Pursuant to the terms of the Facility Agreement, if any of the following occurs which has, or could reasonably be expected to have, a material adverse effect:

a change in the ownership of the Company such that Mr. Tse Ping ("Mr. Tse"), former chairman of the Group, ceases to own (directly or indirectly):

(i) at least 741,219,220 shares in the Company; or

(ii) at least 15% of the issued share capital of the Company, save to the extent that a reduced shareholding percentage is a Permitted Reduction (as defined in the Facility Agreement),

DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES (continued)

then,

1. the Company shall promptly notify the Agent upon becoming aware of that event; and

2. if the Majority Lenders (as defined in the Facility Agreement) so require, the Agent shall, by not less than 30 days' notice to the Company, cancel the facility under the Facility Agreement and declare all outstanding loans, together with accrued interest, and all other amounts accrued thereunder the Finance Documents (as defined in the Facility Agreement) immediately due and payable, whereupon the facility under the Facility Agreement will be cancelled and all such outstanding amounts will become immediately due and payable.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public throughout the year ended 31 December, 2015.

UNDERTAKING

Mr. Tse has executed a deed of undertaking (the "Undertaking") in favour of the Company on 9 September, 2003 which has become effective upon the commencement of trading in shares of the Company on the Main Board of the Stock Exchange.

Pursuant to the Undertaking, Mr. Tse has undertaken to the Company that, conditional upon the commencement of trading in the shares on the Main Board, for so long as (i) Mr. Tse, together with his associates, shall remain beneficially interested, directly or indirectly, in shares with at least 30 per cent. of the voting rights of the Company (from time to time), and (ii) the shares shall remain traded on the Main Board, neither Mr. Tse nor any of Mr. Tse's Companies (excluding for this purpose the Group) will, within the Territory (as defined below), carry on, become engaged or otherwise become interested (saved through Mr. Tse's interest in the Company) directly or indirectly in, any business which falls within the Restricted Business (as defined below); and

For the purpose of the Undertaking:–

"Mr. Tse's Company(ies)" refers to any of the companies or other entities of which more than 50 per cent. of the issued shares or equity of other nature carrying voting rights are directly or indirectly owned by Mr. Tse or regarding which companies or entities Mr. Tse is entitled to control the board of directors or management body of similar nature;

UNDERTAKING (continued)

"Restricted Business" refers to:–

(i) the R&D, production and sale of biopharmaceutical products for the medical treatment of ophthalmia and osteoarthritis, biopharmaceutical products for external use for the medical treatment of skin diseases, modernized Chinese medicines, chemical medicines and modern health-care products for the medical treatment of hepatitis and angiopathy of cardio-cerebral; and

(ii) the research and development of new medicines and modern health-care products for the medical treatment of cardiovascular and respiratory diseases.

"Territory" refers to the PRC (including Hong Kong).

The Undertaking does not apply to the following:–

(i) the holding of shares or other securities issued by the Company or any of its subsidiaries from time to time;

(ii) the holding of shares or other securities in any company which carries on, or is engaged or interested directly or indirectly in, any business which falls within the Restricted Business in the Territory, provided that such securities are listed on a stock exchange with regular trading and the total securities held by Mr. Tse and/or his associates do not amount to more than 20 per cent. of the issued shares or other securities of the company in question; and

(iii) the investment by Mr. Tse and/or Mr. Tse's Company in a business in the Territory which falls within the Restricted Business if the opportunity to invest in such business had been offered to and was either rejected by the Company or accepted in part by the Company on the basis of the investment in the balance being taken up by Mr. Tse or Mr. Tse's company, in either case in accordance with paragraph below.

In the event that Mr. Tse or any Mr. Tse's Company has identified an opportunity to invest (whether by way of the establishment of a new enterprise or the acquisition of existing interests in, or the injection of new capital into, an existing enterprise) in a business in the Territory which falls within the Restricted Business or any pharmaceutical related business in the Territory in which the Group is principally engaged from time to time (excluding any business in which Xian C.P. Pharmaceutical Co., Ltd. and/or Hainan Tigerlily Pharmaceutical Co., Ltd is/are engaged as at the date of the Undertaking) (the "Proposed Business"), Mr. Tse will undertake that he will procure that the said opportunity be first offered to the Company and that all relevant information relating to the Proposed Business in the possession of Mr. Tse and/or any Mr. Tse's Company shall be provided to the Company. The independent non-executive Directors shall have the right on behalf of the Company to determine whether the Group should:–

(i) reject the said opportunity in its entirety; or

(ii) accept the said opportunity in full and proceed with the participation in the Proposed Business; or

(iii) accept the said opportunity in part only on condition that, subject to compliance with any applicable requirements of the Listing Rules, Mr. Tse (including through a Mr. Tse's Company) takes up the balance of the investment upon terms approved by the independent non-executive Directors.

EMOLUMENT POLICY

Including the Directors, the Group had 15,259 employees as at 31 December, 2015. The Group remunerates its employees based on their performance, experience and prevailing market rate. Other employee benefits include insurance and medical coverage, subsidized training programmes as well as share option scheme.

In order to properly reflect the public accountability and time and effort spent on the Board and various committees and meetings, the determination of emoluments of the directors of the Company has taken into consideration of their expertise and job specifications.

CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company had complied with all the Code Provisions set out in the Corporate Governance Code as set out in Appendix 14 of the Listing Rules for the year ended 31 December, 2015 except for Code Provision A.6.7 in relation to the attendance of general meetings by independent non-executive directors ("INEDs"). One INED was unable to attend the annual general meeting of the Company held on 2 June, 2015 and three INEDs were unable to attend the extraordinary general meeting of the Company held on 11 November, 2015 due to other business engagement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the Model Code. Having made specific enquiry of all Directors, it was confirmed that for the year ended 31 December, 2015 all Directors had complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by Directors adopted by the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Group has complied with Rules 3.10 and 3.10(A) of the Listing Rules relating to appointment of a sufficient number of the INEDs and at least an INED with appropriate professional qualifications, or accounting or related financial management expertise. The Company has appointed four INEDs including two with financial management expertise. Details of the biographies of the four INEDs have been set out on pages 49 of this annual report.

AUDIT COMMITTEE

The Audit Committee is comprised of three INEDs, namely Mr. Lu Zhengfei as the chairman and Mr. Li Dakui and Ms. Lu Hong as the members. It has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the consolidated financial statements of the Company for the year ended 31 December, 2015.

Report of Directors

REMUNERATION COMMITTEE

The Company has established the Remuneration Committee with written terms of reference in accordance with requirement of the Corporate Governance Code. Its primary duty is to make recommendations to the Board in formulating policies on remuneration packages of directors and senior management. The Remuneration Committee has three members comprising Mr. Zhang Lu Fu as the chairman and Mr. Lu Zhengfei and Ms. Lu Hong as the members.

NOMINATION COMMITTEE

The Company has established the Nomination Committee comprising Miss Tse, Theresa Y Y as the chairman and Mr. Tse Ping, Mr. Lu Zhengfei, Ms. Lu Hong and Mr. Zhang Lu Fu as the members with written terms of reference in accordance with the requirement of the Corporate Governance Code. Its primary duty is to formulate nomination polices for Board and recruitment polices of senior management.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Tse, Theresa Y Y
Chairlady

Hong Kong
30 March, 2016

Directors and Senior Management Profile

DIRECTORS

Executive Directors

Miss Tse, Theresa Y Y (謝其潤小姐), aged 23, was appointed as an Executive Director, the Chairman of the Board and the Chairman of the Executive Board Committee and the Nomination Committee, respectively, of the Company with effect from 30 June, 2015. Miss Tse is also a director of Golden Sword Ventures Limited. She holds a Bachelor Degree of Science in Economics from the Wharton School of University of Pennsylvania. Throughout her coursework, she focused on the study of Finance and Healthcare. Previously, she worked in the investment, finance and business development departments of several companies. Miss Tse is a daughter of Mr. Tse Ping, an Executive Director and a substantial shareholder of the Company, and Ms. Cheng Cheung Ling, a substantial shareholder of the Company, and she is also a niece of each of Mr. Tse Hsin, an Executive Director of the Company, Ms. Chia Fai, Miss Tse Wun, and Mr. Tse Hsuan, Johnny, all being senior management of the Company.

Mr. Tse Ping (謝炳先生), aged 64, is the founder of the Company and now serves as an Executive Director of the Company. He is responsible for the overall operations of the Group. With more than 23 years of experience in investment and management in the pharmaceutical industry in the PRC, he is currently a director of CT Tianqing, NJCTT, Jiangsu Fenghai, Jiangsu Qingjiang, Qingdao Haier, Qingdao Chia Tai Haier Medicines Co., Ltd., Qingdao Heng Seng Tang Pharmacy Co., Ltd., and Beijing Tide. He is also a director of Shanghai Fortune World Development Co., Ltd., Tianjin Chiatai Feed Tech Co., Ltd., SYN Energy Technology Co., Ltd. and Chia Tai Oversea Chinese Realty Development Co., Ltd. He is also a non-executive director of Tianjin Binhai Teda Logistics (Group) Corporation Limited, the shares of which are listed on GEM Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Tse is still a director of Chia Tai Qingchunbao Pharmaceutical Co., Ltd. ("CTQ"), a council member of the Association of Pharmaceutical Biotechnology of China and an honorary professor of Shenyang University of Pharmacy.

Within the contemporary pharmaceutical industry, with the leadership by Mr. Tse, Sino Biopharmaceutical Limited has a leading position in the markets of hepatitis medicines and the therapeutic segment of micro-sphere target sustained medicine. CT Tianqing, Beijing Tide and CTQ were ranked the top 100 profit-making enterprises under the National Pharmaceutical Industrial Statistics Annual Report. In November, 2005, the Company was awarded one of the "Best under 1 US Billion enterprises within the Asian Pacific Region" by Forbes Asia. At the first "Capital – Chinese Outstanding Enterprise Achievement Prize" campaign launched by the Capital Magazine, the Company was awarded the "Capital – Chinese Outstanding Pharmaceutical Group Prize" in May, 2006. In January, 2008, Mr. Tse was awarded the prize of "World Outstanding Chinese" in Hong Kong and an honorary Doctor Degree by the University of West Alabama, United States of America. In December, 2008, he was awarded the "2007/2008 Asian Knowledge Management Association academician" by the Asian Knowledge Management Association. In June, 2010, Mr. Tse was awarded "The Top Ten Most Leading Innovative Persons of the PRC Enterprises in 2010" by the PRC Productivity Society and the PRC Corporation Press.

Mr. Tse was a member of the Ninth, Tenth and Eleventh National Committee of the Chinese People's Political Consultative Conference. He is currently the vice chairman of Association of Chinese Natives Chamber of Commerce in the PRC and the vice chairman of China International Council for the Promotion of Multinational Corporations.

Mr. Tse is the father of Miss Tse, Theresa Y Y, the Chairman of the Board, and a first cousin of Mr. Tse Hsin, an Executive Director of the Company. He is also the brother of Ms. Chia Fai and a first cousin of Miss Tse Wun and Mr. Tse Hsuan, Johnny, all being senior management of the Company.

Directors and Senior Management Profile

Mr. Xu Xiaoyang (徐曉陽先生), aged 53, joined the Group in September, 2007. He is the Chief Executive Officer of the Company and the chairman of Shanghai Tongyong. He also serves as the president, senior engineer and practicing pharmacist of the Group. He is responsible for affairs with government authorities, management of various subsidiaries and certain investment projects of the Group. He obtained a Bachelor Degree in Industrial Science from the Chinese Medicine Department of the Business Faculty of Harbin University of Commerce (previously known as Heilongjiang Institute of Commerce). Before joining the Group, he had worked as chief engineer and general manager of Tianjin Darentang Pharmaceutical Factory. In 1992, Mr. Xu was selected by the Sino-Japan Association for International Exchange of Talents for the Japan Association for Overseas Technical Scholarship (AOTS) program and studied research and development and management for one year with Matsuura Yakugyo, Japan and obtained an education proof. He studied a Master Degree of Business Administration in Tianjin University of Finance and Economics during 1997 and 1998, and in 1999, he also studied Business Administration in Technische Fachhochschule Berlin. Mr. Xu is a leader in natural science technology segment in Tianjin, an expert in pricing strategy of the pharmaceutical products assessment centre of the National Development and Reform Commission, a technical consultant of the China Chamber of Commerce for Import and Export of Medicines and Health Products, an expert in China Association of Traditional Chinese Medicines, a member of the 8th editorial committee of the Chinese Herbs Magazine, and a council member of the Tianjin Euro-American Students Association. Mr. Xu holds several patents and has released various theses.

Mr. Tse Hsin (謝炘先生), aged 46, is an Executive Director and the vice president of the Company. He is mainly responsible for the acquisition and merger activities of the Group. He is also the Group's spokesman. Mr. Tse Hsin graduated from the University of Hong Kong with a Bachelor's Degree (Honors) in Industrial Engineering. He joined the Group in August, 1995 as an assistant to the president of the Company and served as the general manager of Xian C.P. Pharmaceutical Co., Ltd. ("Xian CP"). Mr. Tse Hsin is a council member of the first council and the executive council member of the second council of Chaozhou Natives Chamber of Commerce Beijing. He is also an executive member of the Right Protection Association for the Medical Treatment Equipment Enterprises of the Shaanxi Province, the vice chairman of the fourth council of the Foreign Invested Enterprises Association of the Shaanxi Province, the executive member of the third committee of the Shaanxi Cancer Fighting Association and the vice chairman of the World Chinese Medicine and Pharmaceutical Professional Joint Committee. He was also awarded the "Outstanding Management Award for Foreign-invested Enterprises of Shaanxi Province" and "Outstanding Entrepreneur who cares about his staff" by the Shaanxi Provincial Government. He was an executive director of Beijing Tide. He is currently a director of CT Tianqing, Qingdao Haier and Chia Tai Shaoyang Orthopedic Hospital. He is an uncle of Miss Tse, Theresa Y Y, the Chairman of the Board, and a first cousin of Mr. Tse Ping, an Executive Director and a substantial shareholder of the Company. He is also the brother of Miss Tse Wun and a first cousin of Ms. Chia Fai and Mr. Tse Hsuan, Johnny, all being senior management of the Company.

Mr. Wang Shanchun (王善春先生), aged 48, is the president of CT Tianqing. He graduated from Nanjing University of Chemistry in July, 1990 and joined CT Tianqing in the same year. Mr. Wang studied a Master Degree in pharmaceutical engineering with Tianjin University from 1999 to 2002. He had been a vice officer and an officer of the production plant, the deputy head and the head of the engineering department, the director of GMP office, the vice general engineer, the general engineer and the executive vice president. Mr. Wang has rich management experience in the PRC pharmaceutical field. His design of the new production plant in CT Tianqing Haizhou obtained the first new edition national GMP certificate. He was awarded as a Lianyungang City Technology Advanced Worker, a Jiangsu Province Technology Advanced Worker and a Jiangsu Province Model Labour and the Jiangsu Province Science Technology Second Honour Award.

Mr. Tian Zhoushan (田舟山先生), aged 52, joined the Group in April, 1997 and is responsible for the business of NJCTT. Mr. Tian is the vice president of Lianyungang Chia Tai Tianqing Medicines Co., Ltd. ("LYG Tianqing") and the general manager of NJCTT. Mr. Tian completed MBA coursework in Nanjing University. He was the head of production and the assistant to the president of CT Tianqing, and has 27 years of experience in the pharmaceutical industry.

Ms. Li Mingqin (李名沁女士), aged 57, is currently the vice president of the Company and a director of Beijing Tide, Chia Tai Shaoyang Orthopedic Hospital and CP Boai Investment Ltd., and is principally responsible for the investment affairs of the Group. Ms. Li graduated from the Faculty of Medicine of Beijing Chinese Medicine University with a Bachelor Degree in medicine. Prior to joining the Company, Ms. Li had worked in Sino-Japanese Friendly Hospital and Beijing Chinese Medicine University, engaged in the teaching of medicines, development of new medicines and medicine management. During the period from 1992 to 1995, Ms. Li had been engaged in post-doctorate research in the Medicine School of University of Colorado, USA and the Medical College of the University of Massachusetts. Ms. Li joined the Group in March, 1997 and has 33 years of experience in the pharmaceutical industry.

Independent Non-executive Directors

Mr. Lu Zhengfei (陸正飛先生), aged 52, is an independent non-executive director of the Company and is the Chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee of the Company. He received a P.h.D. Degree in Economics (financial management). Mr. Lu is currently a Distinguished Professor of Chang Jiang Scholars and supervisor of doctoral students of the Guanghua School of Management of Peking University. He had previously held various senior positions in the Department of Accounting of both Peking University and Nanjing University. He is an expert consultant of the China Financial Accounting Standards Board, Ministry of Finance. He is also a standing council member of the China Accounting Association and the deputy director of its Financial Management Committee. Mr. Lu is the editor of several accounting and finance journals and has issued various publications. He is an independent non-executive director of Bank of China Limited, China National Materials Company Limited and Sinotrans Limited and an independent supervisor of PICC Property and Casualty Company Limited, shares of all four companies being listed on the Stock Exchange.

Mr. Li Dakui (李大魁先生), aged 72, joined the Company as an independent non-executive director and a member of the Audit Committee of the Company in September, 2004. He graduated from the Faculty of Pharmacy of Beijing Medical University (now known as the School of Pharmaceutical Sciences of Beijing University) in 1965, and obtained a Master Degree in Pharmaceutics from Peking Union Medical College ("PUMC") in 1982. He used to be the chief pharmacist of PUMC Hospital (retired in 2013) and the director of Pharmacy Department of PUMC Hospital for years. Mr. Li was a vice president of the Chinese Pharmaceutical Association, the Chairman of the Committee of Hospital Pharmacy Branch of Chinese Pharmaceutical Association and the vice chairman of the Chinese Practicing Pharmacist Association. He is currently a vice editor of the Chinese Pharmaceutical Magazine, and a member of the Chinese Pharmaceutical Committee and the vice team leader of its medicine professional team.

Ms. Lu Hong (魯紅女士), aged 46, joined the Company as an independent non-executive director and a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company in April, 2015. Ms. Lu has over 20 years of experience in accounting, financial management, company secretary and domestic and overseas capital operations fields. She is a member of the Chinese Institute of Certified Public Accountants and the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Ms. Lu has extensive knowledge of PRC and international accounting standards and the listing rules and regulations of both Hong Kong and PRC. She has been in charge of or involved in the entire process of the listing of multiple corporations in the PRC, Hong Kong, Singapore and the United States of America and quite a number of foreign and domestic investment and financing operations as well as mergers and acquisitions. She is familiar with financial analysis, budgeting, financial management and tax planning. She also has expertise in dealing with complex financing and taxation matters.

Mr. Zhang Lu Fu (張魯夫先生), aged 58, joined the Company as an independent non-executive director and the chairman of the Remuneration Committee and a member of the Nomination Committee of the Company in April, 2015. Mr. Zhang holds a Master Degree in Philosophy from the Beijing Normal University, and is currently a research associate and a part-time professor. Mr. Zhang has been working for multiple sectors of the Chinese government since 1987, including the Hong Kong branch of the Xin Hua News Agency (Liaison Office of the Central People's Government in Hong Kong). Mr. Zhang has worked for a number of Hong Kong listed companies and charitable organisations on full-time and part-time basis. Mr. Zhang is a council member of the China Overseas Friendship Association, a standing council member of the Guangdong Overseas Friendship Association, a council member of the Shenzhen Overseas Friendship Association, a member of the Shenzhen Committee of the 4th Chinese People's Political Consultative Conference, and a part-time professor of the Hong Kong Academy of Management and the Hong Kong Financial Services Institute. Mr. Zhang is an independent non-executive director of Kingboard Laminates Holdings Limited which is listed on the Stock Exchange.

Directors and Senior Management Profile

SENIOR MANAGEMENT

Ms. Yu Chau Ling (余秋玲女士), is the assistant vice president, financial controller and qualified accountant of the Company. She graduated from the University of Hong Kong with a Bachelor degree in social sciences and in 2005 obtained an MBA Degree from The Open University of Hong Kong. She is the fellow member and an associate member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants, respectively. Ms. Yu joined the Company in February, 2003 and has extensive working experience in international audit firm and listed companies.

Ms. Cheng Hui (程惠女士), aged 52, is the deputy financial controller of the Group. Ms. Cheng joined the Group in May, 1993 and is responsible for the Group's PRC financial and personnel issues. She was the head of the finance department in China Construction Bank (Zaozhuang City Branch). Ms. Cheng has 25 years of working experience in finance and accounting. She was awarded the accountancy qualification certificate issued by Ministry of Finance and Ministry of State Personnel, and ACCA Chinese finance and accounting qualification certificate issued by the Association of Chartered Certified Accountants. Ms. Cheng received international advanced human resources management professional training held by the International Public Management Association for Human Resources (IPMA-HR) and advanced training for PRC financial investment held by the School of Economics of Peking University.

Mr. Xia Wenyu (夏文余先生), aged 47, has a professional qualification in finance and accounting discipline with tertiary education level and is an accountant. He graduated from the post-graduate MBA programme of the Renmin University of China. He has been a general manager and director of Jiangsu Fenghai since September, 2014 and previously served as the head of finance department, deputy head of corporate restructuring committee, manager of financial planning department, board secretary, assistant to general manager and manager of logistic department, sales director and deputy general manager of Jiangsu Fenghai. He has ample experience in corporate management, marketing, human resources and financial management and has 29 years of experience in the pharmaceutical industry. He is a standing council member of the China Price Association and Jiangsu Province Medical Insurance Committee.

Mr. Tang Zhaocheng (唐兆成先生), aged 49, is a vice president of CT Tianqing, responsible for the production management of CT Tianqing, and the general manager of LYG Runzhong. Mr. Tang joined CT Tianqing in April, 1997. He has a professional qualification in chemical engineering. Mr. Tang was a deputy director of production technology department, and manager of quality control as well as a chief officer of GMP and assistant to president of CT Tianqing. He was a team leader in the production of Ganlixin and Zegui Longshuang in CT Tianqing. Mr. Tang has over 22 years of experience in the pharmaceutical industry.

Mr. Zhu Yong (朱勇先生), has been the marketing director of Jiangsu Fenghai since 2005, and is mainly responsible for the marketing and academic promotion of new products, establishing the brand name of Fenghai and formulating successful marketing strategies for leading and developing market which resulted in the widespread recognition of the image of "New Model of Sugar Infusion Solution" of Jiangsu Fenghai by the pharmaceutical industry. In 2008, as a sales vice president, he initiated Jiangsu Fenghai's characteristic mixed marketing model with success. In 2011, he was the executive vice president of Jiangsu Fenghai, responsible for R&D, marketing and human resources, and set up a medical R&D centre in Nanjing and established the training system for all levels of staff. In October, 2014, he served as executive vice president of Jiangsu Qingjiang and was responsible for R&D, human resources and office administration. From January, 2015 onwards, he is the general manager of Jiangsu Qingjiang and is responsible for overall management of Jiangsu Qingjiang.

Mr. Wang Minggang (王明剛先生), aged 59, joined the Group in September, 2008 and is the vice chairman of the board of directors and the general manager of Qingdao Haier. He is also a practicing doctor and a senior engineer. Mr. Wang had worked in some large-scale domestic and foreign pharmaceutical companies and he has more than 26 years of experience in the pharmaceutical industry. He was the sales director of Xian CP. Mr. Wang is a council member of Qingdao Pharmaceutical Association, a council member of Qingdao Medical Association, the chairman of Qingdao Pharmaceutical Profession Association as well as a member of the 14th Qingdao Laoshan District's Committee of the Chinese People's Political Consultative Conference and a Qingdao deputy to the 15th National People's Congress.

Mr. Zhang Xiquan (張喜全先生), aged 46, is a vice president in R&D of CT Tianqing and the director of the CT Tianqing R&D Institute. Mr. Zhang graduated from the chemistry department of Nankai University with a Master of Science degree in 1994. He has carried out a number of studies of new drugs with expertise in drug candidate selection and drug development with partners. Mr. Zhang joined CT Tianqing in April, 1997.

Ms. Li Chun Ling (李春玲女士), aged 44, is a vice president in finance of CT Tianqing, and is responsible for the financial and accounting affairs of CT Tianqing. Ms. Li joined the Group in February, 1996, worked in the audit department and finance and accounting departments of the Group, and was an accounting manager of the Group. Ms. Li graduated from Guizhou College of Finance and Accounting. She had worked in audit firms and served as a team in-charge for social auditing of projects. Ms. Li has over 17 years experience in finance and accounting, and is a certified accountant in the PRC.

Mr. Zhang Jie (張杰先生), aged 45, is a vice president of CT Tianqing. He graduated from Henan University and holds an MBA degree. Mr. Zhang joined the Group in July, 1993 and is responsible for the office affairs of CT Tianqing.

Mr. Wang Xiangjian (王祥建先生), aged 45, is a vice president of CT Tianqing. He graduated from Nankai University and holds a Bachelor degree in molecular biology. Mr. Wang joined the Group in June, 1994 and is responsible for clinical monitoring and new medicine registration of CT Tianqing R&D Institute.

Mr. Zhuang Xinglong (莊興龍先生), aged 46, is an assistant to the president of CT Tianqing. He graduated from Heilongjiang University of Chinese Medicine and holds a Bachelor degree in Chinese medicine. Mr. Zhuang joined the Group in January, 2008 and is currently the secretary of the board of CT Tianqing.

Mr. Li Jinming (李金明先生), aged 51, is a vice president of CT Tianqing and the deputy general manager of LYG Tianqing. Mr. Li studied pharmaceutical major at Chinese Pharmaceutical University, and holds an MBA degree awarded by Sun Yat-sen University. Mr. Li had worked as major district manager and deputy general manager in two well-known pharmaceutical enterprises in the PRC. Mr. Li has extensive sales and team management experience.

Mr. Wang Hong (王宏先生), aged 52, is a deputy general manager of LYG Tianqing and is responsible for sales management. Mr. Wang graduated from Shanghai Medical University with a Master degree in medical science in 1991, and also holds an MBA degree from the Business School of the National University of Singapore. He was the Derm Franchise Sales Manager of Xian-Janssen Pharmaceutical Ltd., where he had worked for 8 years. Mr. Wang has more than 18 years of experience in sales. He joined the Group in December, 2002, and was a director of marketing and a deputy general manager.

Mr. Zhang Zhenqian (張震乾先生), aged 46, is the executive deputy general manager and an engineer of NJCTT. Mr. Zhang joined the Group in April, 1997 and is responsible for the sales and operations of NJCTT. Graduated from Xuzhou College of Engineering, Mr. Zhang has completed the studies in EMBA program of Guanghua Management School of Peking University. Mr. Zhang has over 19 years of experience in pharmaceutical industry and was a branch manager and a major district manager of CT Tianqing.

Mr. Wang Kuanqi (王寬起先生), aged 49, is the senior deputy general manager of NJCTT and is responsible for production. Mr. Wang graduated from Changzhou Chemical Institute with the profession qualification in organic synthesis. He joined CT Tianqing in 1988. He studied pharmacy at China Pharmaceutical University from 1999 to 2002. He was a team leader and an officer of production lines, a production manager and an assistant to general manager.

Mr. Wang Junping (王軍平先生), joined the Group in June, 2014, is currently the general manager of Shanghai Tongyong. He obtained a Bachelor degree from the Material Science and Chemical Application faculty of National University of Defense Technology in 1989, and obtained an MBA degree from Tinajin University Management College in 2000. He studied industrial property rights management at the Japan Association for Overseas Technical Scholarship. He has 26 years of experience in the pharmaceutical industry. He was the senior management of North China Pharmaceutical Group Corporation, Shanghai Fosun Pharmaceutical Industry Development Co., Ltd. and Fu Ren Medicines Group and was responsible for the management of R&D, technology, policy and sales.

Directors and Senior Management Profile

Dr. Ye Wei Nong (葉衛農博士), aged 53, is the assistant president of the Company and general manager of the R&D department. He is responsible for biotechnology development of the Group. He is currently a director of China Biotech & Drug Development Limited and Jiangsu Fenghai. In 1983, Dr. Ye graduated from Sun Yat-sen University with a Bachelor degree in biochemistry. In 1989, Dr. Ye obtained a doctoral degree in microbiology from the Institut National des Sciences Appliquees (INSA) de Toulouse of France. He also obtained a certificate of study for the post-graduate MBA programme of food technology and marketing from Ecole Superieure de Commerce (ESC) de Toulouse of France. Prior to joining the Group in July, 2002, he worked in Europe and Hong Kong for biotechnology and pharmaceutical companies. Dr. Ye was a member of the Advisory Committee on Applied Biology and Chemical Technology of The Hong Kong Polytechnic University from February, 2006 to September, 2014. He is a council member of the 8th Subcommittee of Industrial Biochemistry and Molecular Biology under the Chinese Society of Biochemistry and Molecular Biology.

Ms. Chia Fai (謝輝女士), is an assistant to the president and a vice president of the Company. Ms. Chia joined the Group in November, 1991 and has more than 26 years of experience in financial areas. Ms. Chia is a director of various companies including Chia Tai Medicines Investment Limited, Chia Tai Pharmaceutical (Lianyungang) Company Limited, Chia Tai Refined Chemical Industry Limited, Evon Industries Limited, Talent Forward Limited, Sino Biopharmaceutical (Beijing) Limited and Magnificent Technology Limited. She is an aunt of Miss Tse, Theresa Y Y, a sister of Mr. Tse Ping and a first cousin of Mr. Tse Hsin.

Ms. Tse Wun (謝瑗小姐), is an assistant to the president of the Company. She joined the Group in November, 1991. She is principally responsible for administration and financial matters of the Group's office in Hong Kong. Ms. Tse graduated from the University of Oregon with a Bachelor of Science degree. She was formerly a director of Shenzhen 999 Pharmaceutical Co., Ltd. and has more than 20 years of experience in finance and investment. Ms. Tse is an aunt of Miss Tse, Theresa Y Y, a first cousin of Mr. Tse Ping, and a sister of Mr. Tse Hsin.

Mr. Zhang Yangqing (張揚清先生), aged 47, is currently the deputy general manager of finance department of NJCTT. He was graduated from the engineering management faculty of Central South University with a Bachelor degree in industrial engineering management in 1990. He is a certified accountant and a practicing registered real estate appraiser. He was a member of National Development and Reform Commission of Ziyang District of Yiyang City in Hunan Province, a civil servant of Housing Administrative Bureau of Yiyang City, an audit manager of Hunan Kaiyuan CPA, a financial controller of Chengdu Jiuzhitang Jinding Pharmaceutical Ltd., a deputy head of finance department and a director of marketing centre of Jiuzhitang Co., Ltd., the head of audit department of CT Tiangqing, a finance manager of the Group, and a deputy general manager of finance department of Jiangsu Fenghai.

Mr. Tse Hsuan, Johnny (謝炫先生), aged 46, is the general manager of the Company's information management department. He joined the Group in January, 2003, and is principally responsible for the development and maintenance of the information system of the Company. Mr. Tse graduated from the University of Oregon with a Bachelor degree in computer science in the United States. He also studied at ESMOD (Ecole International de Mode Paris) in Paris of France with a diploma in fashion design and pattern drafting. Before joining the Company, Mr. Tse worked in Beijing Major Kind Co., Ltd. as a designer and a manager of information department. His design of uniform for air attendants was adopted by Air China. He is an uncle of Miss Tse, Theresa Y Y, and a first cousin of Mr. Tse Ping and Mr. Tse Hsin, respectively.

Mr. Shen Xiaoguang (沈曉光先生), aged 42, is an assistant to president and the general manager of the investment management department of the Company. Mr. Shen participates in the business development and management of the Group, and is responsible for the market analysis of major products and R&D of new products. Mr. Shen graduated from the Heilongjiang College of Business with a Bachelor degree in pharmaceutical manufacturing, and has 18 years of experience in pharmaceutical sales and product R&D. Mr. Shen joined the Group in February, 2003.

Mr. Chan Oi Nin Derek (陳凱年先生), aged 48, was appointed as company secretary of the Company in August, 2015. Mr. Chan has nearly 20 years of experience in accounting and auditing and, before joining the Company, was the company secretary of another company listed on the Stock Exchange. He is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Chan received a Bachelor of Science degree from the Chinese University of Hong Kong in 1989 and an MBA degree from Monash University in 1995.

Corporate Information

LEGAL NAME OF THE COMPANY

Sino Biopharmaceutical Limited

STOCK CODE

1177

COMPANY'S WEBSITE ADDRESS

www.sinobiopharm.com

PLACE OF INCORPORATION

Cayman Islands

DATE OF LISTING ON MAIN BOARD

8 December, 2003

DATE OF LISTING ON GEM BOARD

29 September, 2000

DIRECTORS

Executive Directors
Miss Tse, Theresa Y Y *(Chairman)*
Mr. Tse Ping
Mr. Xu Xiaoyang *(Chief Executive Officer)*
Mr. Tse Hsin
Mr. Wang Shanchun
Mr. Tian Zhoushan
Ms. Li Mingqin

Independent Non-executive Directors
Mr. Lu Zhengfei
Mr. Li Dakui
Ms. Lu Hong
Mr. Zhang Lu Fu

Executive Board Committee
Miss Tse, Theresa Y Y *(Chairman)*
Mr. Tse Ping
Mr. Xu Xiaoyang
Mr. Tse Hsin

AUDIT COMMITTEE

Mr. Lu Zhengfei *(Chairman)*
Mr. Li Dakui
Ms. Lu Hong

REMUNERATION COMMITTEE

Mr. Zhang Lu Fu *(Chairman)*
Mr. Lu Zhengfei
Ms. Lu Hong

NOMINATION COMMITTEE

Miss Tse, Theresa Y Y *(Chairman)*
Mr. Tse Ping
Mr. Lu Zhengfei
Ms. Lu Hong
Mr. Zhang Lu Fu

COMPANY SECRETARY

Mr. Chan Oi Nin Derek

QUALIFIED ACCOUNTANT

Ms. Yu Chau Ling, FCCA, CPA

AUTHORISED REPRESENTATIVES

Mr. Tse Ping
Mr. Chan Oi Nin Derek

AUTHORISED PERSON TO ACCEPT SERVICES OF PROCESS AND NOTICES

Ms. Tse Wun

PRINCIPAL BANKERS

China CITIC Bank International Limited
166 Hennessy Road
Wanchai
Hong Kong

Bank of China (Hong Kong) Limited
1 Garden Road
Hong Kong

Corporate Information

Agricultural Bank of China, Lianyungang Branch
No. 43 North Tong-guan Road, Xinpu
Lianyungang
Jiangsu Province
PRC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

REGISTERED OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Convention Plaza
1 Harbour Road
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Hong Kong

LEGAL ADVISERS

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Hong Kong

As to Cayman Islands Law:
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KY1-1111
Cayman Islands

As to PRC Law:
Navigator Law Office
308A, Tower C2, Oriental Plaza
No. 1 East Chang An Ave, Dong Cheng District
Beijing
PRC

AUDITORS

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

INVESTOR RELATIONS CONSULTANT

Strategic Financial Relations Limited
Unit A, 29th Floor
Admiralty Centre I
18 Harcourt Road
Hong Kong

Independent Auditors' Report

EY 安永

TO THE SHAREHOLDERS OF SINO BIOPHARMACEUTICAL LIMITED

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Sino Biopharmaceutical Limited (the "Company") and its subsidiaries set out on pages 57 to 146, which comprise the consolidated statement of financial position as at 31 December, 2015, and the consolidated statement of profit or loss, 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.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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 auditors' 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 auditors consider 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.

Independent Auditors' Report

OPINION

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

Ernst & Young
Certified Public Accountants
22nd Floor, CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong
30 March 2016

Consolidated Statement of Profit or Loss

Year ended 31 December, 2015

	Notes	2015 HK$'000	2014 HK$'000
REVENUE	5	**14,550,225**	12,378,350
Cost of sales		**(3,249,697)**	(2,920,531)
Gross profit		**11,300,528**	9,457,819
Other income and gains	5	**391,633**	293,182
Selling and distribution costs		**(5,897,286)**	(5,342,527)
Administrative expenses		**(1,234,046)**	(824,966)
Other expenses		**(1,362,387)**	(1,075,997)
Finance costs	7	**(79,812)**	(43,096)
Share of profits and losses of associates	19	**325,254**	336,792
PROFIT BEFORE TAX	6	**3,443,884**	2,801,207
Income tax expense	10	**(532,876)**	(440,153)
PROFIT FOR THE YEAR		**2,911,008**	2,361,054
Attributable to:			
Owners of the parent		**1,778,692**	1,513,205
Non-controlling interests		**1,132,316**	847,849
		2,911,008	2,361,054
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic and diluted		**HK33.95 cents**	HK30.62 cents

Consolidated Statement of Comprehensive Income

Year ended 31 December, 2015

	Note	2015 HK$'000	2014 HK$'000
PROFIT FOR THE YEAR		**2,911,008**	2,361,054
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:			
Available-for-sale investments:			
Changes in fair value		**(9,052)**	1,206
Reclassification adjustments for losses included in the consolidated statement of profit or loss			
– loss on disposal	6	**7,846**	–
Exchange differences on translation of foreign operations		**(341,327)**	(139,673)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods		**(342,533)**	(138,467)
Other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent periods:			
Gains on property revaluation		**30,056**	49,714
Income tax effect		**(3,473)**	(11,002)
		26,583	38,712
Share of other comprehensive loss of associates		**(114,352)**	(6,024)
Net other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent periods		**(87,769)**	32,688
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(430,302)**	(105,779)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**2,480,706**	2,255,275
Attributable to:			
Owners of the parent		**1,470,504**	1,443,682
Non-controlling interests		**1,010,202**	811,593
		2,480,706	2,255,275

Consolidated Statement of Financial Position

31 December, 2015

	Notes	31 December, 2015 HK$'000	31 December, 2014 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**2,656,187**	2,340,180
Investment properties	14	**496,489**	–
Property under development	15	**529,735**	–
Prepaid land lease payments	16	**333,884**	339,351
Goodwill	17	**110,709**	110,850
Other intangible assets	18	**198,907**	162,233
Investments in associates	19	**1,258,323**	1,361,421
Available-for-sale investments	20	**368,351**	425,563
Financial assets designated as at fair value through profit or loss	21	**224,989**	–
Deferred tax assets	31	**214,966**	107,927
Prepayments	24	**154,347**	1,135,890
Total non-current assets		**6,546,887**	5,983,415
CURRENT ASSETS			
Inventories	22	**950,148**	901,625
Trade and bills receivables	23	**1,866,408**	1,889,661
Prepayments, deposits and other receivables	24	**1,527,610**	373,186
Due from related companies	38(c)	**–**	18,050
Available-for-sale investments	20	**2,419,678**	–
Equity investments at fair value through profit or loss	25	**460,826**	529,671
Cash and bank balances	26	**2,711,061**	4,468,333
Total current assets		**9,935,731**	8,180,526
CURRENT LIABILITIES			
Trade and bills payables	27	**767,592**	775,241
Tax payable		**257,221**	172,820
Other payables and accruals	28	**3,079,249**	2,444,065
Interest-bearing bank borrowings	29	**1,419,990**	435,187
Due to related companies	38(c)	**–**	33,959
Total current liabilities		**5,524,052**	3,861,272
NET CURRENT ASSETS		**4,411,679**	4,319,254
TOTAL ASSETS LESS CURRENT LIABILITIES		**10,958,566**	10,302,669

Consolidated Statement of Financial Position (continued)

31 December, 2015

	Notes	31 December, 2015 HK$'000	31 December, 2014 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**10,958,566**	10,302,669
NON-CURRENT LIABILITIES			
Deferred government grants	30	**141,638**	119,050
Interest-bearing bank borrowings	29	**306,062**	1,288,597
Deferred tax liabilities	31	**67,821**	76,726
Total non-current liabilities		**515,521**	1,484,373
Net assets		**10,443,045**	8,818,296
EQUITY			
Equity attributable to owners of the parent			
Share capital	32	**185,305**	123,536
Reserves	34	**7,570,583**	6,487,106
		7,755,888	6,610,642
Non-controlling interests		**2,687,157**	2,207,654
Total equity		**10,443,045**	8,818,296

Xu Xiaoyang
Director

Tse Hsin
Director

Consolidated Statement of Changes in Equity

Year ended 31 December, 2015

		Attributable to owners of the parent												
	Note	Share capital HK$'000 (note 32)	Share premium account HK$'000	Capital reserve HK$'000	Asset revaluation reserve HK$'000	Available-for-sale investment revaluation reserve HK$'000	Contributed surplus HK$'000	Reserve funds HK$'000 (note 34)	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000 (note 11)	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January, 2014		123,536	1,285,444	(171,651)	228,429	–	20,743	647,107	306,083	2,948,496	98,829	5,487,016	1,737,947	7,224,963
Profit for the year		–	–	–	–	–	–	–	–	1,513,205	–	1,513,205	847,849	2,361,054
Other comprehensive income for the year:														
Changes in fair value of available-for-sale investment, net of tax		–	–	–	–	1,206	–	–	–	–	–	1,206	–	1,206
Surplus on revaluation of buildings		–	–	–	23,834	–	–	–	–	–	–	23,834	14,878	38,712
Surplus on revaluation of buildings of associates		–	–	–	1,473	–	–	–	–	–	–	1,473	–	1,473
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	(88,539)	–	–	(88,539)	(51,134)	(139,673)
Exchange differences on translation of associates		–	–	–	–	–	–	–	(7,497)	–	–	(7,497)	–	(7,497)
Total comprehensive income for the year		–	–	–	25,307	1,206	–	–	(96,036)	1,513,205	–	1,443,682	811,593	2,255,275
Acquisition of subsidiaries		–	–	–	–	–	–	–	–	–	–	–	84,926	84,926
Contribution from non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	–	7,646	7,646
Disposal of a subsidiary		–	–	–	–	–	–	–	249	–	–	249	1,080	1,329
Dividends paid to non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	–	(435,538)	(435,538)
Final 2013 dividend declared		–	–	–	–	–	–	–	–	–	(98,829)	(98,829)	–	(98,829)
Interim 2014 dividend	11	–	–	–	–	–	–	–	–	(222,366)	–	(222,366)	–	(222,366)
Proposed final 2014 dividend	11	–	–	–	–	–	–	–	–	(74,122)	74,122	–	–	–
Transfer from retained profits		–	–	–	–	–	–	276,747	–	(276,747)	–	–	–	–
Medical risk reserve		–	–	–	–	–	–	890	–	–	–	890	–	890
At 31 December, 2014		123,536	1,285,444	(171,651)	253,736	1,206	20,743	924,744	210,296	3,888,466	74,122	6,610,642	2,207,654	8,818,296

Consolidated Statement of Changes in Equity (continued)

Year ended 31 December, 2015

	Notes	Share capital HK$'000 (note 32)	Share premium account HK$'000	Capital reserve HK$'000	Asset revaluation reserve HK$'000	Available-for-sale investment revaluation reserve HK$'000	Contributed surplus HK$'000	Reserve funds HK$'000 (note 34)	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000 (note 11)	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
		Attributable to owners of the parent												
At 1 January, 2015		123,536	1,285,444	(171,651)	253,736	1,206	20,743	924,744	210,296	3,888,466	74,122	6,610,642	2,207,654	8,818,296
Profit for the year		-	-	-	-	-	-	-	-	1,778,692	-	1,778,692	1,132,316	2,911,008
Other comprehensive income for the year:														
Changes in fair value of available-for-sale investment, net of tax		-	-	-	-	(9,052)	-	-	-	-	-	(9,052)	-	(9,052)
Reclassification adjustments for losses included in the consolidated statement of profit or loss-loss on disposal		-	-	-	-	7,846	-	-	-	-	-	7,846	-	7,846
Surplus on revaluation of buildings		-	-	-	12,796	-	-	-	-	-	-	12,796	13,787	26,583
Surplus on revaluation of buildings of associates		-	-	-	(61,538)	-	-	-	-	-	-	(61,538)	-	(61,538)
Exchange differences on translation of foreign operations		-	-	-	-	-	-	-	(205,426)	-	-	(205,426)	(135,901)	(341,327)
Exchange differences on translation of associates		-	-	-	-	-	-	-	(52,814)	-	-	(52,814)	-	(52,814)
Total comprehensive income for the year		-	-	-	(48,742)	(1,206)	-	-	(258,240)	1,778,692	-	1,470,504	1,010,202	2,480,706
Contribution from non-controlling shareholders		-	-	-	-	-	-	-	-	-	-	-	43,693	43,693
Acquire of equity interests in a subsidiary		-	-	(30,320)	-	-	-	-	-	-	-	(30,320)	(17,168)	(47,488)
Dividends paid to non-controlling shareholders		-	-	-	-	-	-	-	-	-	-	-	(557,224)	(557,224)
Final 2014 dividend declared		-	-	-	-	-	-	-	-	-	(74,122)	(74,122)	-	(74,122)
Issue of shares	32	61,769	(61,769)	-	-	-	-	-	-	-	-	-	-	-
Interim 2015 dividend	11	-	-	-	-	-	-	-	-	(222,366)	-	(222,366)	-	(222,366)
Proposed final 2015 dividend	11	-	-	-	-	-	-	-	-	(111,183)	111,183	-	-	-
Transfer from retained profits		-	-	-	-	-	-	420,128	-	(420,128)	-	-	-	-
Medical risk reserve		-	-	-	-	-	-	1,550	-	-	-	1,550	-	1,550
At 31 December, 2015		185,305	1,223,675*	(201,971)*	204,994*	-*	20,743*	1,346,422*	(47,944)*	4,913,481	111,183	7,755,888	2,687,157	10,443,045

* These reserve accounts comprise the consolidated other reserves of approximately HK$7,570,583,000 (2014: approximately HK$6,487,106,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December, 2015

	Notes	2015 HK$'000	2014 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		3,443,884	2,801,207
Adjustments for:			
Finance costs	7	79,812	43,096
Share of profits and losses of associates	19	(325,254)	(336,792)
Bank interest income	5	(74,503)	(113,593)
Interest income on convertible bonds	5	(18,798)	–
Investment income	5	(194,595)	–
Dividend income	5	(12,848)	(15,776)
Depreciation of property, plant and equipment	13	317,902	248,164
Revaluation deficit/(surplus) of property, plant and equipment	6	27,852	(24)
Depreciation of investment properties	6	23,849	–
Recognition of prepaid land lease payments	6	7,345	6,078
Amortisation of other intangible assets	6	11,559	11,326
Loss on disposal of items of property, plant and equipment	5,6	134	1,753
Gain on disposal of a prepaid land lease payment	5,6	–	(125)
Gain on disposal of a subsidiary	5,6	–	(8,428)
Impairment of an investment in an associate	6	15,699	–
Fair value (gain)/loss, net:			
Available-for-sale investments (transfer from equity in disposal)	6	7,846	–
Equity investments at fair value through profit or loss			
– held for trading	5,6	(31,278)	(35,677)
Financial assets designated as at fair value through profit or loss	6	25,281	–
		3,303,887	2,601,209
Increase in inventories		(48,523)	(79,504)
Decrease/(increase) in trade and bills receivables		23,253	(259,658)
Increase in prepayments, deposits and other receivables		(1,154,405)	(18,994)
Decrease/(increase) in equity investments			
at fair value through profit or loss		100,123	(355,312)
Decrease/(increase) in amounts due from related companies		18,050	(8,089)
(Decrease)/increase in trade and bills payables		(7,649)	268,187
Increase in other payables and accruals		635,184	425,264
Increase in deferred government grants		22,588	22,853
(Decrease)/increase in amounts due to related companies		(33,959)	35,231
Cash generated from operations		2,858,549	2,631,187
Profits tax paid		(567,892)	(330,995)
Net cash flows from operating activities		2,290,657	2,300,192

Consolidated Statement of Cash Flows (continued)

Year ended 31 December, 2015

	Notes	2015 HK$'000	2014 HK$'000
Net cash flows from operating activities		2,290,657	2,300,192
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		74,503	113,593
Investment income received		194,595	–
Dividends received from unlisted investments		12,848	15,776
Dividends received from associates		425,094	88,469
Purchases of items of property, plant and equipment		(735,332)	(446,962)
Purchases of investment properties		(520,338)	–
Purchases of properties under development		(529,735)	–
Purchases of available-for-sale investments		(2,426,403)	(282,816)
Purchases of financial assets designated as at fair value through profit or loss		(250,270)	–
Proceeds from disposal of items of property, plant and equipment		9,024	7,989
Proceeds from disposal of a prepaid land lease payment		–	1,124
Proceeds from disposal of available for sale investments		56,091	–
Additions to other intangible assets		(54,304)	(28,555)
Acquisition of subsidiaries		–	(73,609)
Acquisition of associates		(126,793)	–
Acquisition of an equity investment of a subsidiary		(47,488)	–
Increase in prepaid land lease payments		(17,437)	(162,861)
Decrease/(increase) in long term prepayments		981,543	(823,948)
Decrease/(increase) in time deposits with original maturity of more than three months		1,120,921	(1,210,173)
Proceeds from disposal of a subsidiary		–	13,440
Net cash flows used in investing activities		(1,833,481)	(2,788,533)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		794,724	1,829,957
Repayment of bank loans		(792,456)	(192,878)
Dividends paid		(296,488)	(321,195)
Interest paid		(79,812)	(43,096)
Dividends paid to non-controlling shareholders		(557,224)	(435,538)
Contribution from non-controlling shareholders		43,693	7,646
Net cash flows (used in)/from financing activities		(887,563)	844,896
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(430,387)	356,555
Cash and cash equivalents at beginning of year		3,167,230	2,890,413
Effect of foreign exchange rate changes, net		(205,964)	(79,738)
CASH AND CASH EQUIVALENTS AT END OF YEAR		2,530,879	3,167,230
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances, unrestricted	26	1,230,422	1,362,227
Time deposits with original maturity of less than three months when acquired	26	1,300,457	1,805,003
Cash and cash equivalents as stated in the statement of cash flows		2,530,879	3,167,230

1. CORPORATE AND GROUP INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 2 February, 2000 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's shares were listed on The Growth Enterprise Market (the "GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 29 September, 2000. Upon approval by the Stock Exchange, the Company's shares were withdrawn from the GEM and were listed on the Main Board on 8 December, 2003.

The head office and principal place of business of the Company in Hong Kong is located at Unit 9, 41st Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.

During the year, the Group continued to be principally engaged in the research and development, production and sale of a series of modernised Chinese medicines and chemical medicines.

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Company name	Place of incorporation/ registration and business	Issued/ paid-up capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Beijing Chia Tai Green Continent Pharmaceutical Co., Ltd. ("CTGP")	PRC/ Mainland China*	US$1,000,000	–	75	Research and development of pharmaceutical products
Champion First Investments Limited	British Virgin Islands/ Hong Kong	US$2	100	–	Investment holding
China Biotech & Drug Development Limited	Hong Kong	HK$100 Ordinary	–	51	Research and development of pharmaceutical products
Chia Tai-Tianqing Pharmaceutical Holdings Co., Ltd. ("CT Tianqing")[1]	PRC/ Mainland China*	RMB690,000,000	–	60	Development, manufacture and distribution of pharmaceutical products
Jiangsu Runji Investment Co., Ltd.	PRC/ Mainland China**	RMB10,000,000	–	60	Investment holding

Notes to Financial Statements

31 December 2015

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's subsidiaries are as follows: (continued)

Company name	Place of incorporation/ registration and business	Issued/ paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Magnificent Technology Limited	British Virgin Islands/ Hong Kong	US$500,000	–	60	Investment holding
Nanjing Chia Tai Tianqing Pharmaceutical Co., Ltd. ("NJCTT")[2]	PRC/ Mainland China*	RMB117,609,001	–	55.6	Development, manufacture and sale of pharmaceutical products
Lianyungang Hualing Medicines Technology Co., Ltd. ("LYG Hualing")	PRC/ Mainland China**	US$5,000,000	–	60	Manufacture and sale of pharmaceutical products
Lianyungang Runzhong Pharmaceutical Co., Ltd. ("LYG Runzhong")	PRC/ Mainland China**	RMB65,000,000	–	60	Development, manufacture and sale of pharmaceutical products
Lianyungang Chia Tai Tianqing Medicines Co., Ltd. ("LYG Tianqing")	PRC/ Mainland China**	RMB50,000,000	–	60	Distribution of pharmaceutical products
Chia Tai Refined Chemical Industry Limited	Hong Kong	HK$2 Ordinary	100	–	Investment holding
Evon Industries Limited	Hong Kong	HK$2 Ordinary	100	–	Property holding
Fine Enterprise Investment Limited	Hong Kong	HK$1 Ordinary	100	–	Investment holding
Sino Biopharmaceutical (Tianjin) Co., Ltd.	Hong Kong	HK$1 Ordinary	100	–	Investment holding

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's subsidiaries are as follows: (continued)

Company name	Place of incorporation/ registration and business	Issued/ paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Jiangsu Chia Tai Qingjiang Pharmaceutical Co., Ltd. ("Jiangsu Qingjiang")	PRC/ Mainland China*	RMB48,960,000	–	55.588	Development, manufacture and sale of pharmaceutical products
Jiangsu Chia Tai Qingjiang Medicines Co., Ltd. ("Jiangsu Qingjiang Medicines")	PRC/ Mainland China**	RMB5,000,000	–	55.588	Distribution of pharmaceutical products
Jiangsu Chia Tai Fenghai Pharmaceutical Co., Ltd. ("Jiangsu Fenghai")	PRC/ Mainland China*	US$9,363,500	–	60.898	Development, manufacture and sale of pharmaceutical Products
Jiangsu Chia Tai Fenghai Medicines Co., Ltd. ("Jiangsu Fenghai Medicines")	PRC/ Mainland China**	RMB20,000,000	–	60.898	Distribution of pharmaceutical products
Nanjing Chia Tai Fenghai Medicines Technology Co., Ltd.	PRC/ Mainland China**	RMB500,000	–	60.898	Distribution of pharmaceutical products
Chia Tai Wing Fuk Limited	Hong Kong	HK$1 Ordinary	100	–	Investment holding
Qingdao Chia Tai Haier Pharmaceutical Co., Ltd.	PRC/ Mainland China*	US$7,560,000	–	51	Development, manufacture and sale of pharmaceutical Products
Qingdao Hang Seng Tang Pharmacy Co., Ltd.	PRC/ Mainland China**	RMB1,250,000	–	51	Retail of pharmaceutical products

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's subsidiaries are as follows: (continued)

Company name	Place of incorporation/ registration and business	Issued/ paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Qingdao Haier Medicines Co., Ltd.	PRC/ Mainland China**	RMB5,000,000	–	51	Sale of pharmaceutical products
Talent Forward Limited	Hong Kong	HK$1 Ordinary	100	–	Investment holding
Sino Biopharmaceutical (Beijing) Limited	Hong Kong	HK$100 Ordinary	100	–	Investment holding
Chia Tai Pharmaceutical (Lianyungang) Company Limited ("CTP (LYG)")	Hong Kong	HK$1 Ordinary	100	–	Investment holding
Lucky Symbol Holdings Limited	Hong Kong	HK$1 Ordinary	100	–	Investment holding
Ace Elite Investments Limited	Hong Kong	HK$10 Ordinary	–	100	Investment holding
Shanghai Tongyong Pharmaceutical Co., Ltd. ("Shanghai Tongyong")[3]	PRC/ Mainland China*	RMB52,800,000	–	80.682	Manufacture and sale of pharmaceutical products
Chia Tai Pharmaceutical Investment (Beijing) Co., Ltd. ("CTP Investment")	PRC/ Mainland China***	US$118,500,000	100	–	Investment holding
Chia Tai Healthcare (Holding) Limited	Hong Kong	HK$100 Ordinary	100	–	Investment holding

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's subsidiaries are as follows: (continued)

Company name	Place of incorporation/ registration and business	Issued/ paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Chia Tai Shaoyang Orthopaedic Hospital ("Shaoyang Hospital")	PRC/ Mainland China*	RMB127,228,711	–	46.7	Orthopaedic outpatient and surgical procedures
Lianyungang Tianrun Pharmacy Ltd.	PRC/ Mainland China**	RMB100,000	–	60	Retail of pharmaceutical products
Shanghai Tongzheng Import-Export Co., Ltd.	PRC/ Mainland China**	RMB1,200,000	–	80.682	Distribution of pharmaceutical products
Suzhou Tianqing Xingwei Medicines Co., Ltd. ("Suzhou Xingwei")	PRC/ Mainland China**	RMB30,000,000	–	33	Distribution of pharmaceutical products
Nanjing Shunxin Pharmaceutical Co., Ltd.	PRC/ Mainland China**	RMB500,000,000	–	60	Manufacture and sale of pharmaceutical products
Tianjin Chia Tai Zhenwutang Food Co., Ltd. ("Tianjin Zhenwutang")	PRC/ Mainland China*	RMB19,000,000	–	51	Manufacture and sale of health food
Tianjin Chia Tai Likang Trading Co., Ltd. ("Tianjin Likang Trading")	PRC/ Mainland China**	RMB500,000	–	51	Distribution and retail of health food
Zhejiang Tianqing Zhongwei Medicines Co., Ltd. ("Zhejiang Zhongwei")	PRC/ Mainland China**	RMB30,000,000	–	33	Distribution of pharmaceutical products
Chia Tai Medicines Investment., Ltd. ("CT Medicines Investment")	Hong Kong	HK$100 Ordinary	100	–	Investment holding

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's subsidiaries are as follows: (continued)

Company name	Place of incorporation/ registration and business	Issued/ paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
CP Boai Investment Ltd. (formerly known as Hong Kong Pacific Bo Ai Investment Ltd.) ("Hong Kong Pacific")[4]	Hong Kong	US$4,224,819	–	55	Investment holding
Beijing Fuxing Boai Vision Optical Centre Co., Ltd.	PRC/ Mainland China*	RMB500,000	–	55	Optometry for optical glasses and sale of ophthalmic products
Zhengzhou Boai Ophthalmology Center Co., Ltd.	PRC/ Mainland China*	RMB7,000,000	–	38.5	Ophthalmic examination and diagnosis
Jiangxi Boai Ophthalmology Center Co., Ltd.	PRC/ Mainland China*	RMB5,000,000	–	38.5	Ophthalmic examination and diagnosis
Beijing Pacific Boai Medical Management Co., Ltd.	PRC/ Mainland China*	RMB17,373,261	–	55	Medical management consultancy services
Zhengzhou Puai Optical Sales Co., Ltd.	PRC/ Mainland China**	RMB100,000	–	55	Optometry for optical glasses and sale of ophthalmic products
Linyi City People Hospital – Boai Ophthalmology Hospital	PRC/ Mainland China**	RMB15,101,000	–	33	Ophthalmic prevention and diagnosis
Linyi Boai Vision Optical Centre Co., Ltd.	PRC/ Mainland China**	–	–	33	Optometry for optical glasses and sale of ophthalmic products

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's subsidiaries are as follows: (continued)

Company name	Place of incorporation/ registration and business	Issued/ paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Jiangxi Boai Optometry Optical Centre Co., Ltd.	PRC/ Mainland China*	RMB1,000,000	–	38.5	Optometry for optical glasses and retail and wholesale of optical and auditory products
Zhengzhou Boai Otorhinolaryngology Hospital Co., Ltd.	PRC/ Mainland China**	RMB3,000,000	–	55	Outpatient and surgical procedures
Zhengzhou Boai Vision Optical Co., Ltd.	PRC/ Mainland China**	RMB100,000	–	55	Optometry for optical glasses and sale of glasses
Beijing Fuxing Boai Ophthalmology Centre	PRC/ Mainland China*	RMB13,870,032	–	41.25	Ophthalmic diagnosis
Chia Tai Haiyu Company Limited ("CT Haiyu")	Hong Kong	HK$100 Ordinary	100	–	Investment holding
Chia Tai Kaiyue (Wuxi) Real Property Co., Ltd. ("CT Kaiyue Wuxi")	PRC/ Mainland China*	US$72,317,000	–	100	Property holding
Chia Tai Resources Limited ("CT Resources")	Hong Kong	HK$10 Ordinary	100	–	Investment holding
Huaian Jiuli Biotech Co., Ltd. ("Huaian Jiuli")	PRC/ Mainland China**	–	–	55.6	Manufacture and sale of pharmaceutical products
Qingdao Hang Seng Tang Pharmacy Co. Ltd. Clinic ("QDHST Clinic")	PRC/ Mainland China**	RMB30,000	–	51	Hospital and sale of pharmaceutical products

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's subsidiaries are as follows: (continued)

Company name	Place of incorporation/ registration and business	Issued/ paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Anhui Chia Tai Banlanhua Healthcare Industry Co., Ltd. ("Anhui Banlanhua")[5]	PRC/ Mainland China*	RMB72,000,000	–	38.06125	Distribution and retail of health food
Karolinska Development (Asia) Limited ("KD Asia")[6]	Hong Kong	HK$1 Ordinary	100	–	Investment holding
Golden Sword Ventures Limited ("Golden Sword")[7]	British Virgin Islands/ Hong Kong	US$1	100	–	Investment holding
Chia Tai Likang (Tianjin) Technology Co., Ltd. ("Tianjin LK")[8]	PRC/ Mainland China**	RMB1,000,000	–	43.35	Distribution of pharmaceutical products

Notes:

1 During the year ended 31 December, 2015, CT Tianqing was authorised to transfer its reserve fund of RMB200,000,000 into paid-up capital, and its paid-up capital increased from RMB490,000,000 to RMB690,000,000.

2 During the year ended 31 December, 2015, NJCTT was authorised to transfer its reserve fund of approximately RMB75,811,149 into paid-up capital, and its paid-up capital increased from USD5,050,000 to RMB117,609,001.

3 During the year ended 31 December, 2015, the Group, through CTP Investment, acquired an additional equity interest of 17.282% (equivalent to 21.79% according to issued capital) of Shanghai Tongyong from two independent third parties at an aggregate consideration of RMB8,083,378 (approximately HK$9,972,464).

4 During the year ended 31 December, 2015, Hong Kong Pacific had increased its paid-up capital from US$125,000 to US$4,224,819. The Group, through CT Medicine Investment, had made an additional capital contribution of US$2,662,000.

5 Anhui Banlanhua was newly established during the year ended 31 December, 2015. The Company holds 38.06125% of its equity interest through Jiangsu Fenghai.

6 KD Asia was newly established during the year ended 31 December, 2015. The Company directly holds 100% of its equity interest.

7 Golden Sword was newly established during the year ended 31 December, 2015.The Company directly holds 100% of its equity interest.

8 Tianjin LK was newly established during the year ended 31 December, 2015. The Company hold 43.35% of its equity interest through Tianjin Zhenwutang.

9 Lianyuangang Tiance Medicines Technology Co., Ltd, one of the company's subsidiaries, was liquidated on 7 May, 2015.

* These subsidiaries were registered as foreign equity joint ventures under PRC law.

** These subsidiaries were registered as limited liability companies under PRC law.

*** A subsidiary was registered as wholly-foreign owned enterprise under PRC law.

2.1 BASIS OF PREPARATION

These consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong, and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain buildings classified as property, plant and equipment and equity investments which have been measured at fair value, as further explained in note 2.4. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December, 2015. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKAS 19 *Defined Benefit Plans: Employee Contributions*
Annual Improvements to HKFRSs 2010-2012 Cycle
Annual Improvements to HKFRSs 2011-2013 Cycle

The adoption of the above revised standards has had no significant financial effect on these financial statements.

In addition, the Company has adopted the amendments to the Listing Rules issued by the Hong Kong Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKAS 1	*Disclosure Initiative*[1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[1]

1 Effective for annual periods beginning on or after 1 January, 2016
2 Effective for annual periods beginning on or after 1 January, 2018
3 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January, 2016 and therefore is not applicable to the Group
4 No mandatory effective date yet determined but is available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January, 2018. The Group is currently assessing the impact of the standard upon adoption and expects that the adoption of HKFRS 9 will have an impact on the classification and measurement of the Group's financial assets.

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

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group will quantify the effect when the final effective date is issued.

The amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January, 2016.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In September 2015, the HKICPA issued an amendment to HKFRS 15 regarding a one-year deferral of the mandatory effective date of HKFRS 15 to 1 January, 2018. The Group expects to adopt HKFRS 15 on 1 January, 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in HKAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The Group expects to adopt the amendments from 1 January, 2016. The amendments are not expected to have any significant impact on the Group's financial statements.

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

Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January, 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint venture are eliminated to the extent of the Group's investments in the associates or joint venture, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or joint venture is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

The Group measures its investment properties, derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in the prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is controlled or jointly controlled by a person identified in (a);
- (vi) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (vii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Valuations are performed on buildings frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of buildings are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the statement of profit or loss. Any subsequent revaluation surplus is credited to the statement of profit or loss to the extent of the deficit previously charged. An annual transfer from the asset revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset's original cost. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	4%-5%
Leasehold improvements	5%-20%
Plant and machinery	5%-9%
Motor vehicles	9%-18%
Furniture and fixtures	18%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents factory buildings, plant and machinery and other assets under construction or installation, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction, installation and testing during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at historical cost less accumulated depreciation and provision for any impairment in value. Depreciation is calculated on the straight-line basis over the expected useful life of 20 years.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the statement of profit or loss during the financial period in which they are incurred.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement for profit or loss in the year of the retirement or disposal.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its carrying amount at the date of reclassification becomes its cost for accounting purposes. If an item of property, plant and equipment becomes an investment property because its use has changed, the carrying amount of this item at the date of transfer is recognised as the cost of an investment property for accounting purposes. Property being constructed or developed for future as an investment property is classified as an investment property.

Properties under development

Properties under development are stated at the lower of cost and net realisable value and comprise land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

Properties under development which are intended to be held for sale and expected to be completed within 12 months from the end of the reporting period are classified as current assets.

Properties under development which are intended to be held for sale and expected to be completed beyond 12 months from the end of the reporting period are classified as non-current assets.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill) (continued)

Trademarks

Trademarks with finite useful lives are measured initially at cost and are amortised on the straight-line basis over the respective estimated useful lives of 30 years. Trademarks with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful lives of trademarks are reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Patents and licences

Purchased patents and licences are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of not exceeding 10 years.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five years, commencing from the date when the products are put into commercial production.

Leases

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and bank balances, trade and other receivables, amounts due from related companies, equity investments at fair value through profit or loss and available-for-sale investments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other expenses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for “Revenue recognition” below.

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the statement of profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Available-for-sale financial investments (continued)

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the statement of profit or loss, if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables, deposits received, amounts due to related companies and interest-bearing bank borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the amortisation process.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

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

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions (continued)

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general guidance for provisions above; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(c) dividend income, when the shareholders' right to receive payment has been established.

Employee benefits

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November, 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a binomial model.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Share-based payments (continued)

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Pension schemes

The Company and the Group's subsidiaries which operate in Hong Kong operate a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries, which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute 20 to 23% of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. In prior years, final dividends proposed by the directors were classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. Following the implementation of the Hong Kong Companies Ordinance (Cap. 622), proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

The functional currency of certain Mainland China subsidiaries and associates is Renminbi ("RMB"). As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rate prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rate for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Consolidation of entities in which the Group holds less than a majority of equity interest

The Group considers that it controls Chia Tai Shaoyang Orthopaedic Hospital ("Shaoyang Hospital") even though it owns less than 50% of the equity interest. This is because the Group is the single largest shareholder of Shaoyang Hospital with a 46.7% equity interest and owns more than 50% of the voting rights. The number of directors assigned by the Group to Shaoyang Hospital's board has been more than half of the total number of directors since the date of acquisition by the Group.

Recognition of deferred tax assets

The Group recognised deferred tax assets which resulted from the deductible temporary differences of subsidiaries. The Group considers that the deferred tax assets are recognised to the extent that it is probable that the subsidiaries will have sufficient taxable profit relating to the same taxation authority and the same taxable entity against which the deductible temporary differences can be utilised. The carrying amount of deferred tax assets at 31 December, 2015 was approximately HK$214,966,000 (2014: approximately HK$107,927,000). More details are given in note 31.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December, 2015 was approximately HK$110,709,000 (2014: approximately HK$110,850,000). More details are given in note 17.

Development costs

Development costs are capitalised in accordance with the accounting policy for research and development costs in note 2.4 to the financial statements. Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. At 31 December, 2015, the best estimate of the carrying amount of capitalised development costs was approximately HK$117,056,000 (2014: approximately HK$83,920,000). More details are given in note 18.

Assessment of useful lives of deferred development costs

In assessing the estimated useful lives of deferred development costs, the Group takes into account factors such as the expected life span of the underlying pharmaceutical products based on past experience or from a change in the market demand for the products. The estimation of the useful lives is based on the experience of management.

4. OPERATING SEGMENT INFORMATION

Management considers the business from a product/service perspective. The three reportable segments are as follows:

(a) the modernised Chinese medicines and chemical medicines segment comprises the manufacture, sale and distribution of modernised Chinese medicine products and western medicine products;

(b) the investment segment is engaged in long term investments; and

(c) the "others" segment comprises, principally, (i) the Group's research and development sector which provides services to third parties; and (ii) related healthcare and hospital business.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax.

Segment assets exclude deferred tax assets and the investments in associates as these assets are managed on a group basis.

Segment liabilities exclude tax payable and deferred tax liabilities as these liabilities are managed on a group basis.

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December, 2015

	Modernised Chinese medicines and chemical medicines HK$'000	Investment HK$'000	Others HK$'000	Total HK$'000
Segment revenue:				
Sales to external customers	14,045,796	–	504,429	14,550,225
Segment results	3,296,629	(47,442)	95,178	3,344,365
Reconciliation:				
Interest and unallocated gains				74,503
Share of profits and losses of associates				325,254
Unallocated expenses				(300,238)
Profit before tax				3,443,884
Income tax expense				(532,876)
Profit for the year				2,911,008
Assets and liabilities				
Segment assets	10,134,496	4,294,458	580,375	15,009,329
Reconciliation:				
Investments in associates				1,258,323
Other unallocated assets				214,966
Total assets				16,482,618
Segment liabilities	3,727,461	1,751,865	235,205	5,714,531
Reconciliation:				
Other unallocated liabilities				325,042
Total liabilities				6,039,573
Other segment information:				
Depreciation and amortisation	299,757	53,403	7,495	360,655
Capital expenditure	772,324	546,642	8,445	1,327,411
Other non-cash expenses	325	16	1	342

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December, 2014

	Modernised Chinese medicines and chemical medicines HK$'000	Investment HK$'000	Others HK$'000	Total HK$'000
Segment revenue:				
Sales to external customers	11,951,420	–	426,930	12,378,350
Segment results	2,482,034	26,136	111,630	2,619,800
Reconciliation:				
Interest and unallocated gains				113,593
Share of profits and losses of associates				336,792
Unallocated expenses				(268,978)
Profit before tax				2,801,207
Income tax expense				(440,153)
Profit for the year				2,361,054
Assets and liabilities				
Segment assets	8,676,147	3,515,351	503,095	12,694,593
Reconciliation:				
Investments in associates				1,361,421
Other unallocated assets				107,927
Total assets				14,163,941
Segment liabilities	3,501,846	1,418,194	176,059	5,096,099
Reconciliation:				
Other unallocated liabilities				249,546
Total liabilities				5,345,645
Other segment information:				
Depreciation and amortisation	253,547	6,291	5,730	265,568
Capital expenditure	584,248	17,428	36,702	638,378
Other non-cash expenses	1,962	4	45	2,011

No further geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in Mainland China, and over 90% of the Group's non-current assets other than available-for-sale investments and deferred tax assets are based in Mainland China.

No information about major customers is presented as no single customer contributes to over 10% or more of the Group's revenue for the years ended 31 December, 2015 and 2014.

5. REVENUE, OTHER INCOME AND GAINS

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

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

	2015 HK$'000	2014 HK$'000
Revenue		
Sale of goods	14,550,225	12,378,350
Other income		
Bank interest income	74,503	113,593
Interest income on convertible bonds	18,798	–
Dividend income	12,848	15,776
Investment income	194,595	23,349
Government grants*	29,767	52,373
Gross rental income	2,024	–
Sale of scrap materials	8,271	14,481
Others	19,341	29,122
	360,147	248,694
Gains		
Gain on disposal of items of property, plant and equipment	208	258
Gain on disposal of a prepaid land lease payment	–	125
Gain on disposal of a subsidiary	–	8,428
Fair value gains		
Equity investments at fair value through profit or loss		
– held for trading	31,278	35,677
	31,486	44,488
Total other income and gains	391,633	293,182

* Various government grants have been received for setting up research activities in Mainland China. Government grants received for which related expenditure has not yet been undertaken are included in deferred income in the statement of financial position. There are no unfulfilled conditions or contingencies relating to these grants.

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2015 HK$'000	2014 HK$'000
Cost of inventories sold		3,249,697	2,920,531
Depreciation of property, plant and equipment	13	317,902	248,164
Depreciation of investment properties	14	23,849	–
Recognition of prepaid land lease payments	16	7,345	6,078
Amortisation of other intangible assets*	18	11,559	11,326
Research and development costs		1,301,959	1,073,319
Revaluation deficit/(surplus) of property, plant and equipment		27,852	(24)
Gain on disposal of items of property, plant and equipment	5	(208)	(258)
Gain on disposal of a prepaid land lease payment	5	–	(125)
Loss on disposal of items of property, plant and equipment		342	2,011
Bank interest income	5	(74,503)	(113,593)
Dividend income	5	(12,848)	(15,776)
Investment income	5	(194,595)	(23,349)
Gain on disposal of a subsidiary	5	–	(8,428)
Impairment of an investment in an associate		15,699	–
Fair value (gain)/losses, net:			
Available-for-sale investments (transfer from equity in disposal)		7,846	–
Equity investments at fair value through profit or loss – held for trading	5	(31,278)	(35,677)
Financial assets designated as at fair value through profit or loss		25,281	–
Minimum lease payments under operating leases		25,518	33,660
Auditors' remuneration		4,699	4,879
Employee benefit expense (including directors' remuneration (note 8)):			
Wages and salaries		1,108,851	904,335
Pension scheme contributions		215,217	162,071
		1,324,068	1,066,406
Accrual/(Reversal) of impairment loss of trade receivables	23	319	(124)
Foreign exchange differences, net		87,711	30,840

Note:

* The amortisation of patents and licences, deferred development costs, and trademarks for the year were included in "Cost of sales" and "Other expenses", respectively, on the face of the consolidated statement of profit or loss.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2015 HK$'000	2014 HK$'000
Interest on bank borrowings	**79,812**	43,096

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2015 HK$'000	2014 HK$'000
Fees	**1,132**	1,116
Other emoluments:		
Salaries, allowances and benefits in kind	**22,035**	19,916
Discretionary bonuses	**23,448**	20,420
Pension scheme contributions	**256**	271
	45,739	40,607
	46,871	41,723

(a) Independent non-executive directors

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

	2015 HK$'000	2014 HK$'000
Mr. Lu Zhengfei	**276**	264
Mr. Li Dakui	**276**	264
Ms. Lu Hong	**192**	–
Mr. Zhang Lufu	**192**	–
Ms. Li Jun	**108**	324
Mr. Mei Xingbo	**88**	264
	1,132	1,116

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Executive directors

2015

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Employee share option benefits HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Executive directors:						
Miss Tse, Theresa Y Y	–	754	1,000	–	9	1,763
Mr. Tse Ping	–	10,010	20,000	–	18	30,028
Mr. Xu Xiaoyang	–	834	1,258	–	121	2,213
Mr. Tse Hsin	–	1,261	450	–	18	1,729
Mr. Wang Shanchun	–	5,688	–	–	45	5,733
Mr. Tian Zhoushan	–	2,846	–	–	45	2,891
Ms. Li Mingqin	–	642	740	–	–	1,382
	–	22,035	23,448	–	256	45,739

2014

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Employee share option benefits HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Executive directors:						
Mr. Tse Ping	–	8,560	18,000	–	17	26,577
Mr. Zhang Baowen	–	1,418	–	–	110	1,528
Mr. Xu Xiaoyang	–	2,045	–	–	110	2,155
Mr. Tse Hsin	–	1,189	420	–	17	1,626
Ms. Cheng Cheung Ling	–	2,125	2,000	–	17	4,142
Mr. Tao Huiqi	–	3,559	–	–	–	3,559
Mr. He Huiyu	–	1,020	–	–	–	1,020
	–	19,916	20,420	–	271	40,607

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year represented five (2014: five) directors, details of whose remuneration are set out in note 8 above.

10. INCOME TAX

Hong Kong profits tax has been provided at a rate of 16.5% (2014: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2015 HK$'000	2014 HK$'000
Current – Hong Kong	–	–
Current – Mainland China income tax	590,724	409,468
Deferred tax (note 31)	(57,848)	30,685
Total tax charge for the year	532,876	440,153

In the year ended 31 December, 2015, Nanjing Chia Tai Tianqing Pharmaceutical Co., Ltd. ("NJCTT"), Chia Tai-Tianqing Pharmaceutical Holdings Co., Ltd. ("CT Tianqing"), Jiangsu Chia Tai Fenghai Pharmaceutical Co., Ltd. ("Jiangsu Fenghai"), Jiangsu Chia Tai Qingjiang Pharmaceutical Co., Ltd. ("Jiangsu Qingjiang"), Qingdao Chia Tai Haier Pharmaceutical Co., Ltd., Shanghai Tongyong Pharmaceutical Co., Ltd. ("Shanghai Tongyong"), Lianyungang Runzhong Pharmaceutical Co.,Ltd. ("LYG Runzhong") and Beijing Chia Tai Green Continent Pharmaceutical Co., Ltd. ("CTGP") were entitled to a corporate income tax rate of 15% because they were qualified as "High and New Technology Enterprises".

Other than the above-mentioned entities, the entities located in Mainland China were subject to corporate income tax at a rate of 25% in 2015.

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the jurisdictions in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

2015

	Mainland China HK$'000	Hong Kong HK$'000	Total HK$'000
Profit before tax	3,117,723	326,161	3,443,884
Tax at the statutory tax rate	779,431	53,817	833,248
Less: Preferential tax rate reduction	(294,993)	–	(294,993)
Income not subject to tax	(1,673)	(109,340)	(111,013)
Expenses not deductible for tax	39,022	76,846	115,868
Additional tax deduction	(61,836)	–	(61,836)
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	–	51,602	51,602
Tax charge at the Group's effective rate	459,951	72,925	532,876

10. INCOME TAX (continued)

2014

	Mainland China HK$'000	Hong Kong HK$'000	Total HK$'000
Profit before tax	2,368,569	432,638	2,801,207
Tax at the statutory tax rate	592,142	71,385	663,527
Less: Preferential tax rate reduction	(190,326)	–	(190,326)
Income not subject to tax	(1,204)	(104,163)	(105,367)
Expenses not deductible for tax	27,627	33,414	61,041
Additional tax deduction	(67,574)	–	(67,574)
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	–	78,852	78,852
Tax charge at the Group's effective rate	360,665	79,488	440,153

11. DIVIDENDS

	2015 HK$'000	2014 HK$'000
Interim – HK$0.04 (2014: HK$0.045) per ordinary share	**222,366**	222,366
Proposed final – HK$0.015 (2014: HK$0.015) per ordinary share	**111,183**	74,122
	333,549	296,488

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent for the year of approximately HK$1,778,692,000 (2014: approximately HK$1,513,205,000), and the weighted average number of ordinary shares of 5,239,302,986 (2014: 4,941,461,473) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years 2015 and 2014.

13. PROPERTY, PLANT AND EQUIPMENT

31 December, 2015

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Furniture and fixtures HK$'000	Construction in progress HK$'000	Total HK$'000
At 1 January, 2015:							
Cost or valuation	1,075,592	8,975	1,186,211	180,345	376,826	193,561	3,021,510
Accumulated depreciation	–	(8,481)	(415,003)	(83,861)	(173,985)	–	(681,330)
Net carrying amount	1,075,592	494	771,208	96,484	202,841	193,561	2,340,180
At 1 January, 2015, net of accumulated depreciation	1,075,592	494	771,208	96,484	202,841	193,561	2,340,180
Additions	33,849	11	177,211	60,071	101,030	363,160	735,332
Depreciation provided during the year	(79,690)	(418)	(132,042)	(29,312)	(76,440)	–	(317,902)
Surplus on revaluation	2,204	–	–	–	–	–	2,204
Disposals	(129)	–	(2,142)	(3,582)	(647)	(2,658)	(9,158)
Transfers	128,145	–	172,204	–	6,047	(306,396)	–
Exchange realignment	(35,182)	(9)	(36,648)	(4,824)	(7,440)	(10,366)	(94,469)
At 31 December, 2015, net of accumulated depreciation	1,124,789	78	949,791	118,837	225,391	237,301	2,656,187
At 31 December, 2015:							
Cost or valuation	1,124,789	8,941	1,465,718	181,503	456,800	237,301	3,475,052
Accumulated depreciation	–	(8,863)	(515,927)	(62,666)	(231,409)	–	(818,865)
Net carrying amount	1,124,789	78	949,791	118,837	225,391	237,301	2,656,187

13. PROPERTY, PLANT AND EQUIPMENT (continued)

31 December, 2014

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Furniture and fixtures HK$'000	Construction in progress HK$'000	Total HK$'000
At 1 January, 2014:							
Cost or valuation	960,990	8,112	947,444	142,706	319,029	227,278	2,605,559
Accumulated depreciation	–	(8,007)	(300,313)	(69,330)	(120,798)	–	(498,448)
Net carrying amount	960,990	105	647,131	73,376	198,231	227,278	2,107,111
At 1 January, 2014, net of accumulated depreciation	960,990	105	647,131	73,376	198,231	227,278	2,107,111
Additions	2,269	941	81,821	56,064	59,523	246,344	446,962
Depreciation provided during the year	(67,335)	(486)	(93,512)	(29,486)	(57,345)	–	(248,164)
Acquisition of subsidiaries	–	–	35,654	3,432	3,961	–	43,047
Surplus on revaluation	49,738	–	–	–	–	–	49,738
Disposals	(2,638)	(60)	(2,108)	(3,306)	(1,146)	(484)	(9,742)
Disposal of a subsidiary	–	–	(255)	(2)	(26)	–	(283)
Transfers	149,981	–	119,551	–	4,690	(274,222)	–
Exchange realignment	(17,413)	(6)	(17,074)	(3,594)	(5,047)	(5,355)	(48,489)
At 31 December, 2014, net of accumulated depreciation	1,075,592	494	771,208	96,484	202,841	193,561	2,340,180
At 31 December, 2014:							
Cost or valuation	1,075,592	8,975	1,186,211	180,345	376,826	193,561	3,021,510
Accumulated depreciation	–	(8,481)	(415,003)	(83,861)	(173,985)	–	(681,330)
Net carrying amount	1,075,592	494	771,208	96,484	202,841	193,561	2,340,180

As at 31 December, 2015, the Group's buildings were all situated in Mainland China and were all held under medium term leases.

The Group's buildings as at 31 December, 2015 were revalued as at that date by RHL Appraisal Ltd., independent professionally qualified valuers at an aggregate open market value of approximately HK$1,124,789,000 (2014: approximately HK$1,075,592,000) based on their existing use. The revaluation resulted in a surplus of approximately HK$2,204,000 (2014: approximately HK$49,738,000). The Group has debited approximately HK$48,742,000 (2014: credited approximately HK$25,307,000) to the revaluation reserve in the current year. The Group has debited approximately HK$27,852,000 (2014: credited approximately HK$23,520) to the statement of profit or loss in the current year.

Had the buildings been carried at historical cost less accumulated depreciation, their carrying value would have been approximately HK$822,001,000 (2014: approximately HK$770,526,000).

At 31 December, 2015, certain of the Group's buildings with a net carrying amount of approximately HK$32,228,000 (2014: approximately HK$52,079,000) were pledged to secure general banking facilities granted to the Group (note 29).

14. INVESTMENT PROPERTIES

	2015 HK$'000	2014 HK$'000
Cost:		
Opening balance at 1 January	–	–
Additions	520,338	–
Closing balance at 31 December	520,338	–
Accumulated depreciation:		
Opening balance at 1 January	–	–
Charge for the year	23,849	–
Closing balance at 31 December	23,849	–
Net book value:		
Closing balance at 31 December	496,489	–

The Group's investment properties consist of two commercial properties in Hong Kong, which are held to earn rentals. The properties are measured initially and subsequently at cost. Depreciation commences on the day the transaction of purchase is completed and is calculated on the straight-line basis over 20 years.

The Group's investment properties as at 31 December, 2015 were revalued as at that date by RHL Appraisal Ltd., independent professionally qualified valuers, at an aggregate open market value of approximately HK$504,000,000.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 36(a) to the financial statements.

The property has been mortgaged for bank loans as mentioned in note 29.

15. PROPERTY UNDER DEVELOPMENT

	2015 HK$'000	2014 HK$'000
Carrying amount at 1 January	–	–
Additions	529,735	–
Carrying amount at 31 December	529,735	–

The Group's property under development is located in Mainland China.

16. PREPAID LAND LEASE PAYMENTS

	2015 HK$'000	2014 HK$'000
Carrying amount at 1 January	**346,674**	197,484
Addition during the year	**17,437**	162,861
Disposal	**–**	(999)
Recognised during the year	**(7,345)**	(6,078)
Exchange realignment	**(15,540)**	(6,594)
Carrying amount at 31 December	**341,226**	346,674
Current portion included in prepayments, deposits and other receivables	**(7,342)**	(7,323)
Non-current portion	**333,884**	339,351

17. GOODWILL

31 December, 2015

	HK$'000
Cost and carrying amount at 1 January, 2015	**110,850**
Exchange realignment	**(141)**
Cost and net carrying amount at 31 December, 2015	**110,709**

31 December, 2014

	HK$'000
Cost and carrying amount at 1 January, 2014	58,083
Acquisition of subsidiaries	52,847
Exchange realignment	(80)
Cost and net carrying amount at 31 December, 2014	110,850

17. GOODWILL (continued)

Impairment testing of goodwill

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The carrying amount of goodwill of the Group is related to twelve different cash-generating units ("CGUs"), namely Hong Kong Pacific, Zhejiang Zhongwei, Suzhou Xingwei, Shanghai Tongyong, Shaoyang Hospital, and seven other subsidiaries of the Group acquired in previous years. Approximately 43% of the carrying amount of goodwill arose from the acquisition of Hong Kong Pacific in the previous years.

The recoverable amounts of the goodwill attributable to the acquisition of equity interests in these CGUs have been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The following describes each key assumption on which the management has based its cash flow projections to undertake impairment testing of goodwill:

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

Growth rates – The growth rates are based on industry growth forecasts.

Changes in selling prices and direct costs – These are based on past practices and expectations of future changes in the market.

The values assigned to the key assumptions on discount rates, growth rates and changes in selling prices and direct costs are consistent with external information sources.

18. OTHER INTANGIBLE ASSETS

31 December, 2015

	Patents and licences HK$'000	Deferred development costs HK$'000	Trademarks HK$'000	Total HK$'000
Cost:				
At 1 January, 2015	37,178	107,669	63,317	208,164
Additions	10,163	44,141	–	54,304
Exchange realignment	(2,163)	(6,370)	–	(8,533)
At 31 December, 2015	45,178	145,440	63,317	253,935
Accumulated amortisation:				
At 1 January, 2015	20,055	23,749	2,127	45,931
Provided during the year	3,422	5,973	2,164	11,559
Exchange realignment	(1,124)	(1,338)	–	(2,462)
At 31 December, 2015	22,353	28,384	4,291	55,028
Net carrying amount	22,825	117,056	59,026	198,907

31 December, 2014

	Patents and licences HK$'000	Deferred development costs HK$'000	Trademarks HK$'000	Total HK$'000
Cost:				
At 1 January, 2014	41,276	82,952	–	124,228
Additions	1,454	27,101	–	28,555
Acquisition of a subsidiary	253	–	64,919	65,172
Disposal of a subsidiary	(6,293)	–	–	(6,293)
Exchange realignment	488	(2,384)	(1,602)	(3,498)
At 31 December, 2014	37,178	107,669	63,317	208,164
Accumulated amortisation:				
At 1 January, 2014	18,016	18,453	–	36,469
Provided during the year	3,323	5,839	2,164	11,326
Disposal of a subsidiary	(793)	–	–	(793)
Exchange realignment	(491)	(543)	(37)	(1,071)
At 31 December, 2014	20,055	23,749	2,127	45,931
Net carrying amount	17,123	83,920	61,190	162,233

19. INVESTMENTS IN ASSOCIATES

Investments in associates

		2015 HK$'000	2014 HK$'000
Beijing Tide Pharmaceutical Co., Ltd. ("Beijing Tide")	(i)	946,806	1,141,657
Tianjin Binhai Teda Logistics (Group) Corporation Ltd. ("Tianjin Teda")	(ii)	212,874	219,764
Others	(iii)	98,643	–
		1,258,323	1,361,421

Particulars of the material associates are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Tianjin Teda	Ordinary shares	PRC/ Mainland China	21.82%	Provision of comprehensive logistics services
Beijing Tide	Registered capital of RMB500,000,000	PRC/ Mainland China	33.6%	Manufacture and sale of pharmaceutical products

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

19. INVESTMENTS IN ASSOCIATES (continued)

(i) Beijing Tide

	2015 HK$'000	2014 HK$'000
Share of net assets	906,917	1,101,768
Goodwill on acquisition	39,889	39,889
Share of net assets	946,806	1,141,657

On 1 June, 2012, the Company entered into a restructuring agreement (the "Restructuring Agreement") with France Investment (China 1) Group Limited (incorporated in Hong Kong, "France Investment Hong Kong") and Mr. Tse Ping (Chairman and executive director of the Company) in preparation for the proposed listing of Beijing Tide on the ChiNext of the Shenzhen Stock Exchange. Pursuant to the Restructuring Agreement, (a) the Company sold a 51% equity interest in Sino Biopharmaceutical (Beijing) Limited (which in turn holds approximately a 33.6% equity interest in Beijing Tide) to France Investment Hong Kong for a consideration of HK$293 million; (b) France Investment Hong Kong sold its 48% equity interest in Super Demand Investments Limited ("Super Demand") (which in turn holds approximately a 24% equity interest in Beijing Tide through a wholly-owned subsidiary, France Investment (China 1) Group Limited (incorporated in the British Virgin Islands, ("France Investment BVI"), to the Company; and (c) Super Demand sold its 45% equity interests in France Investment the British Virgin Islands to the Company. The total consideration for the acquisitions under (b) and (c) was HK$293 million. Pursuant to the Restructuring Agreement, the Company is entitled to unwind the restructuring in the event that the completion of the proposed listing of Beijing Tide has not taken place by 31 December, 2013 (the "Proposed Listing Date"). The above transactions were completed in the year ended 31 December, 2012. For accounting purposes, given that there is a possibility for the restructuring to be unwound, the Group will account for the above transactions only when (a) the proposed listing of Beijing Tide is completed; (b) the Company elects to unwind the restructuring but such unwinding was not completed (if the proposed listing of Beijing Tide has not completed by 31 December, 2013); or (c) the Company elects not to unwind the restructuring.

On 23 December, 2013, after amicable negotiations, the Company, France Investment Hong Kong and Mr. Tse Ping entered into a supplemental agreement (the "Supplemental Agreement") pursuant to which the parties thereto agreed to extend the Proposed Listing Date from 31 December, 2013 to 31 December, 2016. Save for the extension of the Proposed Listing Date, all the terms and conditions of the Restructuring Agreement remain unchanged. The investment in Beijing Tide is classified as an investment in an associate in the year ended 31 December, 2013 as management assessed that the Group still had a significant influence on Beijing Tide after entering into the Supplemental Agreement.

19. INVESTMENTS IN ASSOCIATES (continued)

(i) Beijing Tide (continued)

The following table illustrates the summarised financial information of Beijing Tide adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements.

	2015 HK$'000
Current assets	2,193,684
Non-current assets	1,636,250
Current liabilities	(544,137)
Non-current liabilities	(185,891)
Net assets	3,099,906
Net assets, excluding goodwill	3,099,906
Reconciliation to the Group's interest in the associate:	
Proportion of the Group's ownership	33.6%
Group's share of net assets of the associate, excluding goodwill	1,041,569
Goodwill on acquisition (less cumulative impairment)	39,889
Exchange realignment	(134,652)
Carrying amount of the investment	946,806
Revenue	3,269,098
Profit for the year	964,551
Total comprehensive income for the year	653,785
Dividend received	414,523

(ii) Tianjin Teda

	2015 HK$'000	2014 HK$'000
Share of net assets	212,874	219,764
Goodwill on acquisition	–	–
Share of net assets	212,874	219,764

Tianjin Teda, which is considered a material associate of the Group, is a strategy partner of the Group engaged in the provision of comprehensive logistic services and is accounted for using the equity method.

19. INVESTMENTS IN ASSOCIATES (continued)

(ii) Tianjin Teda (continued)

The following table illustrates the summarised financial information of Tianjin Teda adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements.

	2015 HK$'000
Current assets	2,481,196
Non-current assets	816,754
Current liabilities	(2,168,365)
Non-current liabilities	(108,464)
Net assets	1,021,121
Net assets, excluding goodwill	1,021,121
Reconciliation to the Group's interest in the associate:	
Proportion of the Group's ownership	21.82%
Group's share of net assets of the associate, excluding goodwill	222,809
Goodwill on acquisition (less cumulative impairment)	–
Exchange realignment	(9,935)
Carrying amount of the investment	212,874
Revenue	4,055,598
Profit for the year	62,399
Total comprehensive income for the year	16,868
Dividend received	10,571

(iii) Others

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2015 HK$'000	2014 HK$'000
Share of the associates' loss for the year	12,451	–
Share of the associates' total comprehensive loss	12,451	–
Aggregate carrying amount of the Group's investments in the associates	98,643	–

20. AVAILABLE-FOR-SALE INVESTMENTS

	2015 HK$'000	2014 HK$'000
Current		
Wealth management products and trust funds	2,419,678	–
Non-current		
Listed equity investments, at fair value	–	63,937
Unlisted equity investments, at cost	368,351	361,626
	368,351	425,563

During the year, the gross loss in respect of the Group's available-for-sale investments recognised in other comprehensive loss amounted to approximately HK$1,206,000 (2014: income amounted to approximately HK$1,206,000), of which approximately HK$1,206,000 (2014: approximately HK$1,206,000) was reclassified from other comprehensive income to the statement of profit or loss for the year.

The unlisted equity investments comprised the Group's 5% equity investment in Chia Tai Qingchunbao Pharmaceutical Co., Ltd., 4.93% equity investment in LTT Bio-pharma Co., Ltd., 14.73% equity investment in Lifebond., 5% equity investment in Chia Tai Oversea Chinese Realty Development Co., Ltd. ("CTOCRD"), and 6.9% equity investment in Wuxi Healthcare Ventures II, L.P.

The unlisted equity investments are stated at cost less any impairment losses because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

21. FINANCIAL ASSETS DESIGNTAED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 HK$'000	2014 HK$'000
Convertible bonds of Karolinska Development AB	224,989	–

As at 31 December, 2015, the Company and its subsidiary, CT Resources, have subscribed the convertible bonds of Karolinska Development AB with an aggregate nominal value of SEK22,858,294 and SEK250,000,000 respectively.

The bonds are convertible at an option of the bondholders into class B shares at any time during the conversion period at an initial conversion price of SEK22 per share at the Swedish Companies Registration Office until 30 June, 2019.

The bonds bear interest at 8% per annum, which is annually compounded paid on the maturity date of the convertible bonds unless conversion has taken place before that. The interest income is accrued in other receivables.

The above investments at 31 December, 2015 were designated by the Group as financial assets at fair value through profit or loss.

22. INVENTORIES

	2015 HK$'000	2014 HK$'000
Raw materials	266,675	269,019
Work in progress	181,909	194,627
Finished goods	498,635	431,645
Spare parts and consumables	2,929	6,334
	950,148	901,625

23. TRADE AND BILLS RECEIVABLES

	2015 HK$'000	2014 HK$'000
Trade and bills receivables	1,867,102	1,892,020
Impairment	(694)	(2,359)
	1,866,408	1,889,661

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period ranges from 60 days to 180 days. The Group seeks to maintain a strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aging analysis of the Group's trade receivables as at end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2015 HK$'000	2014 HK$'000
Current to 90 days	1,603,326	1,459,335
91 days to 180 days	235,107	412,250
Over 180 days	27,975	18,076
	1,866,408	1,889,661

23. TRADE AND BILLS RECEIVABLES (continued)

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

	2015 HK$'000	2014 HK$'000
At 1 January	**2,359**	5,162
Impairment losses recognised/(reversal) (note 6)	**319**	(124)
Amount written off as uncollectible	**(1,932)**	(2,571)
Exchange realignment	**(52)**	(108)
	694	2,359

The aging analysis of the trade receivables that are not considered to be impaired is as follows:

	2015 HK$'000	2014 HK$'000
Neither past due nor impaired	**1,680,660**	1,777,452
Less than 30 days past due	**148,005**	84,059
Between 31 and 90 days past due	**35,725**	16,505
Between 91 and 180 days past due	**1,656**	7,569
Between 181 and 365 days past due	**362**	4,076
	1,866,408	1,889,661

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

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

The carrying amounts of the trade receivables approximate to their fair values due to their relatively short maturity term.

23. TRADE AND BILLS RECEIVABLES (continued)

Financial assets that are derecognised in their entirety

At 31 December, 2015, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Derecognised Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of approximately RMB549,831,000 (equivalent to approximately HK$656,058,000) (2014: approximately RMB438,485,000, equivalent to approximately HK$547,712,000). The Derecognised Bills had maturity of one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills shall have recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all the risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposures to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the year ended 31 December, 2015, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the continuing involvement, both during the year or cumulatively. The endorsement has been made evenly throughout the year.

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015 HK$'000	2014 HK$'000
Current		
Prepayments	85,532	107,750
Other receivables	1,411,065	216,343
Prepaid expenses	23,671	41,770
Current portion of prepaid land lease payments	7,342	7,323
	1,527,610	373,186
Non-current		
Prepayments	154,347	1,135,890

The carrying amounts of other receivables and prepaid expenses approximate to their fair values due to their relatively short maturity terms.

Long term prepayments represent prepayments to purchase a land use right in Nanjing.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

25. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 HK$'000	2014 HK$'000
Listed equity investments, at market value	**460,826**	529,671

The above equity investments at 31 December, 2015 were classified as held for trading and were, upon initial recognition, designated by the Group as financial assets at fair value through profit or loss.

26. CASH AND BANK BALANCES

	2015 HK$'000	2014 HK$'000
Cash and bank balances, unrestricted	**1,230,422**	1,362,227
Time deposits with original maturity of less than three months	**1,300,457**	1,805,003
Time deposits with original maturity of more than three months	**180,182**	1,301,103
Cash and bank balances	**2,711,061**	4,468,333

At the end of the reporting period, the cash and bank balances and time deposits of the Group denominated in Renminbi ("RMB") amounted to approximately HK$2,250,880,000 (2014: approximately HK$3,651,942,000). The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and twelve months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values.

27. TRADE AND BILLS PAYABLES

An aging analysis of the Group's trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2015 HK$'000	2014 HK$'000
Current to 90 days	617,372	600,036
91 days to 180 days	111,786	135,742
Over 180 days	38,434	39,463
	767,592	775,241

Trade and bills payables are non-interest-bearing and are normally settled on 90-day terms. The carrying amounts of the trade and bills payables approximate to their fair values due to their relatively short maturity terms.

28. OTHER PAYABLES AND ACCRUALS

	2015 HK$'000	2014 HK$'000
Advances from customers	57,880	46,528
Accrued payroll and bonuses	757,277	627,576
Other payables	810,431	609,569
Accrued expenses	1,246,521	989,705
Staff welfare and bonus fund	55,049	50,094
Tax payable other than profits tax	152,091	120,593
	3,079,249	2,444,065

Other payables are non-interest-bearing and have an average term of three months. The carrying amounts of the other payables and accruals approximate to their fair values due to their relatively short maturity terms.

29. INTEREST-BEARING BANK BORROWINGS

	2015			2014		
	Effective interest rate (%)	Maturity	HK$'000	Effective interest rate (%)	Maturity	HK$'000
Current						
Bank loans – unsecured	4.85	2016	5,966	3.0-5.6	2015	176,124
Bank loans – unsecured (d)	LIBOR+2	2016	1,287,000			–
Bank loans – secured (c)	5.6-6.2	2016	34,603	5.6-6.0	2015	29,978
Bills receivable discounted (e)	3.0-3.8	2016	76,551	3.5-5.0	2015	216,594
Current portion of long term						
bank loans – secured (f)	HIBOR+1.75	2016	12,750	6	2015	12,491
bank loans – secured (f)	HIBOR+1.95	2016	3,120			–
Non-current						
Bank loans – unsecured (d)			–	LIBOR+2	2016	1,287,000
Bank loans – secured (f)	HIBOR+1.75	2030	137,453	6	2016	1,597
Bank loans – secured (f)	HIBOR+1.95	2022	168,609			–
			1,726,052			1,723,784
Analysed into:						
Bank loans repayable:						
Within one year or on demand			1,419,990			435,187
In the second year			15,870			1,288,597
In the third to fifth years, inclusive			47,609			–
Beyond five years			242,583			–
			1,726,052			1,723,784

Notes:

(a) Except for the LIBOR plus 2% unsecured bank loan which is denominated in United States dollars, all borrowings are denominated in Renminbi.

(b) The carrying amounts of the Group's interest-bearing bank borrowings approximate to their fair values.

(c) At 31 December, 2015, the Group's bank borrowings were secured by the Group's buildings with a carrying amount of approximately HK$37,228,000 (2014: approximately HK$52,079,000).

(d) On 20 December, 2013, the Company, as the borrower, entered into a facility agreement with Societe Generale Asia Limited, Industrial and Commercial Bank of China (Asia) Limited and Mega International Commercial Bank Co., Ltd., for a three-year unsecured loan in the principal sum of US$165,000,000 at an interest rate of LIBOR plus 2.00% per annum. The amounts borrowed under the Syndicated Loan will be used by the Company for general corporate purposes. As of 31 December, 2015, the Group had used all the drawdown from the facility.

(e) As at 31 December, 2015, bills receivable of an amount of approximately HK$76,551,000 (2014: approximately HK$216,594,000) were discounted at banks to obtain certain bank facilities of HK$76,551,000 (2014: HK$216,594,000).

(f) As at 31 December, 2015, the Group's bank borrowings were secured by the Group's investment properties with a carrying amount of approximately HK$496,488,859 (2014: Nil).

30. DEFERRED GOVERNMENT GRANTS

The Group's deferred government grants represented government grants received for projects and are credited to the statement of profit or loss on a straight-line basis over the expected lives of the related assets.

31. DEFERRED TAX

Deferred tax liabilities

2015

	Development costs HK$'000	Revaluation of properties HK$'000	Withholding taxes HK$'000	Depreciation allowance in excess of related depreciation HK$'000	Acquisition HK$'000	Total HK$'000
At 1 January, 2015	18,560	69,054	159,421	9,198	24,203	280,436
Deferred tax charged/(credited) to the statement of profit or loss (note 10)	7,032	(4,047)	51,602	20,127	(1,544)	73,170
Realised during the year	–	–	(61,333)	(236)	–	(61,569)
Deferred tax debited to equity	–	3,473	–	–	–	3,473
Gross deferred tax liabilities at 31 December, 2015	25,592	68,480	149,690	29,089	22,659	295,510

Deferred tax assets

2015

	Government grant HK$'000	Provision for trade receivables HK$'000	Accruals HK$'000	Building revaluation depreciation HK$'000	Elimination of unrealised profits on inventories HK$'000	Total HK$'000
At 1 January, 2015	20,789	794	236,051	12,960	41,043	311,637
Deferred tax credited to the statement of profit or loss (note 10)	13,065	20	70,686	6,340	40,907	131,018
Gross deferred tax assets at 31 December, 2015	33,854	814	306,737	19,300	81,950	442,655

31. DEFERRED TAX (continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2015 HK$'000
Net deferred tax assets recognised in the consolidated statement of financial position	**214,966**
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(67,821)**
	147,145

Deferred tax liabilities

2014

	Development costs HK$'000	Revaluation of properties HK$'000	Withholding taxes HK$'000	Equity investments HK$'000	Acquisition HK$'000	Total HK$'000
At 1 January, 2014	15,087	57,926	115,966	–	8,456	197,435
Deferred tax charged/(credited) to the statement of profit or loss (note 10)	3,473	126	78,852	9,198	(1,168)	90,481
Realised during the year	–	–	(35,397)	–	–	(35,397)
Deferred tax debited to equity	–	11,002	–	–	16,915	27,917
Gross deferred tax liabilities at 31 December, 2014	18,560	69,054	159,421	9,198	24,203	280,436

Deferred tax assets

2014

	Government grant HK$'000	Provision for trade receivables HK$'000	Accruals HK$'000	Building revaluation depreciation HK$'000	Elimination of unrealised profits on inventories HK$'000	Total HK$'000
At 1 January, 2014	15,853	1,116	195,139	7,517	32,216	251,841
Deferred tax credited/(charged) to the statement of profit or loss (note 10)	4,936	(322)	40,912	5,443	8,827	59,796
Gross deferred tax assets at 31 December, 2014	20,789	794	236,051	12,960	41,043	311,637

31. DEFERRED TAX (continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2014 HK$'000
Net deferred tax assets recognised in the consolidated statement of financial position	107,927
Net deferred tax liabilities recognised in the consolidated statement of financial position	(76,726)
	31,201

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January, 2008 and applies to earnings after 31 December, 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January, 2008.

At 31 December, 2015, there was no significant unrecognised deferred tax liability (2014: Nil) for taxes that would be payable on the unremitted earnings of the Group's subsidiaries as the Group has no liability to additional tax should such amounts be remitted due to the availability of double taxation relief.

32. SHARE CAPITAL

Shares

	2015 **HK$'000**	2014 HK$'000
Issued and fully paid:		
7,412,192,209 ordinary shares of HK$0.025 each		
(2014: 4,941,461,473 ordinary shares of HK$0.025 each) (note (i))	**185,305**	123,536

Note:

(i) A bonus issue of one bonus share for every two existing shares held by members on 19 November, 2015 was made, resulting in the issuance of 2,470,730,736 ordinary shares.

33. SHARE OPTION SCHEMES

The Company operates a share option scheme (the “2013 Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations.

The 2013 Scheme became effective on 28 May, 2013 upon the listing of the Company’s shares on the Main Board, unless otherwise cancelled or amended, the 2013 Scheme remains in force for 10 years from that date.

The maximum number of shares which may be allotted to and issued upon the exercise of all outstanding share options granted and yet to be exercised under the 2013 Scheme and any other share option schemes of the Company must not in aggregate exceed 30% of the relevant class of shares of the Company in issue at any time.

The maximum number of shares in respect of which options may be granted under the share option scheme when aggregated with the maximum number of shares in respect of which options over shares or other securities may be granted by the Group under any other scheme shall not exceed 10% of the issued share capital as at the date of adoption of 2013 Scheme (representing 494,146,147 shares).

The total number of shares issued and to be issued upon exercise of options granted under the 2013 Scheme and any other share option schemes of the Company to each participant, including cancelled, exercised and outstanding options, in any 12-month period up to the date of grant, shall not exceed 1% of the issued share capital of the Company. Any further grant of share options in excess of such limit is subject to shareholders’ approval in a general meeting.

Share options granted to a director, chief executive, or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. Where any grant of share options to a substantial shareholder of the Company or an independent non-executive director of the Company, or any of their respective associates, would result in the total number of shares issued and to be issued upon exercise of share options already granted and to be granted to such person under the 2013 Scheme and any other share option schemes of the Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of such grant (a) representing in aggregate over 0.1% of the shares in issue; and (b) having an aggregate value (based on the closing price of the shares at the date of each grant) in excess of HK$5 million, such further grant of options must be approved by the shareholders in a general meeting.

Any change in the terms of the share options granted to a substantial shareholder of the Company or any independent non-executive director, or any of their respective associates must be approved by the shareholders in a general meeting.

The offer of a grant of share options may be accepted within 30 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. A share option may be exercised in accordance with the terms of the 2013 Scheme at any time during a period to be determined on the date of offer of grant of a share option and notified by the directors to each grantee. The exercise period may commence once the offer of the grant is accepted by the grantee within the prescribed time from the date of its offer and shall end in any event not later than 10 years from the date grant of the share option. Unless otherwise determined by the directors and provided in the offer of grant of options to a grantee, there is no minimum period required under the 2013 Scheme for the holding of a share option before it can be exercised.

33. SHARE OPTION SCHEMES (continued)

The exercise price of the shares under the 2013 Scheme shall be a price determined by the board of directors but shall not be less than the highest of (i) the closing price of the shares on the date of the offer of the grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of the offer of the grant; and (iii) the nominal value of the shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Pursuant to Clause 10 of the Rules of the 2013 Scheme regarding the alteration in the capital structure of the Company and the approval of the shareholders for the subdivision of the every issued and un-issued share of HK$0.10 into four shares of HK$0.025 each, the outstanding share options and the exercise price have been adjusted under the 2013 Scheme accordingly.

No share options have been granted under the 2013 Scheme since 28 May, 2013.

34. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

The Group's contributed surplus represents the difference between the nominal value of the shares and the share premium account of the former group holding companies acquired pursuant to the group reorganisation as stated in the Company's prospectus dated 22 September, 2000, and the nominal value of the Company's shares issued in exchange therefor.

Pursuant to the relevant laws and regulations for foreign investment enterprises incorporated under the Law of Mainland China on Joint Venture Using Chinese and Foreign Investment and the articles of association of the Group's Mainland China joint ventures, profits of the Group's Mainland China joint ventures as determined in accordance with the accounting rules and regulations in Mainland China are available for distribution in the form of cash dividends to the joint venture partners after the joint ventures have: (1) satisfied all tax liabilities; (2) provided for losses in previous years; and (3) made any required appropriations to the statutory reserve funds, including the general reserve fund, the enterprise expansion fund and the staff welfare and bonus fund. According to the articles of association of the respective Mainland China joint ventures of the Group, the appropriation to the statutory reserve funds is at the discretion of the boards of directors of the respective joint ventures. The basis of appropriation of the general reserve fund and the enterprise expansion fund is 5% of the statutory annual net profit after tax of the respective Mainland China joint ventures. The appropriation to the staff welfare and bonus fund is based on nil to 10% of the statutory annual net profit after tax of the respective Mainland China joint ventures and has been reclassified as an expense on consolidation as it is a liability to the employees.

The general reserve fund can be used either to offset accumulated losses or be capitalised as equity. The enterprise expansion fund can be used to expand the joint venture's production and operation and subject to the approval of the relevant government authorities, can be utilised for increasing the capital of the joint venture. The staff welfare and bonus fund is recorded and reported as a current liability of the joint venture and can be utilised for making special bonuses or collective welfare to the employees of the joint venture.

The capital reserve is non-distributable and arose from the capitalisation of the statutory reserve funds as paid-up capital upon approval for increasing the registered capital of the PRC joint venture.

35. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2015	2014
Percentage of equity interests held by non-controlling interests:		
CT Tianqing	40.0%	40.0%
NJCTT	44.4%	44.4%
LYG Runzhong	40.0%	40.0%

	2015 HK$'000	2014 HK$'000
Profit for the year allocated to non-controlling interests:		
CT Tianqing	813,427	584,638
NJCTT	139,459	131,199
LYG Runzhong	615,725	386,190
Accumulated balances of non-controlling interests at the reporting date:		
CT Tianqing	1,287,169	1,001,038
NJCTT	319,350	343,955
LYG Runzhong	739,447	465,942

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

2015	CT Tianqing HK$'000	NJCTT HK$'000	LYG Runzhong HK$'000
Revenue	7,654,929	1,801,169	2,513,208
Total expenses	(5,621,362)	(1,487,071)	(973,896)
Profit for the year	2,033,567	314,098	1,539,312
Total comprehensive income for the year	1,893,554	284,630	1,463,099
Current assets	2,438,674	748,482	2,077,246
Non-current assets	2,318,215	593,122	149,659
Current liabilities	(1,347,326)	(615,201)	(357,858)
Non-current liabilities	(191,641)	(7,146)	(20,430)
Net cash flows from operating activities	1,263,652	276,755	842,027
Net cash flows used in investing activities	(1,291,528)	(405,453)	(49,823)
Net cash flows used in financing activities	(1,290,050)	(339,472)	(794,746)
Net decrease in cash and cash equivalents	(1,317,926)	(468,170)	(2,542)

35. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (continued)

2014	CT Tianqing HK$'000	NJCTT HK$'000	LYG Runzhong HK$'000
Revenue	6,264,934	1,548,654	1,737,039
Total expenses	(4,803,338)	(1,253,161)	(771,564)
Profit for the year	1,461,596	295,493	965,475
Total comprehensive income for the year	1,435,183	282,954	943,532
Current assets	1,663,010	819,296	1,240,920
Non-current assets	2,225,070	495,279	132,440
Current liabilities	(1,250,173)	(532,274)	(196,286)
Non-current liabilities	(135,313)	(7,627)	(12,220)
Net cash flows from operating activities	1,647,798	401,607	598,826
Net cash flows used in investing activities	(156,064)	(186,859)	(64,443)
Net cash flows used in financing activities	(759,793)	(79,787)	(542,057)
Net increase/(decrease) in cash and cash equivalents	731,941	134,961	(7,674)

36. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 14 to the financial statements) under operating lease arrangements, with leases negotiated for terms of five years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December, 2015, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2015 HK$'000	2014 HK$'000
Within one year	**6,072**	–
In the second to fifth years, inclusive	**22,770**	–
	28,842	–

36. OPERATING LEASE ARRANGEMENTS (continued)

(b) As lessee

The Group leases certain of its office properties and land use rights under operating lease arrangements. Leases for office equipment are for terms ranging between two and five years, and those for land use rights are for terms ranging from ten to fifty years.

At the end of the reporting period, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2015 HK$'000	2014 HK$'000
Within one year	**15,684**	10,363
In the second to fifth years, inclusive	**13,703**	20,347
After five years	**30,136**	32,211
	59,523	62,921

37. COMMITMENTS

In addition to the operating lease commitments detailed in note 36 above, the Group had the following capital commitments at the end of the reporting period:

	2015 HK$'000	2014 HK$'000
Contracted, but not provided for:		
– Land, plant and machinery	**117,682**	180,860
– Property investment	**–**	406,422
– Convertible bonds	**–**	99,000
– Others	**78,936**	–
	196,618	686,282

38. RELATED PARTY TRANSACTIONS

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

	2015 HK$'000	2014 HK$'000
Operating lease rentals payable to:		
– a company beneficially owned by one director (note (i))	5,689	5,744
Provision of consulting services to:		
– a company beneficially owned by connected persons (note (ii))	6,983	7,124

Notes:

(i) Lease rentals were based on tenancy agreements entered into between the Group and the related party with reference to market prices.

(ii) Service fees were based on consulting agreements entered into between CTP Investment and CTOCRD with reference to market prices.

(b) Other transactions with related parties

(i) On 4 December, 2013, CT Tianqing, as service provider, entered into the 2013 NJCTT Master Technical Service and Tenancy Agreement with NJCTT (an associate of Jiangsu Agribusiness and a connected person of the Company) for the provision of research and development services for improvement and application of cardio-cerebral medicines for three years from 1 January, 2014 to 31 December, 2016 for an annual cap not exceeding RMB35,500,000 (approximately HK$44,900,000) each year. The terms of the 2013 NJCTT Master Technical Service and Tenancy Agreement are to be determined by reference to the prevailing market prices in the PRC. The 2013 NJCTT Master Technical Service and Tenancy Agreement constitutes a continuing connected transaction under Chapter 14A of the Listing Rules. Details of the 2013 NJCTT Master Technical Service and Tenancy Agreement are set out in the Company's announcement dated 4 December, 2013. There were no transactions arising from the 2013 NJCTT Master Technical Service and Tenancy Agreement in 2015 (2014: Nil).

(ii) On 4 December, 2013, CT Tianqing, as service provider, entered into the 2013 JQ Master Technical Service Agreement with Jiangsu Qingjiang (an associate of Jiangsu Agribusiness and a connected person of the Company) for the provision of research and development services for improvement and application of orthopaedic medicines for three years from 1 January, 2014 to 31 December, 2016 for annual caps not exceeding RMB20,000,000 (approximately HK$25,300,000), RMB30,000,000 (approximately HK$37,900,000) and RMB50,000,000 (approximately HK$63,200,000), respectively. The terms of the 2013 JQ Master Technical Service Agreement are to be determined by reference to the prevailing market prices in the PRC. The 2013 JQ Master Technical Service Agreement constitutes a continuing connected transaction under Chapter 14A of the Listing Rules. Details of the 2013 JQ Master Technical Service Agreement are set out in the Company's announcement dated 4 December, 2013. There were no transactions arising from the 2013 JQ Master Technical Services Agreement in 2015 (2014: Nil).

38. RELATED PARTY TRANSACTIONS (continued)

(b) Other transactions with related parties (continued)

(iii) On 4 December, 2013, LYG Tianqing, as the purchaser, entered into the 2013 NJCTT-LYG Tianqing Master Pharmaceutical Supply Agreement with NJCTT (an associate of Jiangsu Agribusiness and a connected person of the Company), as the supplier, for the purchase of cardio-cerebral, digestive system, oncology and anti-infectious medicines for three years from 1 January, 2014 to 31 December, 2016 for annual caps not exceeding RMB63,300,000 (approximately HK$80,000,000), RMB75,900,000 (approximately HK$95,900,000) and RMB90,900,000 (approximately HK$114,900,000), respectively. The terms of the 2013 NJCTT-LYG Tianqing Master Pharmaceutical Supply Agreement are to be determined by reference to the prevailing market prices and demand for cardio-cerebral, digestive system, oncological and anti-infectious medicines in the PRC. The 2013 NJCTT-LYG Tianqing Master Pharmaceutical Supply Agreement constitutes a continuing connected transaction under Chapter 14A of the Listing Rules. Details of the 2013 NJCTT-LYG Tianqing Master Pharmaceutical Supply Agreement are set out in the Company's announcement dated 4 December, 2013. The sales of goods by NJCTT to LYG Tianqing of the year amounted to approximately HK$34,398,000 (2014: approximately HK$37,158,000) and have been eliminated on consolidation.

(iv) On 4 December, 2013, LYG Tianqing, as the purchaser, entered into the 2013 LYG Tianqing-JF Master Pharmaceutical Purchase Agreement with Jiangsu Fenghai (an associate of Jiangsu Agribusiness and a connected person of the Company), as the supplier, for the purchase of nutritious, anti-infectious, digestive system, antipsychotic, respiratory system, cardio-cerebral, gynaecology and internal medicines for three years from 1 January, 2014 to 31 December, 2016 for annual caps not exceeding RMB12,900,000 (approximately HK$16,300,000), RMB15,300,000 (approximately HK$19,300,000) and RMB18,400,000 (approximately HK$23,300,000), respectively. The terms of the 2013 LYG Tianqing-JF Master Pharmaceutical Purchase Agreement are to be determined by reference to the prevailing market prices and demand for nutritious, anti-infectious, digestive system, antipsychotic, respiratory system, cardio-cerebral, gynaecology and internal medicines in the PRC. The 2013 LYG Tianqing-JF Master Pharmaceutical Purchase Agreement constitutes a continuing connected transaction under Chapter 14A of the Listing Rules. Details of the 2013 LYG Tianqing-JF Master Pharmaceutical Purchase Agreement are set out in the Company's announcement dated 4 December, 2013. The sales of goods by Jiangsu Fenghai to LYG Tianqing of the year amounted to approximately HK$14,356,000 (2014: approximately HK$10,475,000) and have been eliminated on consolidation.

(v) On 4 December, 2013, LYG Tianqing, as the purchaser, entered into the 2013 LYG Tianqing-JFM Master Pharmaceutical Purchase Agreement with Jiangsu Fenghai Medicines (an associate of Jiangsu Agribusiness and a connected person of the Company), as the supplier, for the purchase of oncological medicines for three years from 1 January, 2014 to 31 December, 2016 for annual caps not exceeding RMB1,500,000 (approximately HK$1,900,000), RMB2,000,000 (approximately HK$2,500,000) and RMB2,500,000 (approximately HK$3,200,000), respectively. The terms of the 2013 LYG Tianqing-JFM Master Pharmaceutical Purchase Agreement are to be determined by reference to the prevailing market prices of and demand for oncological medicines in the PRC. The LYG Tianqing-JFM Master Pharmaceutical Purchase Agreement constitutes a continuing connected transaction under Chapter 14A of the Listing Rules. Details of the 2013 LYG Tianqing-JFM Master Pharmaceutical Purchase Agreement are set out in the Company's announcement dated 4 December, 2013. The sales of goods by Jiangsu Fenghai Medicine to LYG Tianqing of the year amounted to approximately HK$1,618,000 (2014: approximately HK$975,000) and have been eliminated on consolidation.

38. RELATED PARTY TRANSACTIONS (continued)

(b) Other transactions with related parties (continued)

(vi) On 4 December, 2013, the Company, as the tenant, entered into the 2013 Billion Source-Sino Tenancy Agreement with Billion Source (a connected person of the Company owned as to 50% by each of Mr. Tse (a director of the Company) and Ms. Cheng), as the landlord, regarding the letting of premises in Beijing for a term of three years from 1 January, 2014 to 31 December, 2016 for an annual rental not exceeding RMB3,600,000 (equivalent to approximately HK$4,500,000), RMB3,840,000 (equivalent to approximately HK$4,900,000) and RMB4,200,000 (equivalent to approximately HK$5,300,000), respectively. The terms of the 2013 Billion Source-Sino Tenancy Agreement are to be determined by reference to the prevailing market prices in the PRC. Billion Source is a company beneficially owned by two directors. Billion Source is a connected party under Chapter 14A of the Listing Rules. Details of the 2013 Billion Source-Sino Tenancy Agreement are set out in the Company's announcement dated 4 December, 2013. The rental paid to Billion Source for the year amounted to approximately RMB3,600,000 (equivalent to approximately HK$4,489,000) (2014: approximately HK$4,500,000) and has been disclosed in note 38(a) under "Operating lease rentals payable to a company beneficially owned by two directors".

(vii) On 4 December, 2013, CT Tianqing, as service provider, entered into the CT Tianqing Master Entrusted Pharmaceutical Processing Agreement with NJCTT (an associate of Jiangsu Agribusiness, a 33.5% equity holder of CT Tianqing and a connected person of the Company) for the processing of sub-contract production for lyophilised formulation for NJCTT for three years from 1 January, 2014 to 31 December, 2016 for an annual cap not exceeding RMB10,000,000 (approximately HK$12,600,000) each year. The terms of the CT Tianqing Master Entrusted Pharmaceutical Processing Agreement are to be determined with reference to the prevailing market price in the PRC. The CT Tianqing Master Entrusted Pharmaceutical Processing Agreement constitutes a continuing connected transaction under Chapter 14A of the Listing Rules. Details of the CT Tianqing Master Entrusted Pharmaceutical Processing Agreement are set out in the Company's announcement dated 4 December, 2013. The service fee paid to CT Tianqing for the year amounted to approximately HK$386,000 (2014: approximately HK$3,883,000) and has been eliminated on consolidation.

(viii) On 4 December, 2013, CT Tianqing, as the landlord, entered into the CT Tianqing-Jiangsu Fenghai Tenancy Agreement with Jiangsu Fenghai (an associate of Jiangsu Agribusiness and a connected person of the Company), as the tenant, regarding the leasing of premises and four car parking spaces in Nanjing for a term of three years from 1 January, 2014 to 31 December, 2016 for an annual rental not exceeding RMB900,000 (approximately HK$1,100,000) each year. The terms of the CT Tianqing-Jiangsu Fenghai Tenancy Agreement are to be determined with reference to the current market rental rate in the PRC. The CT Tianqing-Jiangsu Fenghai Tenancy Agreement constitutes a continuing connected transaction under Chapter 14A of the Listing Rules. Details of the CT Tianqing-Jiangsu Fenghai Tenancy Agreement are set out in the Company's announcement dated 4 December, 2013. The rental paid to Jiangsu Fenghai for the year amounted to approximately HK$580,000 (2014: approximately HK$429,000) and has been eliminated on consolidation.

38. RELATED PARTY TRANSACTIONS (continued)

(b) Other transactions with related parties (continued)

(ix) On 4 December, 2013, CT Tianqing, as the landlord, entered into the 2013 NJCTT Master Technical Service and Tenancy Agreement with NJCTT, as the tenant, regarding the leasing of premises at Nanjing for a term of three years from 1 January, 2014 to 31 December, 2016 for an annual rental not exceeding RMB4,500,000 (approximately HK$5,700,000) each year. The terms of the 2013 NJCTT Master Technical Service and Tenancy Agreement are to be determined with reference to the current market rental rate in the PRC. The 2013 NJCTT Master Technical Service and Tenancy Agreement constitutes a continuing connected transaction under Chapter 14A of the Listing Rules. Details of the 2013 NJCTT Master Technical Service and Tenancy Agreement are set out in the Company's announcement dated 4 December, 2013. The rental paid to NJCTT for the year amounted to approximately HK$3,408,000 (2014: approximately HK$3,477,000) and has been eliminated on consolidation.

(x) On 4 December, 2013 LYG Runzhong, as the tenant, entered into the LYG Hualing-LYG Runzhong Tenancy Agreement with LYG Hualing (an associate of Jiangsu Agribusiness and a connected person of the Company), as the landlord, regarding the leasing of industrial complex, roads and facilities at Lianyungang for a term of three years from 1 January, 2014 to 31 December, 2016 for an annual rental not exceeding RMB14,200,000 (approximately HK$17,900,000), RMB15,800,000 (approximately HK$20,000,000) and RMB17,300,000 (approximately HK$21,900,000), respectively. The terms of the LYG Hualing-LYG Runzhong Tenancy Agreement are to be determined with reference to the current market rental rate in the PRC. The LYG Hualing-LYG Runzhong Tenancy Agreement constitutes a continuing connected transaction under Chapter 14A of the Listing Rules. Details of the LYG Hualing-LYG Runzhong Tenancy Agreement are set out in the Company's announcement dated 4 December, 2013. The rental paid to LYG Hualing for the year amounted to approximately HK$12,872,000 (2014: approximately HK$9,894,000) and has been eliminated on consolidation.

(xi) On 4 December, 2013, Shanghai Tongyong, as the supplier, entered into the Jiangsu Fenghai Medicines-Shanghai Tongyong Master Pharmaceutical Purchase Agreement with Jiangsu Fenghai Medicines (an associate of Jiangsu Agribusiness and a connected person of the Company), as the purchaser, regarding the purchase of dermatological medicines for three years from 1 January, 2014 to 31 December, 2016 for annual caps not exceeding RMB800,000 (approximately HK$1,000,000), RMB1,200,000 (approximately HK$1,500,000) and RMB1,600,000 (approximately HK$2,000,000), respectively. The terms of the Jiangsu Fenghai Medicines-Shanghai Tongyong Master Pharmaceutical Purchase Agreement are to be determined with reference to the prevailing market prices and demand for dermatological medicines in the PRC. The Jiangsu Fenghai Medicines-Shanghai Tongyong Master Pharmaceutical Purchase Agreement constitutes a continuing connected transaction under Chapter 14A of the Listing Rules. Details of the Jiangsu Fenghai Medicines-Shanghai Tongyong Master Pharmaceutical Purchase Agreement are set out in the Company's announcement dated 4 December, 2013. There were no transactions arising from the Master Pharmaceutical Purchase Agreement in 2015 (2014: Nil).

38. RELATED PARTY TRANSACTIONS (continued)

(b) Other transactions with related parties (continued)

(xii) On 4 December, 2013, LYG Runzhong, as the supplier, entered into the Jiangsu Fenghai-LYG Runzhong Master Pharmaceutical Purchase Agreement with Jiangsu Fenghai (an associate of Jiangsu Agribusiness and a connected person of the Company), as the purchaser, for the purchase of raw materials of medicines for treating diarrhoea and respiratory system diseases for three years from 1 January, 2014 to 31 December, 2016 for annual caps not exceeding RMB4,000,000 (approximately HK$5,100,000), RMB5,000,000 (approximately HK$6,300,000) and RMB6,000,000 (approximately HK$7,600,000), respectively. The terms of the Jiangsu Fenghai-LYG Runzhong Master Pharmaceutical Purchase Agreement are to be determined with reference to the prevailing market prices and demand for raw materials of diarrhoea and respiratory system disease medicines in the PRC. The Jiangsu Fenghai-LYG Runzhong Master Pharmaceutical Purchase Agreement constitutes a continuing connected transaction under Chapter 14A of the Listing Rules. Details of the Jiangsu Fenghai-LYG Runzhong Pharmaceutical Purchase Agreement are set out in the Company's announcement dated 4 December, 2013. The sales of goods by LYG Runzhong to Jiangsu Fenghai of the year amounted to approximately HK$567,000 (2014: approximately HK$1,174,000) and have been eliminated on consolidation.

(xiii) On 4 December, 2013, NJCTT, as the purchaser, entered into the NJCTT-LYG Runzhong Master Pharmaceutical Purchase Agreement with LYG Runzhong (an associate of Jiangsu Agribusiness and a connected person of the Company), as the supplier, for the purchase of medicines for treating cardio-cerebral diseases, and oncological and anorectal diseases for three years from 1 January, 2014 to 31 December, 2016 for annual caps not exceeding RMB40,000,000 (approximately HK$50,500,000), RMB56,000,000 (approximately HK$70,800,000) and RMB78,400,000 (approximately HK$99,100,000), respectively. The terms of the NJCTT-LYG Runzhong Master Pharmaceutical Purchase Agreement are to be determined with reference to the prevailing market prices and demand for cardio-cerebral diseases, oncology and anorectal diseases medicines in the PRC. The NJCTT-LYG Runzhong Master Pharmaceutical Purchase Agreement constitutes a continuing connected transaction under Chapter 14A of the Listing Rules. Details of the NJCTT-LYG Runzhong Master Pharmaceutical Purchase Agreement are set out in the Company's announcement dated 4 December, 2013. The sales of goods by LYG Runzhong to NJCTT of the year amounted to approximately HK$19,007,000 (2014: approximately HK$22,501,000) and have been eliminated on consolidation.

(xiv) On 4 December, 2013, NJCTT, as the purchaser, entered into the NJCTT-Jiangsu Qingjiang Master Pharmaceutical Purchase Agreement with Jiangsu Qingjiang (an associate of Jiangsu Agribusiness and a connected person of the Company), as the supplier, for the purchase of raw materials of oncological medicines for three years from 1 January, 2014 to 31 December, 2016 for annual caps not exceeding RMB2,000,000 (approximately HK$2,500,000), RMB3,000,000 (approximately HK$3,800,000) and RMB4,000,000 (approximately HK$5,100,000), respectively. The terms of the NJCTT-Jiangsu Qingjiang Master Pharmaceutical Purchase Agreement are to be determined with reference to the prevailing market prices and demand for oncological medicines in the PRC. The NJCTT-Jiangsu Qingjiang Master Pharmaceutical Purchase Agreement constitutes a continuing connected transaction under Chapter 14A of the Listing Rules. Details of the NJCTT-Jiangsu Qingjiang Master Pharmaceutical Purchase Agreement are set out in the Company's announcement dated 4 December, 2013. The sales of goods by Jiangsu Qingjiang to NJCTT of the year amounted to approximately HK$2,657,000 (2014: approximately HK$602,000) and have been eliminated on consolidation.

38. RELATED PARTY TRANSACTIONS (continued)

(b) Other transactions with related parties (continued)

(xv) On 4 December, 2013, LYG Tianqing, as the purchaser, entered into the LYG Tianqing-Jiangsu Qingjiang Master Pharmaceutical Purchase Agreement with Jiangsu Qingjiang (an associate of Jiangsu Agribusiness and a connected person of the Company), as the supplier, for the purchase of cardio-cerebral, respiratory system and orthopaedic medicines for three years from 1 January, 2014 to 31 December, 2016 for an annual cap not exceeding RMB3,300,000 (approximately HK$4,200,000), RMB4,000,000 (approximately HK$5,100,000) and RMB4,800,000 (approximately HK$6,100,000), respectively. The terms of the LYG Tianqing-Jiangsu Qingjiang Master Pharmaceutical Purchase Agreement are to be determined with reference to the prevailing market prices and demand for cardio-cerebral, respiratory system and orthopaedic medicines in the PRC. The LYG Tianqing-Jiangsu Qingjiang Master Pharmaceutical Purchase Agreement constitutes a continuing connected transaction under Chapter 14A of the Listing Rules. Details of the LYG Tianqing-Jiangsu Qingjiang Master Pharmaceutical Purchase Agreement are set out in the Company's announcement dated 4 December, 2013. The sales of goods by Jiangsu Qingjiang to LYG Tianqing of the year amounted to approximately HK$802,000 (2014: approximately HK$3,448,000) and have been eliminated on consolidation.

(xvi) On 4 December, 2013, Suzhou Xingwei, as the purchaser, entered into the Suzhou Xingwei-Jiangsu Fenghai Master Pharmaceutical Purchase Agreement with Jiangsu Fenghai (an associate of Jiangsu Agribusiness and a connected person of the Company), as the supplier, for the purchase of infusion solution including mainly invert sugar for three years from 1 January, 2014 to 31 December, 2016 for annual caps not exceeding RMB10,000,000 (approximately HK$12,600,000), RMB13,000,000 (approximately HK$16,400,000) and RMB16,900,000 (approximately HK$21,400,000) respectively. The terms of the Suzhou Xingwei-Jiangsu Fenghai Master Pharmaceutical Purchase Agreement are to be determined with reference to the prevailing market prices and demand for infusion solution in the PRC. The Suzhou Xingwei-Jiangsu Fenghai Master Pharmaceutical Purchase Agreement constitutes a continuing connected transaction under Chapter 14A of the Listing Rules. Details of the Suzhou Xingwei-Jiangsu Fenghai Master Pharmaceutical Purchase Agreement are set out in the Company's announcement dated 4 December, 2013. The sales of goods by Jiangsu Fenghai to Suzhou Xingwei of the year amounted to approximately HK$3,316,000 (2014: approximately HK$1,427,000) and have been eliminated on consolidation.

(xvii) On 4 December, 2013, Suzhou Xingwei, as the purchaser, entered into the Suzhou Xingwei-Jiangsu Qingjiang Master Pharmaceutical Purchase Agreement with Jiangsu Qingjiang (an associate of Jiangsu Agribusiness and a connected person of the Company), as the supplier, for the purchase of anti-infectious and endocrinal medicines for three years from 1 January, 2014 to 31 December, 2016 for annual caps not exceeding RMB10,000,000 (approximately HK$12,600,000), RMB13,000,000 (approximately HK$16,400,000) and RMB16,900,000 (approximately HK$21,400,000), respectively. The terms of the Suzhou Xingwei-Jiangsu Qingjiang Master Pharmaceutical Purchase Agreement are to be determined with reference to the prevailing market prices and demand for anti-infectious and endocrinal medicines in the PRC. The Suzhou Xingwei-Jiangsu Qingjiang Master Pharmaceutical Purchase Agreement constitutes a continuing connected transaction under Chapter 14A of the Listing Rules. Details of the Suzhou Xingwei-Jiangsu Qingjiang Master Pharmaceutical Purchase Agreement are set out in the Company's announcement dated 4 December, 2013. There were no transactions arising from the Master Pharmaceutical Purchase Agreement in 2015 (2014: Nil).

38. RELATED PARTY TRANSACTIONS (continued)

(b) Other transactions with related parties (continued)

(xviii) On 4 December, 2013, Suzhou Xingwei, as the purchaser, entered into the Suzhou Xingwei-LYG Tianqing Master Pharmaceutical Purchase Agreement with LYG Tianqing (an associate of Jiangsu Agribusiness and a connected person of the Company), as the supplier, for the purchase of hepatitis, oncological, anti-infectious, diabetes, respiratory system and osteoporosis medicines for three years from 1 January, 2014 to 31 December, 2016 for annual caps not exceeding RMB156,000,000 (approximately HK$197,100,000), RMB202,800,000 (approximately HK$256,300,000) and RMB255,000,000 (approximately HK$322,200,000), respectively. The terms of the Suzhou Xingwei-LYG Tianqing Master Pharmaceutical Purchase Agreement are to be determined with reference to the prevailing market prices and demand for the above mentioned medicines in the PRC. The Suzhou Xingwei-LYG Tianqing Master Pharmaceutical Purchase Agreement constitutes a continuing connected transaction under Chapter 14A of the Listing Rules. Details of the Suzhou Xingwei-LYG Tianqing Master Pharmaceutical Purchase Agreement are set out in the Company's announcement dated 4 December, 2013. The sales of goods by LYG Tianqing to Suzhou Xingwei of the year amounted to approximately HK$214,902,000 (2014: HK$153,941,000) and have been eliminated on consolidation.

(xix) On 4 December, 2013, Suzhou Xingwei, as the purchaser, entered into the Suzhou Xingwei-NJCTT Master Pharmaceutical Purchase Agreement with NJCTT (an associate of Jiangsu Agribusiness and a connected person of the Company), as the supplier, for the purchase of cardio-cerebral, anti-infectious, digestive system, oncological and anticardiac failure medicines for three years from 1 January, 2014 to 31 December, 2016 for annual caps not exceeding RMB20,000,000 (approximately HK$25,300,000), RMB26,000,000 (approximately HK$32,900,000) and RMB33,800,000 (approximately HK$42,700,000), respectively. The terms of the Suzhou Xingwei-NJCTT Master Pharmaceutical Purchase Agreement are to be determined with reference to the prevailing market prices and demand for the above mentioned medicines in the PRC. The Suzhou Xingwei-NJCTT Master Pharmaceutical Purchase Agreement constitutes a continuing connected transaction under Chapter 14A of the Listing Rules. Details of the Suzhou Xingwei-NJCTT Master Pharmaceutical Purchase Agreement are set out in the Company's announcement dated 4 December, 2013. The sales of goods by NJCTT to Suzhou Xingwei of the year amounted to approximately HK$21,512,000 (2014: approximately HK$11,523,000) and have been eliminated on consolidation.

(xx) On 4 December, 2013, NJCTT, as the supplier, entered into the NJCTT-Jiangsu Fenghai Medicines Master Pharmaceutical Supply Agreement with Jiangsu Fenghai Medicines (an associate of Jiangsu Agribusiness), as the purchaser, for the supply of cardio-cerebral, anti-infectious, digestive system, oncological and anticardiac failure medicines for three years from 1 January, 2014 to 31 December, 2016 for annual caps not exceeding RMB9,600,000 (approximately HK$12,100,000), RMB11,600,000 (approximately HK$14,700,000) and RMB15,000,000 (approximately HK$19,000,000), respectively. The terms of the NJCTT-Jiangsu Fenghai Medicines Master Pharmaceutical Supply Agreement are to be determined with reference to the prevailing market prices and demand for cardio-cerebral, anti-infectious, digestive system, oncological and anticardiac failure medicines in the PRC. The NJCTT-Jiangsu Fenghai Medicines Master Pharmaceutical Supply Agreement constitutes a continuing connected transaction under Chapter 14A of the Listing Rules. Details of the NJCTT-Jiangsu Fenghai Medicines Master Pharmaceutical Supply Agreement are set out in the Company's announcement dated 4 December, 2013. The sales of goods by NJCTT to Jiangsu Fenghai Medicines of the year amounted to approximately HK$4,086,000 (2014: approximately HK$3,950,000) and have been eliminated on consolidation.

38. RELATED PARTY TRANSACTIONS (continued)

(b) Other transactions with related parties (continued)

(xxi) On 4 December, 2013, Shaoyang Hospital, as the purchaser, entered into the NJCTT-Shaoyang Hospital Master Pharmaceutical Supply Agreement with NJCTT (an associate of Jiangsu Agribusiness and a connected person of the Company), as the supplier, for the supply of cardio-cerebral, anti-infectious, digestive system, oncological and anti-cardiac failure medicines for three years from 1 January, 2014 to 31 December, 2016 for annual caps not exceeding RMB2,000,000 (approximately HK$2,500,000), RMB2,600,000 (approximately HK$3,300,000) and RMB3,500,000 (approximately HK$4,400,000), respectively. The terms of the NJCTT-Shaoyang Hospital Master Pharmaceutical Supply Agreement are to be determined with reference to the prevailing market price and demand for cardio-cerebral, anti-infectious, digestive system, oncological and anti-cardiac failure medicines in the PRC. The NJCTT-Shaoyang Hospital Master Pharmaceutical Supply Agreement constitutes a continuing connected transaction under Chapter 14A of the Listing Rules. Details of the NJCTT-Shaoyang Hospital Master Pharmaceutical Supply Agreement are set out in the Company's announcement dated 4 December, 2013. The sales of goods by NJCTT to Shaoyang Hospital of the year amounted to approximately HK$2,909,000 (2014: approximately HK$1,966,000) and have been eliminated on consolidation.

(xxii) On 4 December, 2013, the Company, as the tenant, entered into the Sino-Ledo Properties Tenancy Agreement with Ledo Properties Ltd. ("Ledo Properties") (a connected person of the Company held as to 99% by Ms. Cheng), as the landlord, regarding the letting of the premises in Hong Kong for a term of three years from 1 January, 2014 to 31 December, 2016 for an annual rental not exceeding HK$1,200,000, HK$1,440,000 and HK$1,800,000, respectively. The terms of the Sino-Ledo Properties Tenancy Agreement are to be determined with reference to the current market rental rate. The Sino-Ledo Properties Tenancy Agreement constitutes a continuing connected transaction under Chapter 14A of the Listing Rules. Details of the Sino-Ledo Properties Tenancy Agreement are set out in the Company's announcement dated 4 December, 2013. The rental paid to Billion Source for the year amounted to approximately HK$1,200,000 (2014: HK$1,200,000), and has been disclosed in note 38(a) under "Operating lease rentals payable to a company beneficially owned by two directors".

(xxiii) On 4 December, 2013, LYG Runzhong, as the purchaser, entered into the LYG Hualing-LYG Runzhong Master Pharmaceutical Supply Agreement with LYG Hualing (an associate of Jiangsu Agribusiness and a connected person of the Company), as the supplier, for the supply of raw materials of anti-infectious medicines for three years from 1 January, 2014 to 31 December, 2016 for annual caps not exceeding RMB32,300,000 (approximately HK$40,800,000), RMB36,500,000 (approximately HK$46,100,000) and RMB39,600,000 (approximately HK$50,000,000), respectively. The terms of the LYG Hualing-LYG Runzhong Master Pharmaceutical Supply Agreement are to be determined with reference to the prevailing market prices and demand for raw materials of anti-infectious medicines in the PRC. The LYG Hualing-LYG Runzhong Master Pharmaceutical Supply Agreement constitutes a continuing connected transaction under Chapter 14A of the Listing Rules. Details of the LYG Hualing-LYG Runzhong Master Pharmaceutical Supply Agreement are set out in the Company's announcement dated 4 December, 2013. The sales of goods by LYG Hualing to LYG Runzhong of the year amounted to approximately HK$32,493,000 (2014: approximately HK$22,009,000) and have been eliminated on consolidation.

38. RELATED PARTY TRANSACTIONS (continued)

(b) Other transactions with related parties (continued)

(xxiv) On 4 December, 2013, CTP Investment, as service provider, entered into the Master Consultancy Service Agreement with CTOCRD (an associate of the Chearavanont Shareholders and a connected person of the Company) ("the CTOCRD Master Consultancy Service Agreement") for the provision of consultancy services in relation to corporate management, information technology, financial, internal control and human resources matters for three years from 1 January, 2014 to 31 December, 2016 for an annual cap not exceeding RMB6,000,000 (approximately HK$7,600,000) each year. The terms of the CTOCRD Master Consultancy Service Agreement are to be determined with reference to the prevailing market price in the PRC. The CTOCRD Master Consultancy Service Agreement constitutes a continuing connected transaction under Chapter 14A of the Listing Rules. Details of the CTOCRD Master Consultancy Services Agreement are set out in the Company's announcement dated 4 December, 2013. The fee for services provided by CTP Investment to CTOCRD of the year amounted to approximately HK$6,983,000 (2014: approximately HK$7,124,000), and has been disclosed in note 38(a) under "provision of consulting services to a company beneficially owned by connected persons".

(xxv) In 2010, Validated Profits Limited ("Validated Profits"), which is wholly owned by Mr. Tse, Chia Tai Land Company Limited ("CT Land") and some other investors entered into an agreement (the "Consortium Agreement") to form an investment consortium for the purpose of tendering a bid to the relevant governmental authorities in Beijing for the acquisition of a site located at Beijing Chaoyang District CBD and, subject to the bid being successful, to form a project company for the purpose of carrying out the development. On 6 December, 2010, CTP Investment, a wholly-owned subsidiary, entered into (a) an investment agreement with Validated Profits whereby Validated Profits agreed to transfer to CTP Investment all of its investment rights and obligations under the Consortium Agreement in connection with 7.5% of the total investment to be contributed by the Investment Consortium with nil consideration, and (b) an investment agreement with CT Land whereby CTP Investment agreed to transfer to CT Land all of its investment rights and obligations under the Consortium Agreement in connection with 2.5% of the total investment to be contributed by the Investment Consortium with nil consideration. Details are set out in the Company's press announcement dated 6 December, 2010. As at 31 December, 2015, the Group's capital contribution was approximately HK$280,402,000 in relation to this investment (note 20) (2014: prepayment of approximately HK$293,539,000). During the year ended 31 December, 2015, the project company CTOCRD was registered in the PRC with a registered capital of RMB4,700,000,000. The Group, through CTP Investment, hold a 5% equity interest in CTOCRD.

38. RELATED PARTY TRANSACTIONS (continued)

(b) Other transactions with related parties (continued)

(xxvi) On 1 June, 2012, the Company entered into a restructuring agreement with France Investment Hong Kong and Mr. Tse Ping (Chairman and executive director of the Company) in preparation for the proposed listing of Beijing Tide on the ChiNext of the Shenzhen Stock Exchange. Pursuant to the Restructuring Agreement, (a) the Company sold a 51% equity interest in Sino Biopharmaceutical (Beijing) Limited (which in turn holds approximately 33.6% equity interests in Beijing Tide) to France Investment Hong Kong for a consideration of HK$293 million; (b) France Investment Hong Kong sold its 48% equity interests in Super Demand (which in turn holds approximately 24% equity interests in Beijing Tide through a wholly-owned subsidiary, France Investment BVI to the Company; and (c) Super Demand sold its 45% equity interests in France Investment the British Virgin Islands to the Company. The total consideration for the acquisition under (b) and (c) is HK$293 million. Pursuant to the Restructuring Agreement, the Company is entitled to unwind the restructuring in the event that the completion of the proposed listing of Beijing Tide has not taken place by 31 December, 2013. The above transactions were completed in the year ended 31 December, 2012. For accounting purposes, given that there is a possibility for the restructuring to be unwound, the Group will account for the above transactions only when (a) the proposed listing of Beijing Tide is completed; (b) the Company elects to unwind the restructuring but such unwinding was not completed (if the proposed listing of Beijing Tide was not completed by 31 December, 2013); or (c) the Company elects not to unwind the restructuring. On 23 December, 2013, after amicable negotiations, the Company, France Investment Hong Kong and Mr. Tse Ping entered into a supplemental agreement (the "Supplemental Agreement") pursuant to which the parties thereto agreed to extend the Proposed Listing Date from 31 December, 2013 to 31 December, 2016. Save for the extension of the Proposed Listing Date, all the terms and conditions of the Restructuring Agreement remain unchanged.

(c) Outstanding balances with related parties

As at 31 December, 2015, the Group had trade and other payables to its PRC related parties of Nil (2014: approximately HK$33,959,000) and trade receivables from its PRC related parties of approximately Nil (2014: approximately HK$18,050,000). Trade and other payables and receivables are unsecured, interest-free and on normal trade terms for repayment.

The carrying values of the amounts due from/to related companies approximate to their fair values.

(d) Key management personnel remuneration

Remuneration of key management personnel of the Group, including amounts paid to the Directors as disclosed in note 8 to the financial statements, is as follows:

	2015 HK$'000	2014 HK$'000
Salaries and other short-term employee benefits	90,415	90,406
Pension scheme contributions	1,292	1,273
	91,707	91,679

39. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

2015

	Financial assets at fair value through profit or loss				
	Held for trading HK$'000	Designated as such upon initial recognition HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Equity investments at fair value through profit or loss	460,826	–	–	–	460,826
Financial assets designated as at fair value through profit or loss	–	224,989	–	–	224,989
Available-for-sale investments	–	–	–	2,788,029	2,788,029
Trade and bills receivables	–	–	1,866,408	–	1,866,408
Financial assets included in prepayments, deposits and other receivables	–	–	1,411,065	–	1,411,065
Cash and bank balances	–	–	2,711,061	–	2,711,061
	460,826	224,989	5,988,534	2,788,029	9,462,378

2014

	Financial assets at fair value through profit or loss				
	Held for trading HK$'000	Designated as such upon initial recognition HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Equity investments at fair value through profit or loss	529,671	–	–	–	529,671
Available-for-sale investments	–	–	–	425,563	425,563
Trade and bills receivables	–	–	1,889,661	–	1,889,661
Financial assets included in prepayments, deposits and other receivables	–	–	216,343	–	216,343
Due from related companies	–	–	18,050	–	18,050
Cash and bank balances	–	–	4,468,333	–	4,468,333
	529,671	–	6,592,387	425,563	7,547,621

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments are as follows:

	Carrying amounts		Fair values	
	2015	2014	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets				
Equity investments at fair value through profit or loss	460,826	529,671	460,826	529,671
Financial assets designated as at fair value through profit or loss	224,989	–	224,989	–
Available-for-sale investments	2,788,029	425,563	2,788,029	425,563
Trade and bills receivables	1,866,408	1,889,661	1,866,408	1,889,661
Financial assets included in prepayments, deposits and other receivables	1,411,065	216,343	1,411,065	216,343
Due from related companies	–	18,050	–	18,050
Cash and bank balances	2,711,061	4,468,333	2,711,061	4,468,333
	9,462,378	7,547,621	9,462,378	7,547,621
Financial liabilities				
Trade and bills payables	767,592	775,241	767,592	775,241
Financial liabilities included in other payables and accruals	810,431	609,569	810,431	609,569
Interest-bearing bank borrowings	1,726,052	1,723,784	1,662.096	1,723,784
Due to related companies	–	33,959	–	33,959
	3,304,075	3,142,553	3,240,119	3,142,553

The fair values of the financial assets and liabilities are included at the amount at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair values of cash and cash equivalents, trade and bills receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, amounts due from/to subsidiaries, amounts due to related companies and interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the interest-bearing bank borrowings approximate to their carrying amounts as the borrowings are floating interest rate loans.

The fair values of the listed equity investments are based on quoted market prices.

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Assets measured at fair value

As at 31 December, 2015

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Equity investments at fair value through profit or loss	460,826	–	–	460,826
Financial assets designated as at fair value through profit or loss	224,989	–	–	224,989

As at 31 December, 2014

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Equity investments at fair value through profit or loss	529,671	–	–	529,671

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2014: Nil).

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank borrowings, cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to interest rate risk for changes in interest rates relates primarily to the Group's bank borrowings with floating interest rates. The Group does not use derivative financial instruments to hedge its interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in US$ interest rate, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) and the Group's equity.

	Increase/ (decrease) in basis points	(Decrease)/ increase in profit before tax HK$'000	(Decrease)/ increase in equity HK$'000
2015			
HK$-denominated borrowings	**50**	**(1,610)**	**(1,610)**
US$-denominated borrowings	**50**	**(6,435)**	**(6,435)**
HK$-denominated borrowings	**(50)**	**1,610**	**1,610**
US$-denominated borrowings	**(50)**	**6,435**	**6,435**
2014			
Renminbi-denominated borrowings	50	–	–
US$-denominated borrowings	50	(6,435)	(6,435)
Renminbi-denominated borrowings	(50)	–	–
US$-denominated borrowings	(50)	6,435	6,435

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

Foreign exchange risk arises from the change in foreign exchange rates that may have an adverse effect on the Group in the current reporting year and in the future years. Most of the assets and liabilities of the Group were denominated in Renminbi and Hong Kong dollars. In Mainland China, foreign investment enterprises are authorised to convert Renminbi to foreign currencies in respect of the current account items (including payment of dividend and profit to the foreign joint venture partner).

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the Hong Kong dollar exchange rate, with all other variables held constant, of the Group's equity (due to changes in the fair value of monetary assets and liabilities):

	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in profit before tax HK$'000	Increase/ (decrease) in equity HK$'000
2015			
If the Hong Kong dollar weakens against Renminbi	**5**	**–**	**235,490**
If the Hong Kong dollar strengthens against Renminbi	**(5)**	**–**	**(235,490)**
2014			
If the Hong Kong dollar weakens against Renminbi	5	–	213,536
If the Hong Kong dollar strengthens against Renminbi	(5)	–	(213,536)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, available-for-sale financial assets, equity investments at fair value through profit or loss and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group's liquidity remained strong as at the end of the reporting period. During the year, the Group's primary source of funds was cash derived from operating activities and investment income. The directors consider that the Group is not exposed to liquidity risk.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

2015

	On demand HK$'000	Less than 3 months HK$'000	3 to 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Trade and bills payables	261,178	456,245	47,300	2,869	767,592
Other payables	364,835	266,585	141,729	37,282	810,431
Interest-bearing bank borrowings	–	79,233	1,380,044	333,793	1,793,070
	626,013	802,063	1,569,073	373,944	3,371,093

2014

	On demand HK$'000	Less than 3 months HK$'000	3 to 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Trade and bills payables	110,711	598,903	58,382	7,245	775,241
Other payables	213,667	227,318	153,626	14,958	609,569
Interest-bearing bank borrowings	–	307,779	127,408	1,288,597	1,723,784
Due to related companies	33,959	–	–	–	33,959
	358,337	1,134,000	339,416	1,310,800	3,142,553

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the value of individual securities. The Group was exposed to equity price risk arising from individual equity investments classified as held-for-trading investments (note 25) as at 31 December, 2015. The Group's listed investments are listed on the Hong Kong Stock Exchange and Tokyo Stock Exchange, and the investments were valued at quoted market prices at the end of the reporting period.

The following table demonstrates the sensitivity to every 1% change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period.

	Carrying amount of equity investments HK$'000	Increase/ (decrease) in profit before tax HK$'000	Increase/ (decrease) in equity HK$'000
2015			
Investments listed in			
Hong Kong – Held-for-trading	**431,573**	**4,316/(4,316)**	**4,316/(4,316)**
Japan – Held-for-trading	**29,253**	**293/(293)**	**293/(293)**
2014			
Investments listed in			
Hong Kong – Held-for-trading	497,871	4,979/(4,979)	4,979/(4,979)
PRC – Held-for-trading	31,800	318/(318)	318/(318)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's abilities to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value. The Group funds its operations principally via its capital.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December, 2015 and 31 December, 2014.

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	15,922	18,185
Investment properties	496,489	–
Investments in subsidiaries	1,025,819	1,025,819
Investments in associates	98,644	–
Available-for-sale investments	23,278	87,215
Investments designated as at fair value through profit or loss	18,848	–
Prepayments	–	135,058
Total non-current assets	1,679,000	1,266,277
CURRENT ASSETS		
Due from subsidiaries	1,506,506	1,742,854
Prepayments, deposits and other receivables	43,344	70,089
Equity investments at fair value through profit and loss	460,826	529,671
Cash and bank balances	1,362,290	747,658
Total current assets	3,372,966	3,090,272
CURRENT LIABILITIES		
Due to subsidiaries	260,892	626,150
Other payables and accruals	75,159	63,234
Interest-bearing bank borrowings	1,302,870	–
Total current liabilities	1,638,921	689,384
NET CURRENT ASSETS	1,734,045	2,400,888
TOTAL ASSETS LESS CURRENT LIABILITIES	3,413,045	3,667,165
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	306,062	1,287,000
Total non-current liabilities	306,062	1,287,000
Net assets	3,106,983	2,380,165
EQUITY		
Share capital	185,305	123,536
Reserves (note)	2,921,678	2,256,629
Total equity	3,106,983	2,380,165

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium account HK$'000	Contributed surplus HK$'000	Available-for-sale investment HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000
Balance at 1 January, 2014	1,285,444	60,464	–	649,469	98,829	2,094,206
Total comprehensive income for the year	–	–	1,206	482,412	–	483,618
Final 2013 dividend declared	–	–	–	–	(98,829)	(98,829)
Interim 2014 dividend	–	–	–	(222,366)	–	(222,366)
Proposed final 2014 dividend	–	–	–	(74,122)	74,122	–
At 31 December, 2014	1,285,444	60,464	1,206	835,393	74,122	2,256,629
Balance at 1 January, 2015	**1,285,444**	**60,464**	**1,206**	**835,393**	**74,122**	**2,256,629**
Total comprehensive income for the year	**–**	**–**	**(1,206)**	**1,024,512**	**–**	**1,023,306**
Final 2014 dividend declared	**–**	**–**	**–**	**–**	**(74,122)**	**(74,122)**
Issue of shares	**(61,769)**	**–**	**–**	**–**	**–**	**(61,769)**
Interim 2015 dividend	**–**	**–**	**–**	**(222,366)**	**–**	**(222,366)**
Proposed final 2015 dividend	**–**	**–**	**–**	**(111,183)**	**111,183**	**–**
At 31 December, 2015	**1,223,675**	**60,464**	**–**	**1,526,356**	**111,183**	**2,921,678**

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

43. EVENTS AFTER THE REPORTING PERIOD

On 7 January, 2016, the Company entered into a subscription agreement with China Cinda Asset Management Co., Ltd. ("China Cinda"), a company listed on the Stock Exchange, for the subscription of 1,907,845,112 new H shares of China Cinda at the subscription price of RMB2.58 (equivalent to approximately HK$3.05) per subscription share (the "Subscription"). The Subscription was subsequently terminated on 4 February, 2016. For details, please refer to the announcements of the Company dated 7 January, 2016 and 4 February, 2016.

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March, 2016.