三生制药
3SBIO INC.

(*Incorporated in the Cayman Islands with limited liability*)

Stock Code : 1530

2015 Annual Report

Contents

Company Profile

3SBio Inc. (the "**Company**", and with its subsidiaries collectively, the "**Group**") is a leading biotechnology company in the People's Republic of China (the "**PRC**" or "**China**"). As a pioneer in the PRC biotechnology industry, the Group has extensive expertise in developing, manufacturing and marketing biopharmaceuticals. The core products of the Group include TPIAO (特比澳), Yisaipu (益賽普), a product acquired through the acquisition of Sunshine Guojian Pharmaceutical (Shanghai) Co., Ltd. (三生國健藥業(上海)股份有限公司) (formerly known as Shanghai CP Guojian Pharmaceutical Co., Ltd. (上海中信國健藥業股份有限公司)) ("**Guojian**"), and EPIAO (益比奧), all three products being market leaders in the PRC. TPIAO is the only commercialized recombinant human thrombopoietin (rhTPO) product in the world. According to the data of IMS Health Inc. ("**IMS**"), the China market share of TPIAO increased to 41.0% for the treatment of thrombocytopenia for 2015. Yisaipu is a TNF α inhibitor product with a dominant market share in China of 64.9% for 2015, according to IMS. According to IMS, the Group, with its two recombinant human erythropoietin (rhEPO) products EPIAO and SEPO (賽博爾), is the dominant market leader in the China rhEPO market, with a total market share of 43.0% for 2015. In addition, the Group has over 50 other products in oncology, nephrology, dermatology and other therapeutic areas.

As of 31 December 2015, the Group had a robust pipeline of 30 product candidates, of which 14 were being developed as National Class I New Drugs (國家一類新藥) in the PRC. The Group has 8 product candidates in oncology, including 4 monoclonal antibody ("**mAb**") therapeutics. The Group also has several product candidates that target auto-immune diseases with unmet treatment needs such as rheumatoid arthritis and refractory gout. The Group has 9 product candidates in nephrology, including 3 next-generation erythropoiesis-stimulating agents. With the acquisition of Guojian, the Group added 8 monoclonal antibody candidates with significant market potential to the pipeline.

The Group operates in a highly attractive industry. Biotechnology has revolutionized the pharmaceutical industry by addressing unmet medical needs and offering innovative treatments for a wide array of human diseases. In China, the biotechnology industry enjoys strong government support and has been selected by the PRC State Council as a key strategic industry. Strong government support, along with the increasing physician adoption of biopharmaceuticals, has driven strong industry growth in China.

As at 31 December 2015, the Group maintained operation facilities in Shenyang (China), Hangzhou (China), and Shenzhen (China), as well as in Como (Italy) with a total of over 2,100 employees. With the acquisition of Guojian, the Group owns a monoclonal antibody operation facility with over 38,000 liters capacity in Shanghai and adds over 1,000 employees. The Group's pharmaceutical products are marketed and sold in all provinces, autonomous regions and special municipalities in the PRC, as well as a number of foreign countries and regions. During the year ended 31 December 2015, the Group's nationwide sales and distribution network enabled it to sell its products to over 4,000 hospitals and medical institutions in the PRC.

The Group's sales and marketing team is supported by over 1,800 employees, including a rheumatology team with over 500 employees from Guojian, covering the oncology, rheumatology, nephrology and dermatology therapeutic areas.

The Group is well positioned to expand its global presence. The Group is conducting multi-center biosimilar clinical trials for EPIAO in Russia and Thailand. Yisaipu is in the process of registration in 16 countries. In the long term, the Group aims to market its rhEPO products in developed countries by development and registration through the biosimilar pathway. Furthermore, the Group is collaborating with international partners to develop and market the Group's product candidates, such as pegsiticase and several mAb therapeutics. the Group aims to continue to focus research and development ("**R&D**") efforts on providing innovative therapeutics for patients in China and globally.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. LOU Jing *(Chairman & Chief Executive Officer)*
Mr. TAN Bo
Ms. SU Dongmei
Mr. HUANG Bin

Non-executive Directors

Mr. LIU Dong
Mr. LV Dong

Independent Non-executive Directors

Mr. PU Tianruo
Mr. David Ross PARKINSON
Mr. MA Jun

JOINT COMPANY SECRETARIES

Ms. LI Huihui
Ms. LAI Siu Kuen

AUTHORIZED REPRESENTATIVES

Mr. TAN Bo
Ms. LI Huihui

AUDIT COMMITTEE

Mr. PU Tianruo *(Chairman)*
Mr. LV Dong
Mr. MA Jun

REMUNERATION COMMITTEE

Mr. MA Jun *(Chairman)*
Mr. LIU Dong
Mr. PU Tianruo

NOMINATION COMMITTEE

Mr. LOU Jing *(Chairman)*
Mr. PU Tianruo
Mr. MA Jun

REGISTERED OFFICE (IN THE CAYMAN ISLANDS)

The offices of Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
PO Box 2681
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Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

36/F, Tower Two, Times Square
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Causeway Bay
Hong Kong

HEADQUARTERS

No. 3 A1, Road 10
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People's Republic of China

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
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Wanchai, Hong Kong

PRINCIPAL BANKER

Industrial Bank Co., Ltd, Shenyang Branch
No. 36 Shiyiwei Road
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People's Republic of China

AUDITORS

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

LEGAL ADVISERS

As to Hong Kong law and United States law:
Skadden, Arps, Slate, Meagher & Flom and affiliates
42/F, Edinburgh Tower
The Landmark
15 Queen's Road Central
Central
Hong Kong

As to PRC law:
Jingtian & Gongcheng
34th Floor, Tower 3, China Central Place
77 Jianguo Road
Chaoyang District
Beijing
PRC

As to Cayman Islands law:
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Cricket Square
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Grand Cayman KY1-1111
Cayman Islands

COMPLIANCE ADVISOR

Guotai Junan Capital Limited
27/F, Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

STOCK CODE

1530

COMPANY'S WEBSITE

www.3sbio.com

Financial Highlights

	2011* RMB'000	2012 RMB'000	2013 RMB'000	2014 RMB'000	**2015 RMB'000**
Revenue	541,614	656,145	875,396	1,130,854	**1,673,126**
Gross Profit	483,541	585,641	792,217	1,043,373	**1,431,215**
EBITDA	141,023	135,721	231,663	399,528	**660,705**
Normalized EBITDA	141,023	164,445	410,457	518,791	**734,136**
Net Profit	108,160	101,877	96,056	291,728	**526,230**
Normalized Net Profit	108,160	131,611	274,853	410,991	**599,661**
Profit attributable to owners of the parent	108,573	101,666	95,892	291,728	**526,280**
Total Assets	1,311,110	1,476,301	1,268,326	2,306,441	**6,630,432**
Total Liabilities	65,904	97,062	186,523	1,362,849	**994,967**
Total Equity	1,245,206	1,379,239	1,081,803	943,592	**5,635,465**

**Note:* All 2011 financial figures were based on financial information extracted from the 2011 annual filling with the securities and Exchange Commission of the United States of America prepared in accordance with the generally accepted accounting principles in the United States of America.

Chairman's Statement

Dear Shareholders:

On behalf of the Board of Directors ("**Director**") of the Company ("**Board**"), I am pleased to present the annual results of the Company for the financial year ended 31 December 2015.

2015 was an important and exciting year for the Company as we made meaningful progress across all aspects of our business. We have grown the Company to be the leading biological company in China with a strong commercial position, innovative R&D capability and a comprehensive manufacturing platform.

The growth trend on our three core biological products remains strong. Despite the market challenges, we believe our products are still early in their life cycle given the low market penetration. We continue to place a strong emphasis on academic promotion, while at the same time expanding our network of third-party promoters focused on high growth and lower tier cities.

In addition to our strong performance and our confidence in our existing seven biological products, we are very excited about the Company's platform, which continues to make good clinical progress. After the acquisition of Guojian, we now have 38 pipeline candidates, including 20 which are being developed as National Class I drugs. With the acquisition of Guojian, the Group added a strong pipeline of 8 monoclonal antibody product candidates which have significant market potential.

Overall, we have made substantial progress in our manufacturing, commercial and R&D platforms. We continue to look at how we can build the best-in-class antibody manufacturing platform for China, while also implementing a successful global sales & marketing strategy. We continue to be optimistic about the outlook for China's healthcare reforms as well as the bio-pharmaceutical sector, and I am confident that we have the foundation in place to support the Group's long-term development as a world-class, fully-integrated, biotechnology company.

Finally, on behalf of 3SBio Inc., I give my sincerest thanks to our shareholders for your significant contributions to the Company.

Mr. LOU Jing
Chairman & Chief Executive Officer

31 March 2016

Management Discussion and Analysis

BUSINESS REVIEW

2015 Key Events and Overview

On 11 June 2015 (the "**Listing Date**"), the shares of the Company were listed (the "**Listing**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Effective from 14 September 2015, the Company was added as a constituent of the Hang Seng LargeCap & MidCap Index, a sub-index of the Hang Seng Composite Index, a comprehensive benchmark index covering the top 95% of the total market capitalization of companies listed on the Main Board of the Stock Exchange. Effective from 14 March 2016, the Company was added as a constituent of the Hang Seng Mainland Healthcare Index, a sub-index of the Hang Seng Composite Index.

In July 2015, the Company acquired Zhejiang Wansheng Pharmaceutical Co., Ltd. ("**Zhejiang Wansheng**"). In November 2015 and subsequently in January and March 2016, the Group acquired control over additional equity interests in Guojian. As of the date of this annual report, the Group collectively controls an approximately 97.78% equity interest in Guojian.

During 2015, in spite of a challenging operating environment, the Group's sale of innovative pharmaceutical products maintained a strong growth momentum as the Group further deepened its market penetration and expanded the market shares of its key products. For the year 2015, the Group recorded a strong revenue growth of 48.0% as compared to the year 2014, while the comparable year-to-year growth rate for the Chinese pharmaceutical industry is 9.1%, according to the Ministry of Industry and Information Technology of the PRC. The Group achieved considerable progress within the existing pipeline. Integration of the two subsidiaries which the Group acquired in December 2014, namely, Shenzhen Sciprogen Bio-pharmaceutical Co., Ltd. ("**Sciprogen**") which owned SEPO and Sirton Pharmaceuticals S.p.A. ("**Sirton**"), went smoothly throughout the year.

Acquisition of Zhejiang Wansheng

In July 2015, the Group acquired the entire equity interest in Zhejiang Wansheng, a limited liability company incorporated in the PRC, for an aggregate consideration of RMB528.0 million.

Zhejiang Wansheng specializes in R&D, production and sales of chemically synthesized pharmaceuticals with 13 GMP (Good Manufacturing Practices) certified production lines. The acquisition further solidifies the Group's leading position in nephrology and oncology areas as it provides a platform for the Group to proceed with the clinical development of over 12 small-molecule pipeline candidates in those core therapeutic areas with internal facilities and expertise. In addition, the acquisition expands the Group's portfolio of oncology drugs as Zhejiang Wansheng has 3 approved oncology products. The acquisition will also provide the Group with a solid foundation for expansion into the areas of dermatology and diabetes-related complications, the specialized markets in which the Group's academic marketing approach has the potential to build market-leading brands.


三生制药
3SBIO
EPIAO®
Recombinant Human
Erythropoietin Injection(CHO Cell)
3000
4000
10000

Guojian Added into the Group after Acquisition of Further Interests

Prior to November 2015, the Group controlled an approximately 6.96% equity interest in Guojian. In November 2015, the Group acquired an additional approximately 21.84% equity interest in Guojian for an aggregate consideration of approximately RMB1,363.6 million. Upon the completion of the acquisition, the Group collectively controlled an approximately 53.64% equity interest in Guojian, and Guojian became an indirect non-wholly owned subsidiary of the Company. Guojian reported a total revenue of approximately RMB877.3 million and a normalized net profit after tax of approximately RMB253.6 million for the year ended 31 December 2015 based on the financial statements prepared in accordance with the International Financial Reporting Standards ("**IFRS**"). According to the IFRS, the Group will begin to consolidate the Guojian data into its financial information from 2016. **For the avoidance of doubt, unless otherwise indicated, all information and discussions concerning the Group in this report shall be exclusive of Guojian (except for: (1) the Chairman's statement and (2) "Outlook" in Management Discussion and Analysis, where Guojian is discussed as a part of the Group, and the Yisaipu is referred to in the Company Profile).**

Guojian is a PRC biopharmaceutical company focusing on the development, manufacture and marketing of mAb therapeutics. Guojian currently markets two products, Yisaipu and Xenopax (健尼哌). Guojian has a robust pipeline of mAb product candidates with significant market potential in the areas of oncology and rheumatology, including: Ipterbin (賽普汀) (also generally known as trastuzumab (曲妥珠單抗)) designed for the treatment of HER2 over-expressing metastatic breast cancer, Jiantuoxi (健妥昔) (also generally known as rituximab (利妥昔單抗)) designed for the treatment of CD20-positive B-cell non-Hodgkin's lymphoma, and Yilairui (益來瑞) (also generally known as abatacept (阿巴西普)) designed for the treatment of auto-immune diseases such as rheumatoid arthritis.

Through the acquisition of Guojian, the Group has added Guojian's marketed products to its product portfolio, and has further expanded the product pipeline of the Group with Guojian's mAb product candidates.

Guojian will provide a monoclonal antibody manufacturing platform for the Group's mAb product candidates. This platform is complementary to the Group's other manufacturing platforms for mammalian and bacterial recombinant proteins in Shenyang and Shenzhen, and chemically synthesized small molecules in Hangzhou. Such platform will also enable the Group to develop, manufacture and market a wide range of medicines within its therapeutic areas. Guojian currently operates five antibody production lines with a total annual capacity of over 8,000 liters. Six new antibody production lines with a total annual capacity of 30,000 liters are currently under trial run.

Furthermore, the Group will be able to: (i) expand its sales team with Guojian's rheumatology sales team, with a combined staff of 1,800 sales representatives and a leading market position in oncology, rheumatology, nephrology and dermatology therapeutic areas; and (ii) strengthen its R&D capabilities for mAb products.

In January 2016, the Group further acquired (1) an approximately 38.5% equity interest in Shanghai Lansheng Guojian Pharmaceutical Company Limited, which holds an approximately 41.69% equity interest in Guojian and (2) an approximately 0.73% equity interest in Guojian for an aggregate consideration of approximately RMB1,033.3 million. In March 2016, the Group acquired (1) an additional approximately 43.42% equity interest in Guojian for an aggregate consideration comprised of approximately RMB2,713.8 million as well as the options to purchase 125,765,500 ordinary shares of the Company subject to certain exercise conditions; and (2) an additional approximately 12.04% equity interest in Guojian for an aggregate consideration of approximately RMB1,218.0 million. After the completion of these acquisitions and as of the date of this annual report, the Group collectively controls an approximately 97.78% equity interest in Guojian.

Key Products

TPIAO is the Group's self-developed proprietary product, and has been the only commercialized rhTPO product in the world since its launch in 2006. TPIAO has been approved by the China Food and Drug Administration (the "**CFDA**") for two indications: the treatment of chemotherapy-induced thrombocytopenia ("**CIT**") and immune thrombocytopenia ("**ITP**"). TPIAO has the advantages of higher efficacy, faster platelet recovery and fewer side effects as compared to alternative treatments for CIT and ITP. TPIAO has experienced significant sales growth due to increasing physician awareness of its safety and efficacy as a treatment of CIT and its quick adoption in China. The Group believes TPIAO is still at an early stage of its product life cycle. The Group estimates that the penetration rates for both CIT and ITP indications in China may be approximately 10%. Currently, the majority of the Group's sales of TPIAO is generated from less than 10% of the hospitals covered by the Group's sales team. The Group employed additional sales representatives to further increase TPIAO's hospital coverage and penetration in 2015. Recently, the authoritative guidance in China medical profession, "The PRC Experts Consensus on Diagnosis and Treatment of Adult Primary Immune Thrombocytopenia" (version 2016) ("**Consensus**"), selected rhTPO products as the first choice treatment for the second line treatments list, and also recommends medicines to boost platelet production (which include rhTPO products) in certain cases of emergency treatment. The Group's studies also support the Consensus' conclusions.

Yisaipu, generically known as Etanercept, is a TNF α inhibitor product. It was first launched in 2005 in China for rheumatoid arthritis. Its indications were expanded to ankylosing spondylitis and psoriasis in 2007. Yisaipu has experienced significant growth as the first-to-market etanercept product in China, with a dominant China market share by sales of 64.9% for 2015, according to IMS. The Group believes that Yisaipu is still at early stage of its product life cycle in China, given the monoclonal antibody market in China is under-penetrated compared with the global market. Yisaipu is approved in 9 countries and in the process of registration in 16 countries.

EPIAO is the only rhEPO product approved by the CFDA for three indications: the treatment of anemia associated with chronic kidney disease ("**CKD**"), the treatment of chemotherapy-induced anemia ("**CIA**") and the reduction of allogeneic blood transfusion in surgery patients. EPIAO has consistently been the dominant market leader in the PRC rhEPO market since 2002. EPIAO is the only rhEPO product in China available at 36,000 IU (international unit per vial) dosage, and together with SEPO, claims the majority rhEPO market share at 10,000 IU dosage. Future growth for EPIAO may be driven by: (1) the enhancement of the dialysis penetration rate among stages IV and V CKD patients, which the Group believes is substantially lower in China as compared with other countries; and (2) the increase of application of EPIAO in reducing allogeneic blood transfusion and CIA oncology indication in China, which the Group believes are at a very early stage of growth. In December 2014, the Group acquired another rhEPO product, SEPO, which helped broaden the Group's market coverage, especially in hospitals in lower-tier cities, where rhEPO had been experiencing significant growth. During 2015, SEPO entered into 334 new hospitals in lower tier cities. The Group expects that Sciprogen will further penetrate into markets of lower tier cities following its successful integration with the Group. As for export sales, marketing approval applications were submitted in five new countries during 2015, namely Russia, Uzbekistan, Namibia, Venezuela, Uganda, with the market approval granted in Uzbekistan; and multi-center biosimilar clinical trials for EPIAO in Russia and Thailand are in good progress.

IV Iron Sucrose (蔗糖鐵) is primarily used to treat iron deficiency anemia. IV Iron Sucrose can be prescribed in combination with EPIAO for late-stage CKD patients suffering from anemia or for patients with late-stage iron deficiency. The Group's strong brand and sales coverage in the PRC nephrology market can help to effectively market products complementary to EPIAO, including IV Iron Sucrose.

Sparin (賽博利) was acquired in December 2014. It has been approved by the CFDA for two indications: (1) prophylaxis and treatment of deep vein thrombosis; and (2) prevention of clotting during hemodialysis. The Group expects to expand hospital coverage of Sparin through the newly established business department responsible for expanding and managing the third-party promoter network.

Qiming Keli (芪明顆粒) was acquired through the Group's acquisition of Zhejiang Wansheng in July 2015. It has been approved by CFDA for diabetes retinopathy. It was the first CFDA approved traditional chinese medicine for diabetes retinopathy and a national protected traditional medicine.

Man Di (蔓迪), Di Su (迪蘇) and Lai Duo Fei (萊多菲) were a group of dermatology drugs acquired through the Group's acquisition of Zhejiang Wansheng in July 2015, which are designed for the treatment of alopecia areata, chronic bronchitis and chronic idiopathic urticaria, respectively.

Product Pipeline

As of 31 December 2015, the Group had a robust pipeline of 30 product candidates, of which 14 were being developed as National Class I New Drugs in the PRC. The Group has 8 product candidates in oncology, including 4 mAb therapeutics. The Group also has several product candidates that target auto-immune diseases with unmet treatment needs such as rheumatoid arthritis and refractory gout. The Group has 9 product candidates in nephrology, including 3 next-generation erythropoiesis-stimulating agents.

With the acquisition of Guojian, the Group added a pipeline of 8 mAb product candidates which have significant market potential, including Ipterbin (also generally known as trastuzumab (曲妥珠單抗)), Jiantuoxi (also generally known as rituximab (利妥昔單抗)) and Yilairui (also generally known as abatacept (阿巴西普)). Ipterbin is designed for the treatment of HER2 over-expressing metastic breast cancer and gastric cancer. Jiantuoxi is designed for the treatment of non-hodgkin's lymphoma, chronic lymphocytic leukemia, rheumatoid arthritis, granulomatosis with polyangiitis and microscopic polyangiitis. Yilairui is designed for the treatment of rheumatoid arthritis.

As announced on 22 June 2015, the Group has acquired the ex-China global rights to Apexigen Inc.'s ("**Apexigen**") anti-TNF α mAb product, internally designated as SSS07, the China rights of which were acquired from Apexigen in 2006. Acquisition of the global rights to this anti-TNF mAb product positions the Group to participate in the approximately USD35 billion (according to IMS data) global anti-TNF market. As announced on 12 October 2015, the Group has entered into an exclusive licensing agreement with Alteogen Inc. ("**Alteogen**") (Korean stock exchange code: 196170. KS), a Korean biopharmaceutical company, for the development, manufacturing and marketing of ALT-P7, a novel antibody-drug conjugate ("**ADC**") targeting HER2 pathway for cancer in the territory of mainland China, Hong Kong and Macau. Novel mAb candidates, including ADCs and bispecific antibodies, shed light on the treatment for refractory or metastatic cancers, such as breast and gastric cancers, which fit into the Group's core therapeutic area of oncology.

During 2015, the Group also in-licensed several other product candidates, including TAS102 (an orally administered combination of the trifluridine and tipiracil hydrochloride), trelagliptin succinate and ferric citrate.

Robust and Innovative Product Pipeline Supported by Integrated R&D Platform and Collaboration with Industry Leaders and International Partners

Therapeutic Area	Product Candidate	Intended Indication	Development Status	Target Launch Date
Nephrology	Cinacalcet hydrochloride ③	Hyperparathyroidism	Pre-clinical	2019
	Sevelamer carbonate ③	Hyperphosphatemia	Pre-clinical	2019
	Colestilan ②	Hyperphosphatemia, Hypercholesteremia	Investigational New Drug ("**IND**")	2018
	Ferric citrate ②	Hyperphosphatemia	IND	2019
	NuPIAO® ①	Anemia associated with CKD	Phase I	2020
	Voclosporin ①	Lupus nephritis	IND	2021
	PEG-EPO ①	Anemia associated with CKD	IND	2023
	HIF-PH inhibitor ①	Anemia	Pre-clinical	2024
	DJ5 ①	ADPKD[1]	Pre-clinical	2024
Oncology	TAS102 ②	Colorectal cancer	IND	2019
	IAP inhibitor[3] ①	Solid tumors	Phase I	2020
	PEG-Irinotecan ①	Solid tumors	IND	2021
	Bcl-2/xL inhibitor[3] ①	Solid tumors and leukemia	Pre-clinical	2021
	Leukotuximab ① ④	Acute leukemia	Pre-clinical	2025
	Tanibirumab ① ④	Cancer	Pre-clinical	2027
	DIG-KT ① ④	Cancer	Pre-clinical	2028
	ALT-P7 ① ④	Cancer	Pre-Clinical	2027–2028
Auto-Immune Diseases and Other Areas	Nadroparin calcium ③	Thrombosis, Blood clotting	IND	2018
	Eltrombopag ②	ITP	IND	2018
	TPIAO[2] ①	Aplastic anemia	Pre-clinical	2019
	Fondaparinux sodium ③	Prophylaxis of deep vein thrombosis	Pre-clinical	2019
	Trelagliptin succinate ②	Diabetes	IND	2019
	Anti-TNF α mAb ① ④	Rheumatoid arthritis	Phase I	2022
	Pegsiticase ①	Gout	IND	2023
	Apremilast ② ⑤	Psoriatic arthritis	IND	2020
Dermatology	Fluticasone propionate ③ ⑤	Pruritus	ANDA	2016
	Fexofenadine ⑤	Seasonal allergic rhinitis; chronic idiopathic urticaria	Phase I	2017
	Clindamycinphosphate tretinoin gel ② ⑤	Acne vulgaris	Phase III	2019
	Calcipotriol betamethasone ointment ③ ⑤	Plaque psoriasis	Pre-clinical	2019
	Desonide ③ ⑤	Dermatitis	Pre-clinical	2019

Notes:

1 Autosomal dominant polycystic kidney disease

2 New indication for a commercialized product

3 Ascentage's product. 3SBio has a right of first refusal for China's market

① Being Developed as National Class I New Drug

② Being Developed as National Class III New Drug

③ Being Developed as National Class VI Drug

④ mAb product

⑤ Zhejiang Wansheng candidates

Guojian Owns a Robust Pipeline of mAb Product Candidates

Therapeutic Area	Product Candidate	Intended Indication	Development Status	Target Launch Date
Oncology	Trastuzumab	Metastatic breast cancer, secondary treatment for breast cancer and metastatic stomach cancer	Filed new drug application	2017
	Rituximab	Non-Hodgkin lymphomas	Filed new drug application	2020
	Bevacizumab	Non-small cell lung cancer	Filed IND in early 2016	2023
		Age-related macular degeneration	Expect to file IND in second quarter of 2016	2023
	Ado-trastuzumab emtansine	Metastatic breast cancer	Pre-clinical toxicology study; IND to be filed by end of 2016	2024
	Cetuximab	Metastatic colorectal cancer	Filed clinical trial application; expect to receive approval in 2016	2022
Autoimmune Diseases	Abatacept	Rheumatoid arthritis	Filed new drug application	2020
	Fluid acupuncture therapy with Yisaipu	Rheumatoid arthritis, plague psoriasis and ankylosing spondylitis	Completed Phase III clinical trial and is preparing to file new drug application	2018
Inflammation	Anti-il-17 antibody	Inflammation	Cell line development IND to be filed in 2017	2024

Sales, Marketing and Distribution

The Group's sales and marketing efforts are characterized by a strong emphasis on academic promotion. The Group aims to promote and strengthen the Group's academic recognition and brand awareness of its products among medical experts. The Group markets and promotes TPIAO, EPIAO and IV Iron Sucrose mainly through its in-house sales and marketing team. The Group sells these products to distributors who are responsible for delivering products to hospitals and other medical institutions. The Group primarily relies on third-party promoters to market other products. As of 31 December 2015, the Group's extensive sales and distribution network in the PRC was supported by approximately 1,300 sales and marketing employees, 108 distributors and 462 third–party promoters. As of 31 December 2015, the Group's sales team covered 1,270 Grade III hospitals and 3,090 Grade II or lower hospitals and medical institutions, reaching all provinces, autonomous regions and special municipalities in the PRC. In addition, TPIAO, Yisaipu, EPIAO and some of the Group's other products are exported to a number of countries through international promoters.

As of 31 December 2015, Guojian had 509 sales and marketing employees and covered approximately 1,600 hospitals and medical institutions, including 1,002 Grade III hospitals, reaching all provinces, autonomous regions and special municipalities in the PRC.

Research and Development

The Group's integrated R&D expertise covers the areas of discovery and development of biopharmaceuticals products including molecular cloning, gene expression, cell line construction and process development, as well as design and management of pre-clinical and clinical trials, manufacturing process development and analytic process development for quality control and assurance. The Group is experienced in the R&D of both mammalian cell-expressed and bacterial cell-expressed biopharmaceuticals.

The Group focuses its R&D efforts on developing its leading biologic products, including NuPIAO (the second-generation rhEPO product of the Group), SSS07 (the anti-TNF α mAb product which the Group acquired from Apexigen), and Pegsiticase (a modified pegylated recombinant uricase from candida utilis developed to treat gout).

The studies of Phase I trial of NuPIAO were completed by 2015 year end, with the data analysis and research report preparation to be concluded in early 2016. For Phase II trial, the Group is planning to, in 2016, complete the clinical trial design, update the research materials, and select the hospitals that the Group will collaborate with for the Phase II studies.

The Group has initiated a Phase I clinical trial for SSS07 in the PRC in 2015. The Group is wrapping up on the first part of the Phase I in the first half of 2016, and expects to substantially move into its second part by 2016 year end.

As for Pegsiticase, the Group's U.S. partner, Selecta Biosciences, Inc., has begun a Phase I trial for Pegsiticase in the United States, with the Phase Ia completed. In addition, for Voclosporin, the Group's next-generation calcineurin inhibitor being developed for the treatment of lupus nephritis, the Group's Canada partner, Aurinia Pharmaceuticals Inc., which licensed Voclosporin to the Group in 2010, reported positive results from an open label study as part of the global multi-center Phase II clinical trial in February 2016. In March 2016, the Group received an IND approval letter from the CFDA for PEG-irinotecan, a long-acting polymer-drug conjugate which inhibits topoisomerase I, which is over expressed in many solid tumors. During 2015, the Group also achieved significant progress with respect to the multi-center biosimilar clinical trials for EPIAO in Russia and Thailand.

Guojian has a proven track record in commercializing antibody-based biologic therapies in China. Ipterbin has completed the Phase III trial and awaits for manufacturing approval. Jiantuoxi has also completed the Phase III trial. Additionally, an IND application previously filed by Guojian for an anti-epidermal growth factor receptor (anti-EGFR), antibody for the treatment of colorectal cancer is expected to receive approval in 2016. Another IND application for a humanized anti-vascular endothelial growth factor (anti-VEGF) antibody for the treatment of non-small cell lung cancer was filed in early 2016, with 2 more IND applications, respectively for an anti-VEGF antibody for the treatment of age-related macular degeneration and an anti-Her2 ADC for the treatment of Her2-positive metastatic breast cancer, planned to be filed in late 2016.

Outlook

The PRC pharmaceutical industry has grown rapidly in recent years but experienced a slowdown in 2015, given the overall slowdown of the economy. The provincial tendering and the hospital renegotiation after tendering put downward pressure on the prices of pharmaceutical products, especially on those products that are not shown to have proven efficacy/safety profiles (often classified as "**adjuvant drug**"). None of the Group's core products are classified as adjuvant drugs. Given the tightening budget in different provinces, the Group expects the downward pricing pressure to continue, but believes that the Group's products, especially the innovative and follow-on biopharmaceuticals, will be less affected than the overall pharmaceutical industry.

The regulatory developments at the CFDA in 2015, which includes setting higher approval standard, reducing registration backlog and improving review efficiency, will benefit industry leaders with innovation capacity such as the Group. The new regulatory requirements set up a higher barrier for entry, and will speed up the approval process for qualified new drugs. The Group expects that under the new policies the National Class I New Drugs candidates in the Group's pipeline may be on a faster track to be approved for market.

With the acquisition of Guojian, the Group now has three core products, namely, TPIAO, Yisaipu and EPIAO, which are all eligible to be "blockbuster drugs" that enjoy tremendous market popularity. All the three products are dominant market players as compared with their competitors. In terms of the manufacturing capability, the Group owns the manufacturing platforms in China for monoclonal antibody (with total capacity of 38,250 liters), rhEPO and rhTPO products (with total capacity of 20 million vials), and small molecule products (with 13 GMP-certified production lines), and furthermore, Sirton, a member of the Group is a contract manufacturing organization ("**CMO**") in Europe. The Group's marketing and sales function is supported by approximately 1,800 sales and marketing employees, covering oncology, rheumatology, nephology and dermatology therapeutic areas. The Group's R&D team comprises over 380 employees, focusing on the discovery and development of innovative biopharmaceuticals. With the latest acquisition of Guojian, the management is confident that the Group is further strengthened as a leading biopharmaceutical company in the PRC for the future periods.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2015, the Group's revenue amounted to approximately RMB1,673.1 million, as compared to approximately RMB1,130.9 million for the year ended 31 December 2014, representing an increase of approximately RMB542.3 million, or 48.0%. The increase was mainly attributable to: (1) the sales growth of the Group's key products; (2) the consolidation of the revenue of Sciprogen and Sirton into the Group's financial information since 1 January 2015; and (3) the consolidation of the revenue of Zhejiang Wansheng into the Group's financial information since 1 August 2015.

For the year ended 31 December 2015, the Group's sales of TPIAO in China increased to approximately RMB605.1 million, as compared to approximately RMB444.7 million for the year ended 31 December 2014, representing an increase of approximately RMB160.5 million, or 36.1%. The increase was primarily attributable to the increase in sales volume, which in turn was primarily driven by the increased recognition of TPIAO within the medical profession. For the year ended 31 December 2015, sales of TPIAO in China accounted for 36.0% of the Group's total sales of goods.

For the year ended 31 December 2015, the Group's sales of EPIAO in China increased to approximately RMB683.7 million, as compared to approximately RMB594.1 million for the year ended 31 December 2014, representing an increase of approximately RMB89.7 million, or 15.1%. The increase was primarily attributable to the increase in sales volume, which in turn was primarily driven by the increasing demand for rhEPO products and EPIAO's continued dominance in the PRC rhEPO market. For the year ended 31 December 2015, sales of EPIAO in China accounted for 40.6% of the Group's total sales of goods. In addition, for the year ended 31 December 2015, the Group's sales of SEPO in China amounted to approximately RMB43.5 million. As a result, the Group's total sales of rhEPO products in China were RMB727.2 million for the year ended 31 December 2015, representing an increase of approximately RMB133.1 million, or 22.4%, as compared to the corresponding period in 2014.

For the year ended 31 December 2015, the Group's sales of IV Iron Sucrose in China increased to approximately RMB81.6 million, as compared to approximately RMB64.7 million for the year ended 31 December 2014, representing an increase of approximately RMB16.9 million, or 26.1%. The increase was primarily attributable to an increase in market demand for this product through the Group's marketing efforts and the extensive coverage of the Group's in-house sales force in the nephrology area.

For the year ended 31 December 2015, the Group's sales of Sparin were approximately RMB49.0 million. The sales of Sparin were consolidated into the Group's financial information since 1 January 2015.

For the period from 1 August 2015 to 31 December 2015, the Group's sales derived from Zhejiang Wansheng were RMB103.3 million.

For the year ended 31 December 2015, the Group's sales of other products increased to approximately RMB116.9 million, as compared to approximately RMB36.7 million for the year ended 31 December 2014, representing an increase of approximately RMB80.1 million, or 218.3%. The increase was primarily attributable to the consolidation of the sales of Sirton into the Group's financial information since 1 January 2015, which was approximately RMB58.3 million for the year ended 31 December 2015, and an increase in the sales of the in-licensed products from Zhejiang Wansheng.

Cost of Sales

The Group's cost of sales increased from approximately RMB87.5 million for the year ended 31 December 2014 to approximately RMB241.9 million for the year ended 31 December 2015, and accounted for 14.5% of the Group's total revenue for year ended 31 December 2015. The primary reasons for the increase in the Group's cost of sales were: (1) the increased sales volumes for the year ended 31 December 2015, as compared to the corresponding period in 2014; (2) the consolidation of the costs of sales of Sciprogen and Sirton into the Group's financial information since 1 January 2015; and (3) the consolidation of the costs of sales of Zhejiang Wansheng into the Group's financial information since 1 August 2015.

Gross Profit

For the year ended 31 December 2015, the Group's gross profit increased to approximately RMB1,431.2 million, as compared to approximately RMB1,043.4 million for the year ended 31 December 2014, representing an increase of approximately RMB387.8 million or 37.2%. The increase in the Group's gross profit was broadly in line with its revenue growth. The Group's gross profit margin decreased to 85.5% for the year ended 31 December 2015 from 92.3% for the corresponding period in 2014. The decrease was mainly attributable to the Group's consolidation of the financial information of Sciprogen and Sirton since 1 January 2015 and the financial information of Zhejiang Wansheng since 1 August 2015, all of which had lower gross profit margins than the Group's other businesses. Had the effects of such consolidations been excluded, the Group's gross profit margin for the year ended 31 December 2015 would have been approximately 92.0%.

Other Income and Gains

The Group's other income and gains mainly comprised government grants, interest income, foreign exchange gain and other miscellaneous income. For the year ended 31 December 2015, the Group's other income and gains increased to approximately RMB208.6 million, as compared to approximately RMB47.8 million for the year ended 31 December 2014, representing an increase of approximately RMB160.9 million, or 336.8%. The increase was mainly attributable to the income of approximately RMB102.8 million associated with the fair value gain of the approximately 6.96% equity interest in Guojian previously acquired by the Group in 2014, certain technology know-how transfer income, the licensing fees received relating to Pegsiticase, the gain from the disposal of Liaoning Sunshine Science Technology Development Company Limited and an increase in government grants received during the year ended 31 December 2015, as compared to the corresponding period in 2014.

Selling and Distribution Expenses

The Group's selling and distribution expenses primarily comprised marketing and promotion expenses, staff costs, transportation expenses, consulting fees and other miscellaneous selling and distribution expenses. For the year ended 31 December 2015, the Group's selling and distribution expenses amounted to approximately RMB585.6 million, as compared to approximately RMB431.4 million for the year ended 31 December 2014, representing an increase of approximately RMB154.2 million, or 35.7%. The increase was mainly attributable to: (1) the increased promotional activities for the Group's products; (2) the consolidation of the selling and distribution expenses of Sciprogen and Sirton into the Group's financial information since 1 January 2015; and (3) the consolidation of the selling and distribution expenses of Zhejiang Wansheng into the Group's financial information since 1 August 2015. However, in terms of a percentage of revenue, the Group's selling and distribution expenses decreased from 38.2% for the year ended 31 December 2014 to 35.0% for the year ended 31 December 2015, primarily as a result of the Group's effective control of selling and distribution costs, improved sales productivity and economies of scale, as well as the consolidation of Sciprogen and Sirton, both of which have a lower selling-and-distribution expenses to revenue ratio than the Group's other business.

Administrative Expenses

The Group's administrative expenses comprised staff costs, professional fees, depreciation and amortization, property expenses, share-based compensation expenses, and other miscellaneous administrative expenses. For the year ended 31 December 2015, the Group's administrative expenses amounted to approximately RMB301.0 million, as compared to approximately RMB170.8 million for the year ended 31 December 2014, representing an increase of approximately RMB130.3 million, or 76.3%. The increase was mainly due to: (1) the one-off expenses for the Listing; (2) the advisory fees incurred for the acquisition of Guojian during the year ended 31 December 2015; (3) the warrants expenses associated with the warrants granted to the management of Guojian on 1 January 2015 (the "**Guojian Warrant**"); (4) the consolidation of the administrative expenses of Sciprogen and Sirton into the Group's financial information since 1 January 2015; and (5) the consolidation of the administrative expenses of Zhejiang Wansheng into the Group's financial information since 1 August 2015. Had the effects of the Listing expenses, the advisory fees and the Guojian Warrant-related expenses been excluded, the administrative expenses for 2015 would have been RMB124.8 million. The administrative expenses (excluding the impact of the Listing expenses, the Guojian Warrants related expenses, and the advisory fees) as a percentage of revenue is 7.5% for the year ended 31 December 2015, as compared to 6.5% for the corresponding period in 2014.

Other Expenses and Losses

The Group's other expenses and losses primarily comprised its R&D costs. For the year ended 31 December 2015, the Group's other expenses and losses amounted to approximately RMB142.7 million, as compared to approximately RMB98.2 million for the year ended 31 December 2014, representing an increase of approximately RMB44.5 million, or 45.3%. The increase was mainly due to increased R&D costs, which increased from approximately RMB96.4 million for the year ended 31 December 2014 to approximately RMB111.3 million for the year ended 31 December 2015, and the foreign exchange losses of RMB23.0 million related to the Renminbi deposited in offshore subsidiaries in 2015.

Finance Costs

For the year ended 31 December 2015, the Group's finance costs amounted to approximately RMB26.5 million, as compared to approximately RMB29.2 million for the year ended 31 December 2014, representing a decrease of approximately RMB2.6 million, or 9.0%. The decrease was mainly due to the decrease in average monthly outstanding bank borrowings during the year ended 31 December 2015 as compared to the corresponding period in 2014.

Income Tax Expense

For the year ended 31 December 2015, the Group's income tax expense amounted to approximately RMB61.6 million, as compared to approximately RMB68.5 million for the year ended 31 December 2014, representing a decrease of approximately RMB6.8 million, or 10.0%. The decrease was mainly due to the reversal of deferred tax liability. The effective tax rates for the year ended 31 December 2015 and the corresponding period in 2014 were 10.5% and 19.0%, respectively. The decrease in effective tax rate was mainly due to the increase in non-taxable income that includes, primarily, the income associated with the fair value gain of the approximately 6.96% equity interest in Guojian previously acquired by the Group in 2014, for the year ended 31 December 2015, compared to the year ended 31 December 2014.

EBITDA and Net Profit

The normalized EBITDA is defined as the EBITDA for the period excluding: (1) the expenses associated with certain management share-based awards granted in 2013 and 2014 pursuant to certain investors rights agreement among the Company's then ultimate parent and the parent's shareholders; (2) the warrant expenses associated with the Guojian Warrant; (3) the expenses incurred in relation to the Listing; (4) the expenses incurred in relation to the Guojian acquisition; and (5) the income associated with the fair value gain of the approximately 6.96% equity interests in Guojian previously acquired by the Group in 2014. The Group's normalized EBITDA for the year ended 31 December 2015 increased by approximately RMB215.3 million or 41.5% to approximately RMB734.1 million, as compared to the year ended 31 December 2014. Without excluding the aforementioned items, the EBITDA increased by approximately RMB261.2 million or 65.4% to approximately RMB660.7 million, as compared to the year ended 31 December 2014.

The normalized net profit is defined as the profit for the period excluding: (1) the expenses associated with certain management share-based awards granted in 2013 and 2014 pursuant to certain investors rights agreement among the Company's then ultimate parent and the parent's shareholders; (2) the warrant expenses associated with the Guojian Warrants; (3) the expenses incurred in relation to the Listing; (4) the expenses incurred in relation to the Guojian acquisition; and (5) the income associated with the fair value gain of the approximately 6.96% equity interests in Guojian previously acquired by the Group in 2014. The Group's normalized net profit for the year ended 31 December 2015 was approximately RMB599.7 million, as compared to approximately RMB411.0 million for the year ended 31 December 2014, representing an increase of approximately RMB188.7 million or 45.9%. Without excluding the aforementioned items, the net profit for the year ended 31 December 2015 was approximately RMB526.2 million, as compared to approximately RMB291.7 million for the year ended 31 December 2014, representing an increase of approximately RMB234.5 million, or 80.4%.

CERTAIN ACQUISITION-RELATED ITEMS

Goodwill

The increase in the goodwill of the Group in 2015 was primarily attributable to the acquisition of Zhejiang Wansheng in July 2015, which resulted in the increase of goodwill of RMB330.3 million.

Available-for-sale Investments

For the year ended 31 December 2015, available-for-sale investments represented the Group's investment in bank financial products, which were issued by major banks in mainland China, and certain equity investments. The decrease in available-for-sale investments was primarily attributable to the reclassification of the equity investment in Guojian of approximately RMB231.2 million from available-for–sale investments to investment in associates.

Investment in Associates

The investment in associates as presented in the consolidated statement of financial position of the Group at 31 December 2015 of approximately RMB1,729.2 million primarily represented the investment in Guojian as at 31 December 2015.

Advance Payments for Acquisitions

For the year ended 31 December 2015, the advance payments for acquisitions of approximately RMB505.9 million represented the advance payments for the acquisition of Guojian's equity interests.

Liquidity, Financial and Capital Resources

The Group's liquidity remained strong. For the year ended 31 December 2015, the Group's operating activities generated a net cash inflow of approximately RMB455.3 million. As at 31 December 2015, the Group's cash and cash equivalents and time deposits (including pledged deposits) were approximately RMB1,850.4 million.

Net Current Assets/(Liabilities)

As at 31 December 2015, the Group had net current assets of approximately RMB1,990.4 million, as compared to net current liabilities of approximately RMB309.3 million as at 31 December 2014. The current ratio of the Group increased from approximately 0.8 as at 31 December 2014 to approximately 3.6 as at 31 December 2015. The increase in net current assets was mainly due to the proceeds from the Listing received in June 2015.

Borrowing and Pledge of Assets

As at 31 December 2015, the Group had an aggregate interest-bearing bank and other borrowings of approximately RMB405.0 million, as compared to approximately RMB617.4 million as at 31 December 2014. The decrease in bank borrowings primarily reflected the repayment of loans of USD103.3 million and RMB403.0 million, which was partially offset by the new loans of RMB405.0 million borrowed by the Group primarily for acquiring Guojian's equity interests in 2015.

Within the short-term deposits, RMB30.3 million were pledged to secure bank loans as at 31 December 2015, as compared to RMB252.2 million as at 31 December 2014.

Gearing Ratio

The gearing ratio of the Group, which is calculated by dividing the total borrowings by the total equity, decreased to approximately 7.2% as at 31 December 2015 from approximately 65.4% as at 31 December 2014. The decrease was primarily due to an increase in the Group's share premium resulting from the Listing.

Contingent Liabilities

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

Contractual Obligations

As at 31 December 2015, the Group's operating lease commitment amounted to approximately RMB6.8 million, as compared to approximately RMB0.5 million as at 31 December 2014. The Group's capital commitment amounted to approximately RMB27.4 million as at 31 December 2015, as compared to approximately RMB39.3 million as at 31 December 2014.

Foreign Exchange and Exchange Rate Risk

The Group mainly operates in the PRC, with all material aspects of its regular business conducted in Renminbi other than in regard to: (1) the operations of Sirton; and (2) the Group's exports, which amounted to approximately RMB32.3 million, or 1.9% of the Group's revenue, for the year ended 31 December 2015. Except for the operations of Sirton, the Group's exports and the foreign currency denominated bank deposits, the Group believes that it does not have any other material direct exposure to foreign exchange fluctuations. As at 31 December 2015, the Group's foreign currency denominated bank deposits primarily comprised: (1) approximately USD135.9 million (equivalent to approximately RMB882.3 million) denominated in US dollars; and (2) approximately HKD288.3 million (equivalent to approximately RMB241.5 million) denominated in HK dollars. The Group expects that the fluctuation of the Renminbi exchange rate will not have a material adverse effect on the operations of the Group for the foreseeable period.

Future Plans for Material Investments or Capital Assets

The Group estimates that the capital expenditures will be in the range of RMB150 million to RMB200 million per year for the Group (other than Guojian), and in the range of RMB100 million to RMB150 million per year for Guojian, for the next 3 years. These expected capital expenditures will primarily be incurred for the maintenance of the existing facilities and the expansion of production capabilities. The Group expects to finance such capital expenditures through a combination of internally generated funds and bank borrowings.

EMPLOYEES AND EMOLUMENTS POLICY

As at 31 December 2015, the Group employed a total of 2,177 employees, as compared to a total of 1,352 employees as at 31 December 2014. The staff costs, including the directors's emoluments but excluding any contributions to pension scheme, were approximately RMB317.4 million for the year ended 31 December 2015 as compared to approximately RMB276.8 million for the corresponding period in 2014. The Group's employees' remuneration package includes salary, bonus and allowance elements. The compensation programs are designed to remunerate the employees based on their performance and are measured against specified objective criteria. The Group also provides the employees with welfare benefits in accordance with applicable regulations and the Group's internal policies. The Company has adopted 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.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group operates in a highly competitive environment, and it may not be able to compete effectively against current and future competitors.

The Group operates in a highly competitive environment. The Group may not be able to compete effectively against current and future competitors. The Group's products compete with other products or treatments for diseases for which the Group's products may be indicated. The biotechnology and pharmaceutical industries are characterized by rapid changes in technology, constant enhancement of industrial know-how and frequent emergence of new products. Many of the Group's competitors, including foreign pharmaceutical companies and large state-owned pharmaceutical companies, may have substantially greater clinical, research, regulatory, manufacturing, marketing, financial and human resources than the Group has.

If the Group's products are excluded or removed from the National Medical Insurance Catalogue or provincial medical insurance catalogues, the Group's sales, profitability and business prospects could be adversely affected.

As of the date of this annual report, the Group's core products, EPIAO and TPIAO, and its certain other products, were listed in the National Basic Medical Insurance and Work-Related Injury Insurance Drug Catalogue (《國家基本醫療保險和工傷保險藥品目錄》, the "**National Medical Insurance Catalogue**") and in certain provincial medical insurance catalogues.

The selection of pharmaceutical products for listing in the National Medical Insurance Catalogue or provincial medical insurance catalogues is based on a variety of factors, including clinical needs, use frequency, efficacy and price, many of which are outside of the Group's control. Moreover, the relevant PRC government authorities may also, from time to time, review and revise the scope of reimbursement for the products that are already listed in the National Medical Insurance Catalogue or provincial medical insurance catalogues. There can be no assurance that any of the Group's products currently listed in the National Medical Insurance Catalogue or provincial medical insurance catalogues will remain listed, or that changes in the scope of reimbursement will not negatively affect the Group's products. If any of the Group's products are removed from the National Medical Insurance Catalogue or provincial medical insurance catalogues, or if the scope of reimbursement is reduced, demand for the Group's products may decrease and the Group's revenue and profitability could be adversely affected. Furthermore, if the Group is unable to get new products listed in the National Medical Insurance Catalogue or provincial medical insurance catalogues, or get new indications added to the Group's currently listed products, the Group's business prospects could be adversely affected.

If the Group is unable to win bids to sell the Group's products to PRC hospitals in the provincial tendering process, it may lose market share and the Group's revenue and profitability could be adversely affected.

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

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

If the Group's employees, distributors or third-party promoters engage in corrupt practices or inappropriate promotion of the Group's products, the Group's reputation could be damaged and the Group could be exposed to regulatory investigations, costs and liabilities.

The Group does not fully control the interactions its employees, distributors and third-party promoters have with hospitals, medical institutions and doctors. The Group's employees, distributors and third party promoters may try to increase sales volumes of the Group's products through means that violates the PRC anti-corruption, anti-bribery and other related laws. If the Group's employees, distributors or third-party promoters engage in corruption or other improper conduct that result in violation of applicable anti-corruption, anti-bribery laws in the PRC or other jurisdictions, the Group's reputation could be damaged and the Group could be exposed to regulatory investigations and penalties, including being excluded from procurement by public hospitals and other public medical institution in the PRC.

Directors and Senior Management

DIRECTORS

Executive Director

Mr. LOU Jing, aged 53, was appointed as a Director on 5 September 2006 and was redesignated as an executive Director on 27 November 2014. He was appointed as the chairman of the Board on 1 April 2012. Mr. Lou is also the chief executive officer and president of the Company. He is responsible for the strategic development and planning, overall operational management and major decision making of the Group. He joined Shenyang Sunshine Pharmaceutical Company Limited ("**Shenyang Sunshine**") as a director of research and development in September 1995.

Mr. Lou also holds the following positions with other members of the Group:

1) director and chairman of the board of Collected Mind Limited (集思有限公司, "**Collected Mind**");

2) director of Hongkong Sansheng Medical Limited (香港三生醫藥有限公司, "**Hongkong Sansheng**");

3) director of Excel Partner Holdings Limited (特隆控股有限公司, "**Excel Partner**");

4) director of Ample Harvest Investments Limited (溢豐投資有限公司, "**Ample Harvest**");

5) director, chief executive officer and president of Shenyang Sunshine and chairman of the board of Shenyang Sunshine;

6) director and general manager of Liaoning Sunshine Bio-Pharmaceutical Company Limited (遼寧三生醫藥有限公司, "**Liaoning Sunshine**");

7) executive director and general manager of Liaoning Sunshine Science Technology Development Company Limited (遼寧三生科技發展有限公司, "**Liaoning Sunshine Technology**");

8) director and chairman of the board of Taizhou Huan Sheng Investment Management Company Limited (泰州環晟投資管理有限公司, "**Taizhou Huan Sheng Investment**");

9) executive director of Shenzhen Baishitong Technology Development Company Limited (深圳市百士通科技開發有限公司, "**Shenzhen Baishitong**");

10) executive director of Shanghai Aoxi Technology Information Consulting Co., Ltd. (上海澳曦科技信息諮詢有限公司);

11) chairman of the board of Sciprogen;

12) chairman of the board of Guangdong Sciprogen Bio-pharmaceutical Technology Co., Ltd. (廣東賽保爾生物醫藥技術有限公司, "**Guangdong Sciprogen**");

13) director of Gains Prestige Limited (澤威有限公司, "**Gains Prestige**");

14) director and chairman of the board of Guojian; and

15) director and chairman of the board of Shanghai Lansheng Guojian Pharmaceutical Company Limited (上海蘭生國健藥業有限公司, "**Lansheng Guojian**").

Mr. Lou has been highly active in pharmaceutical research and has made substantial contribution to the Group's research and development of pharmaceutical products. Mr. Lou was the leading scientist and principal investigator in the Group's successful development of EPIAO and TPIAO. He co-invented a "preparation process for recombinant human thrombopoietin" and a "method for improving the stability of polypeptides in human bodies and its application" in 2000 and 2001, respectively. He has published in a number of academic journals on microbiology and medicinal biotechnology. His research has been recognized with various awards. In 2006, he was awarded the "Shenyang Science and Technology Progress Award" (瀋陽市科學技術進步一等獎) for his research on recombinant human thrombopoietin. In 2007, he was awarded the "Liaoning Province Scientific and Technological Achievements Prize" (遼寧省科技成果轉化三等獎) for his contribution to the industrialization of production of recombinant human thrombopoietin. Mr. Lou was selected as a member of the prestigious national program "the Recruitment Program of Global Experts", which is also known as the "Thousand Talents Program", in March 2013. Mr. Lou obtained a Medical Doctor degree (M.D.) in clinical medicine from Shanghai Second Military Medical University in July 1985. He conducted post-doctoral research at the National Institutes of Health of the United States after obtaining a Ph.D. degree in molecular and cell biology from Fordham University in the U.S. in February 1994. He also obtained an Executive Master of Business Administration from China Europe International Business School (中歐國際工商學院) in September 2008.

Mr. TAN Bo, aged 43, was appointed as a Director on 29 May 2013 and was redesignated as an executive Director on 27 November 2014. Mr. Tan is also the chief financial officer and the executive vice president of the Company. He is responsible for overseeing the financial activities and the daily operation of the business development of the Group. Mr. Tan joined Shenyang Sunshine as the chief financial officer and vice president in February 2009. He also served as a director of Hongkong Sansheng from November 2009 to November 2014.

Mr. Tan also holds the following positions with other members of the Group:

1) director of Collected Mind;

2) director of Excel Partner;

3) director of Ample Harvest;

4) chief financial officer and executive vice president and director of Shenyang Sunshine;

5) director of Taizhou Huan Sheng Investment;

6) director of Sciprogen;

7) director of Guangdong Sciprogen;

8) director of Grand Path Holdings Limited;

9) director of Gains Prestige;

10) director of Guojian; and

11) director of Lansheng Guojian.

Mr. Tan has extensive experience within the financial and pharmaceutical industries, and has worked in private equity, equity research and commercial sectors. Mr. Tan has served as an independent non-executive director of Globe Metals & Mining Limited (a company listed on the Australian Securities Exchange with security code GBE) since 9 October 2013. Mr. Tan served as an independent director and the chairman of the audit, compensation and nominating committee of Tianyin Pharmaceutical Co., Inc. (a company listed on the NYSE MKT LLC with symbol TPI) from 4 June 2012 to 23 January 2015. He served as executive director and a member of the investment committee of Bohai Industrial Investment Fund Management Company (渤海產業投資基金管理公司), a private equity fund in China, from April 2007 to September 2008. Before that, he served as a vice president in the equity research division of Lehman Brothers Asia Limited from March 2006 to March 2007. He worked as a senior analyst at Macquarie Securities Asia in Hong Kong from October 2004 to February 2006. Mr. Tan obtained a Bachelor's degree in Economics from Renmin University of China (中國人民大學) in July 1994, a Master's degree in Economics from the University of Connecticut in December 1996 and a Master of International Management from Thunderbird School of Global Management in August 1998.

Ms. SU Dongmei, aged 45, was appointed as a Director on 11 June 2012 and was redesignated as an executive Director on 27 November 2014. Ms. Su is also the Company's senior vice president and the general manager of Shenyang Sunshine. She is responsible for strategic direction and leadership of research and development of the Group. Ms. Su joined Shenyang Sunshine as a scientist of the research and development department in January 1993, and served as a director of the research and development department from 1997 to 2006. She subsequently served as the chief technology officer responsible for research and development and manufacturing process engineering of Shenyang Sunshine from 2006 to 2008. Ms. Su was promoted to vice president of Shenyang Sunshine in April 2008. Ms. Su served as a director of Shenyang Sunshine from August 2007 to June 2013. She also served as a director of Hongkong Sansheng from November 2009 to November 2014.

Ms. Su also holds the following positions with other members of the Group:

(i) senior vice president of Shenyang Sunshine;

(ii) supervisor of Liaoning Sunshine; and

(iii) supervisor of Liaoning Sunshine Technology.

Ms. Su obtained a Bachelor's degree in Biochemistry from Jilin University (吉林大學) in July 1992 and a Master's and a Doctorate degree in Microbiology and Pharmacology from Shenyang Pharmaceutical University (瀋陽藥科大學) in June 2001 and July 2010, respectively. She has published in a number of academic journals on microbiology and medicinal biotechnology.

Mr. HUANG Bin, aged 55, was first appointed as a Director on 5 September 2006 and ceased to be a Director on 29 May 2013. Mr. Huang was reappointed as an executive Director on 27 November 2014. Mr. Huang is also a vice president of the Company. He is in charge of the administrative management of the Group and the operations management of the Group's subsidiaries and joint ventures. Mr. Huang joined Shenyang Sunshine in 1993 as a manager of the human resources department.

Mr. Huang also holds the following positions with other members of the Group:

(i) director of Collected Mind;

(ii) director and vice president of Shenyang Sunshine;

(iii) director and general manager of Taizhou Huan Sheng Investment; and

(iv) director of Guojian.

Mr. Huang received a diploma in Engineering from Northeast University (東北大學) in July 1987. He attended a one-year training program in business management in Tsinghua University (清華大學) from April 2000 to April 2001.

Non-executive Directors

Mr. LIU Dong, aged 43, was appointed as a non-executive Director on 27 November 2014. He is responsible for participating in the formulation of the Company's corporate and business strategies. Mr. Liu has served as a director of Shenyang Sunshine since 28 May 2013.

Mr. Liu joined CITIC Private Equity Funds Management Co., Ltd ("**CITIC PE**") in January 2009. He is a managing director of CITIC PE in charge of investment in the healthcare sector. Mr. Liu also currently serves as a director of Zhejiang Beingmate Technology Industry & Trade Co. Ltd. (a company listed on the Shenzhen Stock Exchange with stock code 002570), Biosensors International Group, Ltd. (a company listed on the SGX-ST with symbol B20) and Luye Pharma Group Ltd. (a company listed on the Stock Exchange with stock code 2186). None of the three aforesaid listed companies competes or is likely to compete with the Group. Mr. Liu received a joint Bachelor's degree in Physics and Finance from Nankai University (南開大學) in June 1995 and an Executive Master of Business Administration from China Europe International Business School (中歐國際工商學院) in October 2011.

Mr. LV Dong, aged 41, was appointed as a non-executive Director on 27 November 2014. He is responsible for participating in the formulation of the Company's corporate and business strategies. Mr. Lv has served as a director of Shenyang Sunshine since 28 May 2013. He was appointed as a supervisor of Jiuzhitang Co., Ltd.(九芝堂股份有限公司)(a company listed on the Shenzhen Stock Exchange with stock code: 000989) in 2015. Mr. Lv has also served as a vice president of CITIC PE, mainly engaging in the investment in the healthcare sector, since 2011. Mr. Lv received a Master's degree in Pharmacy from Peking University (北京大學) in 2003 and a Doctorate degree in Pharmaceutical Administration from China Pharmaceutical University (中國藥科大學) in June 2010.

Independent Non-executive Directors

Mr. PU Tianruo, aged 47, was appointed as an independent non-executive Director on 23 May 2015, with such appointment taking effect on 1 June 2015. He is responsible for participating in decision-making and advising on issues relating to the Company's significant events and corporate governance. Previously, he served as an independent Director, the audit committee chair and a compensation committee member of the Company from 1 September 2012 to 29 May 2013.

Mr. Pu has had substantial experience in corporate finance, accounting, mergers and acquisitions, as well as in the technology sector. He has served as an independent non-executive director of WOWO Limited (a company listed on the NASDAQ with symbol WOWO) since April 2015. He served as director and chief financial officer of UTStarcom (a company listed on the NASDAQ with symbol UTSI) from November 2011 to May 2014 and from October 2012 to August 2014, respectively. Mr. Pu also served as the chief financial officer of China Nuokang Bio-Pharmaceutical Inc. (a company listed on the NASDAQ with symbol NKBP) from September 2008 to June 2012. Mr. Pu obtained a Bachelor's degree in English from China Foreign Affairs University (外交學院) in July 1991, a Master's degree in Accounting from the University of Illinois, College of Business Administration in May 1996 and a Master of Business Administration from Northwestern University Kellogg School of Management in June 2000.

Mr. David Ross PARKINSON, aged 66, was appointed as an independent non-executive Director on 23 May 2015, with such appointment taking effect on 1 June 2015. He is responsible for participating in decision-making and advising on issues relating to the Company's significant events and corporate governance.

Mr. Parkinson has served as a director of ESSA Pharma Inc. (a company listed on the NASDAQ with Symbol EPIX) since June 2015, a director of Cerulean Pharma, Inc. (a company listed on the NASDAQ with symbol CERU) since November 2014 and Threshold Pharmaceuticals, Inc. (a company listed on the NASDAQ with symbol THLD) since May 2010. He was appointed as the president and chief executive officer of ESSA Pharma Inc. in January 2016. He has also served as a director of DeNovo Biosciences, Inc. and Tocagen Inc. and is a venture partner at New Enterprise Associates, a venture capital firm. From 2007 to 2012, Mr. Parkinson served as president and chief executive officer at Nodality, Inc., a biotechnology company focused on personalized medicine. Before that, he was a vice president and head of the clinical oncology therapeutic area at Amgen Inc. (a company listed on the NASDAQ with symbol AMGN). Mr. Parkinson served as a director of the American Association for Cancer Research (AACR) from 2006 to 2009. He served on the National Cancer Policy Forum of the Institute of Medicine from 2005 to 2011. Mr. Parkinson has received multiple awards and honors, including the top innovator award from the Multiple Myeloma Research Foundation in 2012 and the Wiley Medal from the USFDA in 1997. He delivered the 12th Andrew H. Weinberg Memorial Lecture at the Harvard University School of Medicine in 2008. Mr. Parkinson obtained a Doctor of Medicine degree (M.D.) at the University of Toronto Faculty of Medicine in 1974.

Mr. MA Jun, aged 53, was appointed as an independent non-executive Director on 23 May 2015, with such appointment taking effect on 1 June 2015. He is responsible for participating in decision-making and advising on issues relating to the Company's significant events and corporate governance. Mr. Ma has served as the chief executive officer of Rong & De (Tianjin) Investment Partnership (Limited Partnership) (熔安德(天律)投資合夥企業(有限合夥)) since April 2011 in charge of fund raising and management. Mr. Ma was an attorney of Commerce & Finance Law Offices from January 2006 to April 2007.

Mr. Ma obtained a Bachelor of Laws degree (L.L.B.) from Peking University (北京大學) in July 1985. He obtained a Juris Doctor degree (J.D.) from Cornell Law School in May 1996 and was subsequently admitted to the New York bar.

Senior Management

The Company senior management comprises the Executive Directors and the following persons:

Mr. XIAO Weihong (肖衛紅), aged 47, is the chief operating officer of the Company. Prior to joining the Company in March 2016, Mr. Xiao served as the chief executive officer of Hisun-Pfizer Pharmaceutical Co. Ltd. (海正輝瑞製藥有限公司), from 2012 to 2015, where he oversaw the strategy and operations. From 2007 to 2012, Mr. Xiao served as a general manager of commercial and diversified business unit of Pfizer China. Mr. Xiao worked in Pfizer China's human resources department from 1999 to 2007 and served as Human Resources Director of Pfizer China from 2004 to 2007. Mr. Xiao graduated from the University of International Business & Economics with a Bachelor of Economics degree in 1991. He is currently a vice president of the Chinese Pharmaceutical Enterprises Association.

Mr. MA Xin (馬新), aged 55, is a vice president of the human resources department of the Company and Shenyang Sunshine. He is responsible for overseeing the human resources administration of the Group. Mr. Ma also currently serves as a director of Lansheng Guojian, as well as a director of Guojian. Before joining the Company in 2016, Mr. Ma worked in Hisun-Pfizer Pharmaceuticals Co., Ltd. (海正輝瑞製藥有限公司) from November 2012 to December 2015, first as a senior director of the human resources department, and was the vice president of the human resources department. From June 2007 to October 2009, he worked as a national training and sales effectiveness manager in Pfizer Investment Co., Ltd. (輝瑞投資有限公司), and served as an associated director of training from October 2009 to October 2012. From 2005 to 2007, Mr. Ma served as a national sales training manager (Oncology business unit) of Beijing Novartis Pharma Co., Ltd. (北京諾華製藥有限公司). Mr. Ma worked in GlaxoSmithKline (China) Investment Co., Ltd. (葛蘭素史克投資有限公司) as a sales training manager (Pharma, North China) from December 2001 to July 2005. Mr. Ma obtained a Bachelor of Science in Pharmacy from Tianjin Second Medical College (天津第二醫學院) in 1989.

Ms. LI Huihui (厲蕙蕙), aged 35, was appointed as a vice president of the Company and Shenyang Sunshine in September 2013. Ms. Li has also served as a director of Excel Partner and Ample Harvest since December 2014, as well as a director of Sciprogen and Guangdong Sciprogen, and a director and the chairperson of the board of Sirton since January 2015. Before joining us, Ms. Li worked in Bain & Company (Beijing) Management Consulting Co., Ltd., Shanghai Branch (北京貝恩創效管理顧問有限公司上海分公司) from March 2007 to September 2010, first as an associate consultant, and was a consultant when she left the firm. She also worked in CITIC PE from September 2010 to September 2013, first as an associate and later as a senior investment manager at the time of her departure. Ms. Li obtained Bachelor's degree in Marketing, and Master's degree in Business Administration from Shanghai University of Finance and Economics (上海財經大學) in July 2003 and December 2005 respectively.

Mr. LI Ke (李柯), aged 48, is a vice president of the Company and Shenyang Sunshine. Mr. Li joined Shenyang Sunshine as an assistant to the president in March 1993. Previously, Mr. Li served as a director of Hongkong Sansheng from November 2009 to November 2014 and as a director of Shenyang Sunshine from August 2007 to May 2013. Before that, he served as the assistant to the president of Shenyang Sunshine from March 1993 to January 2011. Mr. Li also completed a post-graduate course in Political Economics at Liaoning University (遼寧大學) in October 2001.

Mr. CHEN Yongfu (陳永富), aged 59, is a director of the finance department of the Company and Shenyang Sunshine. Mr. Chen has also served as a director of Hongkong Sansheng since November 2014. Mr. Chen served as a financial manager of Shenyang Sunshine from March 2003 to November 2010. Mr. Chen obtained Bachelor's degrees in Engineering and Accounting from Liaoning University (遼寧大學) in July 1983.

Ms. LIU Yanli (劉彥麗), aged 35, is the director of legal and operation management of the Company and Shenyang Sunshine. She is responsible for overseeing the general operational matters of the Group. Ms. Liu has served as a director of Hongkong Sansheng since November 2014 and a director of Sirton since January 2015. She has also served as the supervisor of Shenzhen Baishitong since December 2014, and the supervisor of Sciprogen and Guangdong Sciprogen since December 2014. Ms. Liu joined Shenyang Sunshine as an international sales representative in January 2007. Ms. Liu served as an assistant to the chief executive officer and project manager of foreign drug registration of Shenyang Sunshine from 2008 to 2011. Ms. Liu obtained a Bachelor's degree in Biochemistry and Master's degree in Chemistry with Entrepreneurship from the University of Nottingham in July 2005 and December 2006, respectively.

Ms. YOU Fei (由飛), aged 37, is a director of the finance department of the Company. She is responsible for overseeing the accounting, financial reporting, financial analysis and capital market of the Group. Ms. You has also served as a director of Sciprogen and Guangdong Sciprogen since December 2014. Before joining the Group, Ms. You served as a manager at KPMG Huazhen (Special General Partnership) from August 2003 to January 2009 and a group accounting manager at Perlos (Beijing) Electronic and Telecommunication Component Co., Ltd. from February 2009 to February 2011. Ms. You has been a member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) since 2010. Ms. You obtained Bachelor's and Master's degrees in Economics from Renmin University of China (中國人民大學) in July 2000 and July 2003, respectively.

Ms. DANG Hui (黨惠), aged 44, was appointed as the director of risk and compliance management of the Company and Shenyang Sunshine in April 2016. She is responsible for overseeing the sales and marketing functions of the Group. Ms. Dang joined Shenyang Sunshine as a manager in August 1999. Ms. Dang then served as a sales manager of Shenyang Sunshine from September 2001 to January 2002. From February 2002 to March 2012, Ms. Dang held several positions in Shenyang Sunshine, including regional manager.

Mr. WANG Junlin (王俊林), aged 43, was appointed as the president of Guojian in April 2016. In 2002, Mr. Wang participated in founding Guojian and since then has been serving as the president of Guojian, in April 2016. Guojian has been focused on the development and industrialization of antibody drugs and is now a leading enterprise in the domestic antibody pharmaceutical field. Mr. Wang served as a deputy General Manager of Lansheng Guojian from 2001 to 2002. He worked as an investment manager of Lansheng CNSK Venture Capital Co.,Ltd. (上海蘭生上科創業投資公司) from 1999 to 2000. Before that, he served as a researcher at Shanghai Academy of Sciences (上海科學院) from 1995 to 1997. He graduated from Fudan University (復旦大學) with a Bachelor's degree at Operations Research in 1995; and then obtained a Master's degree in Professional Accounting in the Chinese University of Hong Kong (香港中文大學) in 2005; and completed the China Europe International Business School Executive Program in 2014. Mr. Wang was named a "Leading Talent in Shanghai" in 2009, "Shanghai Model Worker" in 2010 and "Shanghai Business Leader" in 2014.

Mr. LUO Xielong (駱燮龍), aged 64, was appointed as an executive director of Zhejiang Wansheng in April 2016. Mr. Luo joined Zhejiang Wansheng as the general manager in 2014. From 2012 to 2013 he served as the general manager of Jiangxi Renhe Pharmaceutical Group (江西仁和藥業集團). Before that he served as a deputy general manager of Beijing Pharmaceutical Group from 2003 to 2012. Mr. Luo was the president of the Central Research Institute of Beijing Pharmaceutical Group (北京醫藥集團中央研究中心) from 2006 to 2012. He also worked as the chairman of China Pharmaceutical Research and Development Center (中國醫藥研究開發中心) from 2004 to 2012. Mr. Luo worked as the general manager of Peking University Pharmaceutical Co. Ltd. (北大藥業) from 2000 to 2003. From 1993 to 2000, he served as the general manager of YiKon Science & Technology Development Co., Ltd. with Beijing Medical University (北京醫科大學億康科技開發總公司). He started his career in Hangzhou Municipal Health Bureau (杭州市衛生局醫政處) as the director of Medical Affairs Office from 1981 to 1990. Mr. Luo graduated in clinical specialty from Harbin Medical University (哈爾濱醫科大學), Department of Medical Science.

Mr. XU Yong (徐勇), aged 51, was appointed as a general manager and director of Sciprogen in 2015. From March 2006 to December 2012, he served as a deputy general manager of Liaoning Nuokang Pharmaceutical Limited (遼寧諾康醫藥股份有限公司). Before that, Mr. Xu served as the deputy general manager of Beijing Zhongguan Venture Science and Technology Co., Ltd. (北京中關創業科技發展有限公司) from January 2002 to March 2006. From June 1995 to December 2001, he worked first as a deputy director and then as a director in the second general department of Hebei Provincial Government General Office. (河北省政府辦公廳綜合二處). Mr. Xu obtained a Bachelor's degree in Precision Machinery from Zhejiang University (浙江大學) in August 1988.

Report of Directors

The Directors are pleased to present their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2015.

CORPORATE INFORMATION AND GLOBAL OFFERING

The Company was incorporated in the Cayman Islands on 9 August 2006 as an exempted company with limited liability under the laws of the Cayman Islands. The Company's shares (the "**Shares**") were listed on the Main Board of the Stock Exchange on 11 June 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding, and the Group is principally engaged in the development, production, marketing and sale of pharmaceutical products in PRC. Analysis of the principal activities of the Group during the year ended 31 December 2015 is set out in the note 1 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of profit or loss on page 62 of this annual report.

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 2015.

BUSINESS REVIEW

A review of the business of the Group, a discussion on the Group's future prospects and the principal risks and uncertainties and an analysis of the Group's performance during the year ended 31 December 2015 using financial key performance indicators are provided in the section headed "Management Discussion and Analysis" on pages 8 to 25. In addition, discussions on the Group's relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are contained in the paragraph headed "Relationship with Stakeholders" and the paragraph headed "Compliance with Laws and Regulations" on pages 43 to 44 of this report of Directors.

FINANCIAL SUMMARY

A summary of the Group's results, assets and liabilities for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, are set out on page 6 of this annual report. This summary does not form part of the audited consolidated financial statements.

USE OF NET PROCEEDS FROM LISTING

The net proceeds from the Listing (after deducting underwriting fees and all Listing-related expenses) amounted to approximately HKD5,036.0 million. All the net proceeds have been utilized: (1) with HKD622.0 million* in payment for the acquisition of Zhejiang Wansheng in July 2015; (2) with HKD1,631.1 million* in payment for the acquisition of further equity interest in Guojian in November 2015; and (3) with HKD2,782.9 million in payment for the acquisition of further equity interests in Guojian in January and March 2016.

For details regarding reallocation of the net proceeds of the Listing, please refer to the Company's announcement dated 26 January 2016.

MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

For the year ended 31 December 2015, the Group's sales to its five largest customers accounted for 29.0% (2014: 34.9%) of the Group's total revenue and the Group's single largest customer accounted for 10.3% (2014: 10.8%) of the Group's total revenue.

Major Suppliers

For the year ended 31 December 2015, the Group's five largest suppliers accounted for 45.6% (2014: 49.3%) of the Group's total purchases and the Group's single largest supplier accounted for 17.9% (2014: 13.3%) of the Group's total purchases.

Since the Listing Date to 31 December 2015, none of the Directors or any of their close associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the number of issued shares of the Company) had any interest in the Group's five largest customers and suppliers.

* The amount denominated in HKD was translated from RMB at the rate of HKD1=RMB0.83602 (being the central parity rate set by the People's Bank of China as at 30 March 2016) for illustration only.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year ended 31 December 2015 are set out in note 14 to the consolidated financial statements in this annual report.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2015 are set out in note 33 to the consolidated financial statements in this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association and there are no statutory pre-emptive rights under 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.

EQUITY-LINKED AGREEMENTS

Details of the share option scheme adopted by the Company in 2015 are set out in the section headed "POST-IPO SHARE OPTION SCHEME" in this Directors' Report.

On 1 January 2015, the Company issued the Guojian Warrant to Shanghai Junling Investment Partnership (Limited Partnership) (上海峻嶺投資合夥企業(有限合夥)) which is beneficially owned by certain management members of Guojian. The warrant entitles the holders to purchase 1,128.82033 ordinary shares of the Company at an exercise price of USD1.00 for each share. Pursuant to the subdivision of each of the Company's shares of par value of USD1.00 each into 100,000 shares of par value of USD0.00001 each on 4 February 2015, the number of shares to be issued pursuant to the full exercise of the warrant became 112,882,033 ordinary shares of the Company and the exercise price became USD0.00001 per share. The warrant will vest and become exercisable upon meeting certain vesting conditions . The details of the warrant has been disclosed in the Company's prospectus dated 1 June 2015 in the paragraph headed "— CP Guojian Warrant" under the HISTORY, REORGANIZATION AND CORPORATE STRUCTURE section.

As of the date of this annual report, no ordinary shares have been issued pursuant to the warrant.

Except as disclosed above, the Company has not entered into any equity-linked agreements for the year ended 31 December, 2015.

RESERVES

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2015 are set out on page 66 in the consolidated statement of changes in equity in this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2015, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Laws of Cayman Islands, amounted to approximately RMB4,502.9 million (as at 31 December 2014: RMB273.0 million).

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2015 are set out in note 31 to the consolidated financial statements in this annual report.

DIRECTORS

The Directors of the Company during the year ended 31 December 2015 and up to the date of this annual report are:

Executive Director:

Mr. LOU Jing *(Chairman & Chief Executive Officer)*	(appointed on 5 September 2006)
Mr. TAN Bo	(appointed on 29 May 2013)
Ms. SU Dongmei	(appointed on 11 June 2012)
Mr. HUANG Bin	(appointed on 27 November 2014)

Non-executive Directors:

Mr. LIU Dong	(appointed on 27 November 2014)
Mr. LV Dong	(appointed on 27 November 2014)

Independent non-executive Directors:

Mr. PU Tianruo	(appointed on 23 May 2015 and became effective on 1 June 2015)
Mr. David Ross PARKINSON	(appointed on 23 May 2015 and became effective on 1 June 2015)
Mr. MA Jun	(appointed on 23 May 2015 and became effective on 1 June 2015)

In accordance with article 84(1) of the articles of association of the Company (the "**Articles of Association**"), 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) will retire from office by rotation and will be eligible for re-election and re-appointment at every annual general meeting, provided that every Director shall be subject to retirement by rotation at least once every three years. Accordingly, Mr. LOU Jing, Mr. TAN Bo, and Ms. SU Dongmei will retire and, being eligible, have offered themselves for re-election as Directors at the annual general meeting ("**AGM**").

In accordance with article 83(3) of the Articles of Association, any Director appointed by the Board either to fill a casual vacancy or as an addition to the Board will hold office until the next following general meeting of the Company after his/her appointment. Accordingly, Mr. LIU Dong, Mr. LV Dong, Mr. PU Tianruo, Mr. David Ross PARKINSON and Mr. MA Jun will hold office as the Director until the AGM and are subject to re-election.

Details of the Directors to be re-elected at the AGM are set out in the circular to the Shareholders dated 29 April 2016.

DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out on pages 26 to 33 of this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive Directors has confirmed their independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). The Company considers all of the independent non-executive Directors to be independent in accordance with Rule 3.13 of the Listing Rules.

DIRECTORS' SERVICE CONTRACTS

Mr. LOU Jing, being one of the executive Directors, has entered into a service contract with the Company for an initial term of three years commencing from the date of his appointment and continue for a period of three years after or until the third annual general meeting of the Company since the Listing Date (whichever is earlier), which shall be automatically renewed for successive periods of three years (subject to re-election as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the service contract or by either party giving to the other prior notice in writing.

Each of the other executive Directors (i.e. Mr. TAN Bo, Ms. SU Dongmei and Mr. HUANG Bin) has entered into a service contract with the Company for an initial term of three years commencing from the date of his/her appointment and continue for a period of three years after or until the third annual general meeting of the Company since the Listing Date, whichever is earlier, (subject to re-election as and when required under the Articles of Association), until terminated in accordance with the terms and conditions of the service contract or by either party giving to the other prior notice in writing.

Each of the non-executive Directors has entered into an appointment letter with the Company on 21 May 2015. The initial term for their appointment letters shall commence from the date of their appointments and shall continue for one year after or until the first annual general meeting of the Company since the Listing Date, whichever is sooner, (subject always to re-election as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than one month's prior notice in writing.

Each of the independent non-executive Directors has entered into an appointment letter with the Company on 21 May 2015. The initial term for their appointment letters shall be one year from 1 June 2015 or until the first annual general meeting of the Company since the Listing Date, whichever is sooner, (subject always to re-election as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing.

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

DIRECTORS' INTERESTS IN CONTRACTS, TRANSACTIONS AND ARRANGEMENTS OF SIGNIFICANCE

Other than those transactions disclosed in note 42 to the consolidated financial statements, no Director had a material interest, either directly or indirectly, in any transaction, arrangement and contract of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party during the year ended 31 December 2015.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save as disclosed in this annual report, at no time during the year had the Company or any of its subsidiaries entered into any contract of significance with the Controlling Shareholder (as defined in the Listing Rules) or any of its subsidiaries, nor had any contract of significance been entered into for the services provided by the Controlling Shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

MANAGEMENT CONTRACTS

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

EMOLUMENT POLICY

A remuneration committee was set up for reviewing the Group's emolument policy and structure for all remuneration of the directors and senior management of the Group, having regard to the Group's operating results, individual performance of the directors and senior management and comparable market practices.

Details of the emoluments of the Directors and five highest paid individuals for the year ended 31 December 2015 are set out in note 8 and note 9 to the consolidated financial statements.

RETIREMENT AND EMPLOYEE BENEFITS SCHEME

Details of the retirement and employee benefits scheme of the Company are set out in note 10 and note 32 to the consolidated financial statements.

CHANGE TO INFORMATION IN RESPECT OF DIRECTORS

Save as disclosed in the section headed "Directors and Senior Management" in this annual report, there was no change to any of the information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) of rule 13.51(2) of the Listing Rules since the Listing Date.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2015, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules were as follows:

Interest in the Company

Name	Position	Nature of Interest	Number of Shares held	Approximate percentage of all Shares in Issue(1)
LOU Jing(2)	Executive Director	Interest in a controlled corporation	659,367,030(L)	26.21%(L)
TAN Bo(3)	Executive Director	Interest in a controlled corporation	115,549,920(L)	4.59%(L)
SU Dongmei(4)	Executive Director	Interest in a controlled corporation	26,403,630(L)	1.05%(L)
HUANG Bin(5)	Executive Director	Interest in a controlled corporation	33,919,350(L)	1.35%(L)

Notes:

(L): denotes long position

1. The calculation is based on the total number of 2,515,313,570 Shares in issue as at 31 December 2015.

2. LOU Jing directly holds 58.50% of issued share capital of Century Sunshine Limited ("**CSL**") (which holds 100% of the issued share capital of Decade Sunshine Limited ("**DSL**")) and therefore, is deemed to be interested in the same number of the shares in which DSL is interested (i.e. 659,367,030 Shares).

3. TAN Bo directly holds the entire issued share capital of Triple Talent Enterprises Limited ("**TTE**") and therefore, is deemed to be interested in the same number of the shares in which TTE is interested (i.e. 115,549,920 Shares).

4. SU Dongmei directly holds the entire issued share capital of Joint Palace Group Limited ("**JPG**") and therefore, is deemed to be interested in the same number of the shares in which JPG is interested (i.e. 26,403,630 Shares).

5. HUANG Bin directly holds the entire issued share capital of Known Virtue International Limited ("**KVI**") and therefore, is deemed to be interested in the same number of the shares in which KVI is interested (i.e. 33,919,350 Shares).

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, no rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company were granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate since the Listing Date.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2015, to the best knowledge of the Directors, the following persons (not being a Director or chief executives of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of shareholder	Nature of Interest	Number of Shares held	Approximate percentage of all Shares in Issue[1]
DSL	Beneficial owner	659,367,030[L]	26.21%[L]
CSL[2]	Interest in a controlled corporation	659,367,030[L]	26.21%[L]
CS Sunshine Investment Limited[3]	Beneficial owner	712,258,360[L]	28.32%[L]
CPEChina Fund, L.P.[3]	Interest in a controlled corporation	712,258,360[L]	28.32%[L]
CITIC PE Associates, L.P.[3]	Interest in a controlled corporation	712,258,360[L]	28.32%[L]
CITIC PE Funds Limited[3]	Interest in a controlled corporation	712,258,360[L]	28.32%[L]

Notes:

(L): denotes long position

1. The calculation is based on the total number of 2,515,313,570 Shares in issue as at 31 December 2015.

2. DSL is wholly-owned by CSL and therefore CSL is deemed to be interested in 659,367,030 Shares held by DSL.

3. CS Sunshine Investment Limited is wholly-owned by CPEChina Fund, L.P. ("**CPE**"). The general partner of CPE is CITIC PE Associates, L.P., an exempted limited partnership registered under the laws of the Cayman Islands whose general partner is CITIC PE Funds Limited, an exempted company incorporated in the Cayman Islands with limited liability.

Save as disclosed above, as at 31 December 2015, the Directors were not aware of any persons (who were not Directors or chief executives of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

POST-IPO SHARE OPTION SCHEME

Pursuant to a written resolution passed by the then sole shareholder of the Company on 23 May 2015, the Company adopted a share option scheme (the "**Scheme**"). The details of the Scheme has been disclosed in the Company's prospectus dated 1 June 2015 in the section headed "Statutory and General Information — 5. Post-IPO Share Option Scheme" in Appendix IV. Under the Scheme, the Company is authorised to issue up to 242,439,857 ordinary shares (subject to possible adjustments), which represents approximately 9.64% of the issued shares as at the date of the annual report. The Scheme will continue to be in effect for a term of ten years unless terminated sooner, and has a remaining term of approximately 9 years as at the date of this report.

There were no movements under the Scheme since the Listing Date up to 31 December 2015. The Company did not grant any option under the Scheme since its adoption to 31 December 2015.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

Save as disclosed in this annual report, as at 31 December 2015, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

DONATIONS

For the year ended 31 December 2015, the Group made no charitable and other donations.

SIGNIFICANT LEGAL PROCEEDINGS

For the year ended 31 December 2015, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company.

ENVIRONMENTAL PROTECTION

The Group is subject to national and local environmental laws and regulations of the PRC. The Group has established detailed internal rules regarding environmental protection. The Group tests effluent water to ensure compliance with national emission standards. Solid waste is sorted for proper disposal. Hazardous waste is sent to qualified third parties for treatment. When a new construction project is proposed, the Group conducts comprehensive analysis and testing on the environmental issues involved in the manufacturing processes. The Group's production team and in-house legal department are primarily responsible for ensuring compliance with applicable environmental rules and regulations. All the Group's property, plant and equipment meet the standards required for compliance with applicable environmental rules and regulations, and the Group believe it has maintained good relationship with the communities surrounding the Group's production facilities.

To the best knowledge of the Group, during the year ended 31 December 2015, there were no material breaches of national and local environmental laws and regulations of the PRC.

RELATIONSHIP WITH STAKEHOLDERS

The Group recognizes that various stakeholders including employees, medical experts, distributors, and other business associates are key to Group's success. The Group strives to achieve corporate sustainability through engaging and collaborating, and cultivating strong relationship with them.

The Group believes that it is vital to attract, recruit and retain quality employees. To maintain the quality, knowledge and skill levels of Group's workforce, the Group provide the employees with periodic training, including introductory training for new employees, technical training, professional and management training and health and safety training. The Group believes that it maintains a good relationship with its employees and the Group did not experience any significant labor disputes or any difficulty in recruiting staff for its operations

The Group conducts academic marketing activities to establish and maintain relationships with key opinion leaders in the national medical system, as well as the department heads and senior physicians in Group's target hospitals, particularly Grade III hospitals. The Group provides these experts with detailed information on its products and helps them make independent comparisons among competing products in the market. The Group also maintains long-term cooperative relationships with national academic associations, such as the Chinese Society of Nephrology (中華腎臟病學會) and the Chinese Society of Clinical Oncology (中國臨床腫瘤學會). The Group believes that its relationships with medical experts help to raise Group's profile, enhance awareness of Group's products in the medical community and among patients, and provide it with valuable clinical data to improve Group's products, all of which help the Group more effectively market and sell its products

A significant amount of Group's sales is attributable to a limited number of distributors. The Group selects the distributors based on their qualifications, reputation, market coverage and sales experience. The Group generally has long time business relationship with its large distributors.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognises the importance of compliance with laws and regulatory requirements. The Group has been allocating corporate and staff resources to ensure ongoing compliance with rules and regulations, including retaining external counsels and advisors. During the year ended 31 December 2015, the Group has complied, to the best of its knowledge, with all relevant rules and regulations that have a significant impact on it.

To the best knowledge of the Group, during the year ended 31 December 2015, there were no material breaches of the Group's internal rules or PRC laws and regulations relating to the promotion and distribution of the Group's pharmaceutical products by its employees, distributors, sub-distributors or third-party promoters.

PERMITTED INDEMINTY PROVISION

The Articles of Association provides that every Director of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur as a result of any act or failure to act in the execution of their duty, or supposed duty, and in their respective offices or trusts provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty.

The Company has arranged for appropriate insurance coverage in respect of potential legal actions against its Directors and senior management.

POST BALANCE SHEET EVENTS

The material post balance sheet events are disclosed in note 47 to the consolidated financial statements.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") had, together with the management and external auditor of the Company (the "**Auditor**"), reviewed the accounting principles and policies adopted by the Group and the consolidated financial statements for the year ended 31 December 2015. The Audit Committee has also reviewed the effectiveness of the internal control system of the Company and considers the internal control system to be effective and adequate.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 46 to 59 of this annual report.

CLOSURE OF REGISTER OF SHAREHOLDERS

The register of shareholders of the Company will be closed from 24 June 2016 to 28 June 2016, both days inclusive, in order to determine the identity of the shareholders who are entitled to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all transfer accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on 23 June 2016.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and to the best knowledge of the Directors, at least 25% of the Company's total issued shares, the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the Listing Rules, was held by the public at all times during the period from the Listing Date to 31 December 2015 and as of the date of this annual report.

AUDITORS

Ernst & Young was appointed as the Auditors for the year ended 31 December 2015.

Ernst & Young shall retire at the forthcoming annual general meeting and, being eligible, will offer itself for re-appointment. A resolution for the re-appointment of Ernst & Young as Auditors will be proposed at the AGM.

On behalf of the Board
LOU Jing
Chairman

Hong Kong, 31 March 2016

Corporate Governance Report

The Board is pleased to present the corporate governance report of the Company for the year ended 31 December 2015.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance.

Save as disclosed in this annual report, the Company has complied with all applicable code provisions under the CG Code throughout the period from the Listing Date and up to 31 December 2015. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

THE BOARD

Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees including the Audit Committee, the remuneration committee (the "**Remuneration Committee**") and the nomination committee (the "**Nomination Committee**") (together, the "**Board Committees**"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors have carried out duties in good faith and in compliance with applicable laws and regulations, and have acted in the interests of the Company and the Shareholders at all times.

The Company has arranged appropriate liability insurance in respect of legal action against the Directors. The insurance coverage will be reviewed on an annual basis.

Board Composition

As at the date of this annual report, the Board comprises four executive Directors, two non-executive Directors and three independent non-executive Directors as follows:

Executive Directors:
Mr. LOU Jing *(Chairman & Chief Executive Officer)*
Mr. TAN Bo
Ms. SU Dongmei
Mr. HUANG Bin

Non-executive Directors:
Mr. LIU Dong
Mr. LV Dong

Independent Non-executive Directors:
Mr. PU Tianruo
Mr. David Ross PARKINSON
Mr. MA Jun

The biographies of the Directors are set out under the section headed "Directors and Senior Management" of this annual report.

Since the Listing Date and up to the date of this annual report, the Board has at all times met the requirements under Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has also complied with Rule 3.10A of the Listing Rules relating to the appointment of independent non-executive Directors representing at least one-third of the Board.

The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage. Therefore, the Company has adopted a Board diversity policy to set out the approach to diversity on the Board. As provided in the Board diversity policy, the nomination committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy. In relation to reviewing and assessing the Board composition, the nomination committee will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry and regional experience. The nomination committee will discuss and where necessary, agree on the measurable objectives for achieving diversity on the Board and recommend them to the Board for adoption. The Company aims to maintain an appropriate balance of diversity perspectives of the Board that are relevant to the Company's business growth. The nomination committee will review this Policy as appropriate and recommend revisions, if any, to the Board for consideration and approval.

As each of the independent non-executive Directors has confirmed his independence pursuant to Rule 3.13 of the Listing Rules, the Company considers all of them to be independent.

Save as disclosed in the Directors' biographies set out in the section headed "Directors and Senior Management" in this annual report, none of the Directors has any personal relationship (including financial, business, family or other material or relevant relationship) with any other Director and chief executive.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

As regards the CG Code provision requiring Directors to disclose the number and nature of offices held in public companies or organisations and other significant commitments as well as the identity of the public companies or organisations and the time involved to the issuer, Directors have agreed to disclose their commitments and any subsequent change to the Company in a timely manner.

Induction and Continuous Professional Development

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statues, laws, rules and regulations. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The company secretaries of the Company have from time to time updated and provided written training materials relating to the roles, functions and duties of a Director.

A summary of training received by the Directors throughout the year ended 31 December 2015 is as follows:

Name of Directors	Nature of Continuous Professional Development Programmes
Executive Directors	
Mr. LOU Jing	A and B
Mr. TAN Bo	A and B
Ms. SU Dongmei	A and B
Mr. HUANG Bin	A and B
Non-Executive Directors	
Mr. LIU Dong	A and B
Mr. LV Dong	A and B
Independent Non-Executive Directors	
Mr. PU Tianruo	A and B
Mr. David Ross PARKINSON	A and B
Mr. MA Jun	A and B

A: Attending seminars and/or meetings and/or forums and/or briefings

B: Reading materials relevant to corporate governance, director's duties and responsibilities, listing rules and other relevant ordinances

Chairman and Chief Executive Officer

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals.

Mr. LOU Jing, the chairman of the Company, was also appointed as the chief executive officer of the Company. The Board believes that vesting both the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enabling more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and the chief executive officer of the Company at an appropriate time, taking into account the circumstances of the Group as a whole.

Appointment and Re-election of Directors

The executive Directors have signed a service agreement with the Company for an initial term of three years commencing from the Listing Date, which may be renewable subject to both parties' agreement.

Each of the non-executive Directors has signed a letter of appointment with the Company for an initial term of one year commencing from the date of their appointments or until the first annual general meeting of the Company since the Listing Date, whichever is sooner, which may be renewable subject to both parties' agreement.

Each of the independent non-executive Directors has signed a letter of appointment with the Company for an initial term of one year commencing from 1 June 2015 or until the first annual general meeting of the Company since the Listing Date, whichever is sooner.

Saved as disclosed above, none of the Directors has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

In accordance with the Articles of Association, all Directors are subject to retirement by rotation at least once every three years and any new Director appointed to fill a casual vacancy shall submit himself for re-election by the Shareholders at the first general meeting of the Company after appointment and new Directors appointed as an addition to the Board shall submit himself for re-election by the Shareholders at the next following annual general meeting of the Company after appointment.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition and making recommendations to the Board on the appointment or re-election of Directors and succession planning for Directors.

Board Meetings

The Company adopts the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of not less than fourteen days have been given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

For other Board and Board Committee meetings, reasonable notices have been generally given. The agenda and accompanying board papers have been dispatched to the Directors or Board Committee members at least three days before the meetings to ensure that they have sufficient time to review the papers and are adequately prepared for the meetings. When Directors or Board Committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting. Minutes of meetings are kept by the Company with copies circulated to all Directors for information and records.

Minutes of the Board meetings and Board Committee meetings are recorded in sufficient detail about the matters considered by the Board and the Board Committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and Board Committee meeting are sent to the Directors for comments within a reasonable time after the date on which the meeting is held. Minutes of the Board meetings are open for inspection by Directors.

Pursuant to code provision A.1.1 of the CG Code, the Board is expected to meet regularly and Board meetings should be held at least four times a year at approximately quarterly intervals. Only one Board meeting was held during the period from the Listing Date to 31 December 2015 which is less than one year. No general meetings were held during the year.

Attendance of each Director at the board meetings is set out in the table below:

Directors	Attended/Eligible to attend the Board meetings
Executive Directors	
Mr. LOU Jing	1/1
Mr. TAN Bo	1/1
Ms. SU Dongmei	1/1
Mr. HUANG Bin	1/1
Non-Executive Directors	
Mr. LIU Dong	1/1
Mr. LV Dong	1/1
Independent Non-Executive Directors	
Mr. PU Tianruo	1/1
Mr. David Ross PARKINSON	1/1
Mr. MA Jun	1/1

Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries of all the Directors, each of the Directors has confirmed that he/she has complied with the Model Code since the Listing Date.

Code provision A.6.4 of the CG Code stipulates that the Company must establish guidelines no less exacting than the Model Code for relevant employees in respect of their dealings in the Company's securities. To comply with the CG Code, the Company has adopted a set of guidelines no less exacting than the Model Code for relevant employees in respect of their dealings in the Company's securities prior to the Listing Date.

Delegation by the Board

The Board reserves for its decision all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

Corporate Governance Function

The Board recognizes that corporate governance should be the collective responsibility of the Directors which includes:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and senior management of the Company;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

(e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

Long Term Corporate Performance and Strategy

The Company makes long term financial performance a corporate governance objective. The mission of the Company is to provide better care for patients through innovation and excellence in its core and related therapeutic areas. The Company aims to strengthen its leadership position in the PRC biotechnology industry and to significantly expand its international business in the next few years. The key elements of its strategy are to:

1) further develop the rhTPO market in the PRC;

2) further expand Yisaipu market in the PRC;

3) strengthen its leadership position in the rhEPO market in the PRC;

4) expand its innovative product portfolio through in-house R&D and collaborative partnerships;

5) expand its business and strengthen its core competence through acquisitions and strategic investments;

6) expand its network of third-party promoters to broaden its market coverage;

7) grow its international business through global product registration and development.

BOARD COMMITTEES

Audit Committee

The Audit Committee comprises three members, including a non-executive director, namely Mr. LV Dong, and two independent non-executive Directors, namely Mr. PU Tianruo (Chairman) and Mr. MA Jun.

The principal duties of the Audit Committee include the following:

1. to review the relationship with the Auditors by reference to the work performed by the Auditors, their fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of the Auditors;

2. to review the financial statements and reports and consider any significant or unusual items raised by the Company's staff responsible for the accounting and financial reporting function or the Auditor before submission to the Board; and

3. to review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures, including the adequacy of the resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

The written terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

Pursuant to code provision C.3.3(e)(i) of the CG Code and its terms of reference, the audit committee must meet, at least twice a year, with the Company's auditors. The Audit Committee only held one meeting with the Company's auditors during the period from the Listing Date to 31 December 2015 for the purpose of discussing and reviewing:

- interim results of the Company and its subsidiaries for the period ended 30 June 2015; and
- the financial reporting system, compliance procedures, internal control and risk management systems and processes.

Attendance of each Audit Committee member is set out in the table below:

Directors	Attended/Eligible to attend
Mr. PU Tianruo *(Chairman)*	1/1
Mr. LV Dong	1/1
Mr. MA Jun	1/1

Nomination Committee

The Nomination Committee currently comprises three members, including an executive Director namely Mr. LOU Jing (chairman) and two independent non-executive Directors namely Mr. PU Tianruo and Mr. MA Jun.

The principal duties of the Nomination Committee include the following:

1. to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
2. to develop the criteria for identifying and assessing the qualifications of and evaluating candidates for directorship;
3. to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

4. to assess the independence of independent non-executive Directors;

5. to make recommendations to the Board on the appointment or re-appointment of Directors and the succession planning for Directors, in particular the chairman and the chief executive officer; and

6. to develop a policy concerning diversity of Board members, and shall disclose the policy or a summary of the policy in the corporate governance report.

The Nomination Committee assesses the candidate or incumbent on criteria such as integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities. The recommendations of the Nomination Committee will then be put to the Board for decision. The written terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

Pursuant to the code provision A.5.2(a) of the CG Code and its terms of reference, the Nomination Committee should review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the issuer's corporate strategy. The Nomination Committee did not hold any meeting and therefore did not review the structure, size and composition of the Board during the period from the Listing Date to 31 December 2015 as it was of the view that the Company was only listed in June 2015 and there was no imminent reason to change the structure, size and composition of the Board.

Remuneration Committee

The Remuneration Committee comprises three members, including two independent non-executive Directors, namely Mr. MA Jun (chairman) and Mr. PU Tianruo and a non-executive Director, namely Mr. LIU Dong.

The principal duties of the Remuneration Committee include the following:

1. to make recommendations to the Board on the Company's policy and structure for the remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies;

2. to review and approve the management's remuneration proposals with reference to the corporate goals and objectives determined by the Board;

3. to make recommendations to the Board on the remuneration packages of executive directors and senior management;

4. to make recommendations to the Board on the remuneration of non-executive Directors;

5. to consider factors such as the level of remuneration paid by comparable companies, the time commitment and responsibilities of directors and senior management, and the employment conditions of the Company and its subsidiaries and consolidated affiliated entities;

6. to ensure that no Director or any of his/her associates is involved in deciding his or her own remuneration; and

7. to review and approve compensation payments and arrangements to directors and senior management for loss or termination of their office or appointment, or dismissal or removal for misconduct and to assess whether the proposed payments or arrangements are fair, reasonable, consistent with the relevant contractual terms, or otherwise appropriate.

The written terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

Since the Listing Date to 31 December 2015, no meeting of the Remuneration Committee was held.

Remuneration of Directors and Senior Management

The Company has established a formal and transparent procedure for formulating policies on remuneration of Directors and senior management of the Group. Details of the remuneration by band of the members of the Board and senior management of the Company for the year ended 31 December 2015 are set out below (the biographies of such members of the Board and senior management of the Company to which the below table relates, except for one individual who departed from the Company as of the date of this report, are set out on pages 26 to 33 of this annual report):

Remuneration band	Number of individual
Nil to RMB1,000,000	10
RMB1,000,001 to RMB1,500,000	4
RMB1,500,001 to RMB2,000,000	2

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2015 which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company provides all members of the Board with quarterly updates on Company's performance, positions and prospects.

The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the Auditor regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditors' Report on pages 60 to 61 of this annual report.

INTERNAL CONTROL

The Board acknowledges that it is responsible for the Company's risk management and internal control systems and reviewing their effectiveness.

The Group's risk management and internal control systems provide a comprehensive and organized structure with clearly defined scopes of responsibilities, authorities and procedures. The Group has a designated risk management and internal control team which is responsible for identifying and monitoring the Group's risks and internal control issues and reports directly to the Board of any findings and follow-up actions. Each department of the Group is also required to adhere strictly to the Group's internal control procedures and report to the risk management and internal control team of any risks or internal control issues.

The audit committee of the Board also reviews the Company's financial controls, risk management and internal control systems on a regular basis. During the year ended 31 December 2015, the audit committee conducted a review of the effectiveness of the risk management and internal control system of the Group. The review has covered various aspects of the Group's risk management and internal control system. The review results were reported to the Board. The Board is satisfied that such systems are effective and adequate.

The Group has also adopted an information disclosure policy which has set out comprehensive guidelines in respect of handling and dissemination of inside information. The Board is entrusted with the responsibility for monitoring and implementing the procedural requirements in the information disclosure policy.

AUDITORS' REMUNERATION

Ernst & Young was appointed as the reporting accountants for the Company's initial public offering ("**IPO**") and the auditors for the annual audit and other audit services for the year ended 31 December 2015.

The remuneration for the services provided by Ernst & Young to the Group for the year ended 31 December 2015 was as follows:

Type of Services	Amount RMB'000
Audit services	1,873
Review services	1,016
Reporting accountants' services in relation to the IPO	4,322
Total	7,211

JOINT COMPANY SECRETARIES

Ms. LI Huihui ("**Ms. LI**"), the joint company secretary of the Company, is responsible for advising the Board on corporate governance matters and ensuring that the Board policies and procedures, as well as the applicable laws, rules and regulations are followed.

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company also engages Ms. LAI Siu Kuen ("**Ms. LAI**"), a senior manager of TMF Hong Kong Limited (a company secretarial service provider), as the other joint company secretary to assist Ms. LI to discharge her duties as company secretary of the Company. The primary corporate contact person at the Company is Ms. LI.

For the year ended 31 December 2015, Ms. LI and Ms. LAI have undertaken not less than 15 hours of relevant professional training respectively in compliance with rule 3.29 of the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with the Shareholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company also recognizes the importance of timely and non-selective disclosure of information, which will enable Shareholders and investors to make the informed investment decisions.

The AGM of the Company provides opportunity for the Shareholders to communicate directly with the Directors. The chairman of the Company and the chairmen of the Board Committees of the Company will attend the AGMs to answer Shareholders' questions. The Auditor will also attend the AGMs to answer questions about the conduct of the audit, the preparation and content of the Auditors' report, the accounting policies and auditor independence.

To promote effective communication, the Company adopts a shareholders' communication policy which aims at establishing a two-way relationship and communication between the Company and the Shareholders and maintains at the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.3sbio.com, where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution will be proposed for each issue at general meetings, including the election of individual Directors.

All resolutions put forward at general meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

Putting forward proposals and convening of extraordinary general meeting

Shareholders do not generally have a right to propose new resolutions at general meetings. Shareholders who wish to propose a resolution may request the Company to convene an extraordinary general meeting following the procedures as set out below.

Any one or more members holding as 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 of the Company 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 21 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.

As regards proposing a person for election as a Director, the procedures are available on the website of the Company.

Enquiries to the Board

Shareholders who intend to put forward their enquiries about the Company to the Board could send their enquiries to the principal place of business in Hong Kong of the Company at 36/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong (email address: ir@3sbio.com).

CHANGE IN CONSTITUTIONAL DOCUMENTS

The memorandum of association and Articles of Association of the Company has been amended and restated with effect from the Listing Date.

Independent Auditors' Report

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

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To the shareholders of 3SBio Inc.
(Incorporated in the Cayman Islands as an exempted company with limited liability)

We have audited the consolidated financial statements of 3SBio Inc. (the "**Company**") and its subsidiaries set out on pages 62 to 176, 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 International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") 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 International Standards on Auditing issued by the International Auditing and Assurance Standards Board. 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.

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 International 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

Hong Kong
31 March 2016

Consolidated Statement of Profit or Loss

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
REVENUE	5	**1,673,126**	1,130,854
Cost of sales	6	**(241,911)**	(87,481)
Gross profit		**1,431,215**	1,043,373
Other income and gains	5	**208,618**	47,763
Selling and distribution expenses		**(585,585)**	(431,432)
Administrative expenses		**(301,044)**	(170,770)
Other expenses and losses	6	**(142,651)**	(98,185)
Finance costs	7	**(26,545)**	(29,182)
Share of profits and losses of associates	19	**3,848**	(1,383)
PROFIT BEFORE TAX		**587,856**	360,184
Income tax expense	11	**(61,626)**	(68,456)
PROFIT FOR THE YEAR		**526,230**	291,728
Attributable to:			
Owners of the parent		**526,280**	291,728
Non-controlling interests		**(50)**	—
		526,230	291,728
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
— Basic (RMB)	13	**0.23**	0.15
— Diluted (RMB)	13	**0.23**	0.15

Consolidated Statement of Comprehensive Income

Year ended 31 December 2015

	2015 RMB'000	2014 RMB'000
PROFIT FOR THE YEAR	**526,230**	291,728
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Change in fair value, net of tax	**(4,829)**	(439)
	(4,829)	(439)
Exchange differences on translation of foreign operations	**134,898**	(7,495)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	**130,069**	(7,934)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**130,069**	(7,934)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**656,299**	283,794
Attributable to:		
Owners of the parent	**656,349**	283,794
Non-controlling interests	**(50)**	—
	656,299	283,794

Consolidated Statement of Financial Position

31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	450,254	373,990
Prepaid land lease payments	15	91,908	86,375
Goodwill	16	560,883	230,597
Other intangible assets	17	497,753	405,545
Advance payments for property, plant and equipment		13,326	1,176
Investment in a joint venture	18	130	103
Advance payments for acquisitions		505,883	—
Investments in associates	19	1,729,219	3,903
Long-term receivables	20	—	349
Available-for-sale investments	21	—	231,182
Prepaid expenses and other receivables	26	—	17,424
Deferred tax assets	23	15,411	11,551
Other non-current assets	22	2,698	1,619
Total non-current assets		3,867,465	1,363,814
CURRENT ASSETS			
Inventories	24	134,391	100,401
Trade and notes receivables	25	549,596	347,978
Prepaid expenses and other receivables	26	147,025	76,026
Available-for-sale investments	21	81,585	56,052
Cash and cash equivalents	27	1,299,398	107,612
Non-pledged time deposits	27	519,488	—
Pledged deposits	27	31,484	254,558
Total current assets		2,762,967	942,627
CURRENT LIABILITIES			
Trade and bills payables	28	34,444	25,638
Other payables and accruals	29	309,992	603,477
Deferred income	30	12,959	1,646
Interest-bearing bank borrowings	31	405,000	617,429
Tax payable		10,215	3,699
Total current liabilities		772,610	1,251,889
NET CURRENT ASSETS/(LIABILITIES)		1,990,357	(309,262)
TOTAL ASSETS LESS CURRENT LIABILITIES		5,857,822	1,054,552

Consolidated Statement of Financial Position

31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		5,857,822	1,054,552
NON-CURRENT LIABILITIES			
Deferred income	30	122,567	17,088
Deferred tax liabilities	23	81,790	73,621
Other liabilities	29	18,000	20,251
Total non-current liabilities		222,357	110,960
Net assets		5,635,465	943,592
EQUITY			
Equity attributable to owners of the parent			
Share capital	33	154	—
Share premium	33	4,355,287	366,448
Other reserves		1,268,849	565,919
		5,624,290	932,367
Non-controlling interests		11,175	11,225
Total equity		5,635,465	943,592

Jing Lou
Director

Bo Tan
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2015

	Attributable to owners of the parent										
	Share capital RMB'000 (note 33)	Share premium RMB'000	Share option reserve* RMB'000 (note 34)	Contributed surplus* RMB'000	Statutory surplus reserves* RMB'000 (note 35)	Retained earnings* RMB'000	Available-for-sale investments revaluation reserve* RMB'000	Exchange fluctuation reserve* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2014	–	591,636	–	47,392	85,425	500,333	6,971	(161,179)	1,070,578	11,225	1,081,803
Profit for the year	–	–	–	–	–	291,728	–	–	291,728	–	291,728
Other comprehensive income for the year:											
Change in fair value of available-for-sale investments, net of tax	–	–	–	–	–	–	(439)	–	(439)	–	(439)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	(7,495)	(7,495)	–	(7,495)
Total comprehensive income for the year	–	–	–	–	–	291,728	(439)	(7,495)	283,794	–	283,794
Shareholder contribution pursuant to equity-settled restricted share arrangements (note 34)	–	–	–	104,683	–	–	–	–	104,683	–	104,683
Dividend declared (note 12)	–	(359,014)	–	–	–	(300,000)	–	–	(659,014)	–	(659,014)
Acquisition of non-controlling interests	–	–	–	(1,500)	–	–	–	–	(1,500)	–	(1,500)
Shareholder contribution for available-for-sale investments	–	133,826	–	–	–	–	–	–	133,826	–	133,826
Balances as at 31 December 2014	–	366,448	–	150,575	85,425	492,061	6,532	(168,674)	932,367	11,225	943,592
At 1 January 2015	–	366,448	–	150,575	85,425	492,061	6,532	(168,674)	932,367	11,225	943,592
Profit for the year	–	–	–	–	–	526,280	–	–	526,280	(50)	526,230
Other comprehensive income for the year:											
Change in fair value of available-for-sale investments, net of tax	–	–	–	–	–	–	(4,829)	–	(4,829)	–	(4,829)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	134,898	134,898	–	134,898
Total comprehensive income for the year	–	–	–	–	–	526,280	(4,829)	134,898	656,349	(50)	656,299
Transfer to statutory reserves	–	–	–	–	39,953	(39,953)	–	–	–	–	–
Equity-settled warrants (note 34)	–	–	–	46,581	–	–	–	–	46,581	–	46,581
Transfer from share premium account to share capital (note 12)	119	(119)	–	–	–	–	–	–	–	–	–
Issue of shares	35	4,132,853	–	–	–	–	–	–	4,132,888	–	4,132,888
Share issue expenses	–	(143,895)	–	–	–	–	–	–	(143,895)	–	(143,895)
Balances as at 31 December 2015	154	4,355,287	–	197,156	125,378	978,388	1,703	(33,776)	5,624,290	11,175	5,635,465

* These reserve accounts comprised the consolidated other reserves of approximately RMB1,268,849,000 (2014: RMB565,919,000) in the consolidated statement of financial position as at 31 December 2015.

Consolidated Statement of Cash Flows

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**587,856**	360,184
Adjustments for:			
Share of profits and losses of associates	19	**(3,848)**	1,383
Fair value gain on available-for-sale investments upon reclassification to investments in associates	5,19	**(102,818)**	—
Gain on deemed disposal of investments in an associate	5,19	**(13,093)**	—
Bank interest income	5	**(33,525)**	(24,092)
Finance costs	7	**26,545**	29,182
Foreign exchange losses/(gains)	5,6	**23,022**	(637)
Share-based compensation costs	34	**46,581**	104,683
Depreciation	14	**49,863**	30,889
Amortisation of other intangible assets	17	**27,500**	2,601
Recognition of prepaid land lease payments	15	**2,466**	764
Amortisation of long-term deferred expenditures	6	**367**	52
Recognition of deferred income	30	**(8,917)**	(2,188)
Reversal of provision for impairment of trade receivables	25	**(437)**	(180)
Impairment of long-term receivables	20	**—**	475
Provision/(reversal of provision) for impairment of inventories	24	**(1,730)**	640
Loss on disposal of items of property, plant and equipment	6	**2,019**	337
Gain on disposal of a subsidiary	5	**(21,811)**	(9,911)
		580,040	494,182
Decrease/(increase) in inventories		**1,367**	(10,424)
Decrease/(increase) in pledged deposits		**305**	(20)
Increase in trade and notes receivables		**(121,691)**	(59,296)
Increase in prepaid expenses and other receivables		**(86,823)**	(13,517)
Decrease in long-term receivables		**324**	728
Increase in trade and bills payables		**3,029**	903
Increase in other payables and accruals		**144,258**	107,481
Cash generated from operations		**520,809**	520,037
Income tax paid		**(65,535)**	(133,448)
Net cash flows from operating activities		**455,274**	386,589

Consolidated Statement of Cash Flows

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		33,369	33,038
Purchases of items of property, plant and equipment		(61,040)	(19,931)
Addition to other intangible assets		(36,483)	(6,000)
Purchase of available-for-sale investments		(49,738)	(137,356)
Proceeds from disposal of available-for-sale investments		70,000	—
Increase in prepaid expenses and other receivables		(3,500)	—
Loans to an associate		—	(5,651)
Advances from a third party		—	2,128
Payment for pledged deposits		—	(117)
Proceeds from disposal of pledged deposits		—	520
Purchase of non-pledged time deposits	27	(519,488)	—
Proceeds from disposal of non-pledged time deposits		—	245,859
Acquisition of subsidiaries	29, 36	(835,014)	(378,184)
Disposal of subsidiaries	37	21,754	(20,474)
Payment for investments in an associate and a joint venture		(1,363,676)	(1,568)
Prepayment for acquisitions		(505,883)	—
Addition of non-controlling interests		—	(1,500)
Proceeds from disposal of items of property, plant and equipment		1,456	19
Net cash flows used in investing activities		(3,248,243)	(289,217)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of shares		4,132,888	—
Payment of listing fees		(179,011)	—
Dividends paid		—	(659,014)
Decrease/(increase) in pledged deposits for bank borrowings		222,769	(152,204)
Proceeds from bank borrowings		752,362	1,389,972
Repayments of bank borrowings		(1,034,791)	(800,543)
Interest paid		(25,919)	(28,601)
Net cash flows from/(used in) financing activities		3,868,298	(250,390)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1,075,329	(153,018)
Cash and cash equivalents at beginning of the year		107,612	268,202
Effect of foreign exchange rate changes on cash, net		116,457	(7,572)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		1,299,398	107,612
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	27	1,298,372	105,961
Restricted cash	27	1,026	1,651
Cash and cash equivalents as stated in the statement of financial position and the statement of cash flows		1,299,398	107,612

1. Corporate and group information

3SBio Inc. (the "**Company**") was incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Islands Companies Laws on 9 August 2006. The registered office address of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited ("**Stock Exchange**") on 11 June 2015.

The Company is an investment holding company. During the year, the subsidiaries of the Company are principally engaged in the development, production, marketing and sale of pharmaceutical products in the People's Republic of China ("**PRC**") except for Hong Kong and Macau ("**Mainland China**").

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Collected Mind Limited	British Virgin Islands (a) 3 May 2006	USD1	100%	—	Investment holding
Hongkong Sansheng Medical Limited ("Hongkong Sansheng")	Hong Kong (a) 3 November 2009	HKD2	—	100%	Investment holding
Shenyang Sunshine Pharmaceutical Co., Ltd. ("Shenyang Sunshine") (沈陽三生制葯有限責任公司)	PRC/Mainland China (a) 3 January 1993	RMB2,185,000,000	—	100%	Manufacture and sale of biopharmaceutical drugs and research and development
Liaoning Sunshine Bio-Pharmaceutical Company Ltd. ("Liaoning Sunshine") (遼寧三生醫葯有限公司)	PRC/Mainland China (a) 1 February 2000	RMB15,000,000	—	100%(b)	Distribution and sale of pharmaceutical drugs

1. Corporate and group information (continued)

Information about subsidiaries (continued)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Taizhou Huan Sheng Investment Management Company Co., Ltd. (泰州環晟投資管理有限公司)	PRC/Mainland China (a) 29 December 2010	RMB1,000,000	—	100%	Project management and consultation
Taizhou Huan Sheng Healthcare Industry Investment Centre LLP (泰州環晟健康產業投資中心)	PRC/Mainland China (a) 30 May 2011	RMB250,000,000	—	80%	Investment holding
Excel Partner Holdings Limited ("Excel Partner") (特隆控股有限公司)	Hong Kong (a) 8 July 2010	HKD1	—	100%	Investment holding
Sirton Pharmaceuticals S.p.A. ("Sirton")	Italy 22 November 2010	Euro300,000	—	100%	Pharmaceutical research and development
Ample Harvest Investments Limited ("Ample Harvest") (溢豐投資有限公司)	British Virgin Islands (a) 2 January 2003	USD10	—	100%	Investment holding
Shenzhen Baishitong Technology Development Limited Company ("Shenzhen Baishitong") (深圳市百士通科技開發有限公司)	PRC/Mainland China (a) 8 March 2002	RMB500,000	—	100%	Investment holding

1. Corporate and group information (continued)

Information about subsidiaries (continued)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Shenzhen Sciprogen Bio-pharmaceutical Technology Co., Ltd. ("Sciprogen") (深圳賽保爾生物藥業有限公司)	PRC/Mainland China (a) 22 March 1999	RMB53,000,000	–	100%	Manufacture and sale of pharmaceutical drugs and research and development
Guangdong Sciprogen Bio-pharmaceutical Technology Co., Ltd. ("Guangdong Sciprogen") (廣東賽保爾生物醫藥技術有限公司)	PRC/Mainland China (a) 30 June 2011	RMB10,000,000	–	100%	Manufacture and research and development of pharmaceutical drugs
Zhejiang Wansheng Pharmaceutical Co., Ltd. ("Zhejiang Wansheng") (浙江萬晟藥業有限公司)	PRC/Mainland China (a) 27 October 1997	RMB56,500,000	–	100%	Manufacture and sale of pharmaceutical drugs and research and development

Notes:

(a) Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

(b) Shenyang Sunshine entered into a series of contractual arrangements with Liaoning Sunshine and Mr. Dan Lou, the sole shareholder of Liaoning Sunshine, to enable Shenyang Sunshine to maintain control over it, including: (1) a business cooperation agreement; (2) a purchase agreement for the acquisition of equity interests in Liaoning Sunshine; (3) a voting rights agreement; and (4) an equity pledge agreement (collectively, the "**Agreements**"). Pursuant to the Agreements, Liaoning Sunshine has been included in the consolidated financial statements as a special purpose entity ("**SPE**"). On 7 March 2014, Shenyang Sunshine entered into a termination contract of the Agreements, and a sale and purchase contract with Mr. Dan Lou to acquire his equity interests in Liaoning Sunshine at a consideration of RMB15,000,000, which is settled by cash of RMB1,500,000 and other receivables from Mr. Dan Lou of RMB13,500,000. Upon completion of this transaction, Shenyang Sunshine has directly held a 100% equity interest in Liaoning Sunshine.

1. Corporate and group information (continued)

The English names of these companies and auditors registered in the PRC represent the best effort made by management of the Company to directly translate their Chinese names as they do not register any official English names.

The above table lists the subsidiaries of the Company 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 Company and its subsidiaries (together, the "**Group**"). To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") as issued by the International Accounting Standards Board ("**IASB**"). They have been prepared under the historical cost convention, except for available-for-sale investments and certain financial assets which have been measured at fair value. These financial Statements are presented in Renminbi ("**RMB**") 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.

2.1 Basis of preparation (continued)

Basis of consolidation (continued)

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 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 polices and disclosures

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

Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*

Annual Improvements to IFRSs 2010–2012 Cycle

Annual Improvements to IFRSs 2011–2013 Cycle

The nature and the impact of each amendment is described below:

(a) Amendments to IAS 19 apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction of service cost in the period in which the related service is rendered. The amendments have had no significant impact on the Group.

2.2 Changes in accounting polices and disclosures (continued)

(b) The *Annual Improvements to IFRSs 2010–2012 Cycle* issued in December 2013 sets out amendments to a number of IFRSs. Details of the amendments that are effective for the current year are as follows:

- IFRS 8 *Operating Segments:* Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no impact on the Group.

- IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets:* Clarifies the treatment of gross carrying amount and accumulated depreciation or amortisation of revalued items of property, plant and equipment and intangible assets. The amendments have had no impact on the Group as the Group does not apply the revaluation model for the measurement of these assets.

- IAS 24 *Related Party Disclosures:* Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Group as the Group does not receive any management services from other entities.

(c) The *Annual Improvements to IFRSs 2011–2013 Cycle* issued in December 2013 sets out amendments to a number of IFRSs. Details of the amendments that are effective for the current year are as follows:

- IFRS 3 *Business Combinations:* Clarifies that joint arrangements but not joint ventures are outside the scope of IFRS 3 and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has had no impact on the Group as the Company is not a joint arrangement and the Group did not form any joint arrangement during the year.

- IFRS 13 *Fair Value Measurement:* Clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 or IAS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which IFRS 13 was initially applied. The amendment has had no impact on the Group as the Group does not apply the portfolio exception in IFRS 13.

2.2 Changes in accounting polices and disclosures (continued)

(c) The *Annual Improvements to IFRSs 2011–2013 Cycle* issued in December 2013 sets out amendments to a number of IFRSs. Details of the amendments that are effective for the current year are as follows: (continued)

- IAS 40 *Investment Property:* Clarifies that IFRS 3, instead of the description of ancillary services in IAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisitions of investment properties. The amendment is not applicable and has had no impact on the Group as the Group did not have any acquisition of investment property during the year.

In addition, the Company has adopted the amendments to the Listing Rules issued by the Stock Exchange relating to the disclosure of financial statements 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 international financial reporting standards

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

IFRS 9	*Financial Instruments*[3]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[6]
Amendments to IFRS 10 and IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
IFRS 14	*Regulatory Deferral Accounts*[5]
IFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to IAS 1	*Disclosure Initiative*[1]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to IAS 7	*Disclosure of Initiative*[2]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[2]
IFRS 16	*Leases*[4]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*[1]
Amendments to IAS 27	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012–2014 Cycle	*Amendments to a number of IFRSs*[1]

2.3 Issued but not yet effective international financial reporting standards (continued)

1 Effective for annual periods beginning on or after 1 January 2016

2 Effective for annual periods beginning on or after 1 January 2017

3 Effective for annual periods beginning on or after 1 January 2018

4 Effective for annual periods beginning on or after 1 January 2019

5 Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

6 No mandatory effective date yet determined but available for adoption

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

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. During 2015, the Group performed a high-level assessment of the impact of the adoption of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. The expected impacts arising from the adoption of IFRS 9 are summarised as follows:

(a) Classification and measurement

The Group does not expect that the adoption of IFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

(b) Impairment

IFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables. The Group will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on its trade and other receivables upon the adoption of IFRS 9.

2.3 Issued but not yet effective international financial reporting standards (continued)

The amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 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 is currently assessing the impact of IFRS 10 and IAS 28 upon adoption.

The amendments to IFRS 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 IFRS 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 IFRS 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.

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 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 IFRS 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 IFRSs. In July 2015, the IASB issued an amendment to IFRS 15 regarding a one-year deferral of the mandatory effective date of IFRS 15 to 1 January 2018. The Group expects to adopt IFRS 15 on 1 January 2018 and is currently assessing the impact of IFRS 15 upon adoption.

2.3 Issued but not yet effective international financial reporting standards (continued)

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

(i) the materiality requirements in IAS 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.

Amendments to IAS 16 and IAS 38 clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a 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 and joint ventures

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.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures 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 and joint ventures 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 associates or joint ventures, 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 ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5.

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.

2.4 Summary of significant accounting policies (continued)

Business combinations and goodwill (continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (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.

Fair value measurement

The Group measures its 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.

2.4 Summary of significant accounting policies (continued)

Fair value measurement (continued)

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, construction contract assets, financial assets, investment properties, goodwill and non-current assets/ a disposal group classified as held for sale), 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 in those expense categories consistent with the function of the impaired 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 prior years.

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 a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

2.4 Summary of significant accounting policies (continued)

Related parties (continued)

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

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

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

(viii) 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.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost 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.

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 estimated useful lives used for this purpose are as follows:

Freehold land	Not depreciated
Buildings	10–45 years
Plant and machinery	5–12 years
Furniture and fixtures	2.5–12 years
Motor vehicles	4–10 years

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.

2.4 Summary of significant accounting policies (continued)

Property, plant and equipment and depreciation (continued)

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 a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds 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.

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 either finite or indefinite. 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.

Intangible assets 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 life of an intangible asset with an indefinite life is 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.

Intangible assets are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives. The principal estimated useful lives of intangible assets are as follows:

Exclusive distribution right	5 years
Intellectual Property ("**IP**") rights	14–20 years
Patent and technology know-how	5–20 years
Others	1–10 years
In Progress Research and Development ("**IPR&D**")	Indefinite useful life

2.4 Summary of significant accounting policies (continued)

Intangible assets (other than goodwill) (continued)

Research and development costs

All research costs are charged to the consolidated 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, commencing from the date when the products are put into commercial production.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

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 of 30 to 50 years.

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.

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 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.

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.

2.4 Summary of significant accounting policies (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments, debt securities and bank financial products. 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 gains or losses. 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.

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.

2.4 Summary of significant accounting policies (continued)

Impairment of financial assets (continued)

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).

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 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 other expenses in 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, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, 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.

2.4 Summary of significant accounting policies (continued)

Impairment of financial assets (continued)

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.

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.

2.4 Summary of significant accounting policies (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Group's financial liabilities include trade and bills payables, financial liabilities included in other payables and accruals, and interest-bearing bank borrowings.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities 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 IAS 39 are satisfied.

2.4 Summary of significant accounting policies (continued)

Financial liabilities (continued)

Subsequent measurement (continued)

Loans

After initial recognition, interest-bearing bank 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 effective interest rate 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.

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.

2.4 Summary of significant accounting policies (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out 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, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, 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.

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.

2.4 Summary of significant accounting policies (continued)

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 for the current and prior periods 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, associates and joint ventures, 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, associates and joint ventures, 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.

2.4 Summary of significant accounting policies (continued)

Income tax (continued)

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.

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.

Where the Group receives grants of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets and released to the statement of profit or loss over the expected useful lives of the relevant assets by equal annual instalments.

Where the Group receives government loans granted with no or at a below-market rate of interest for the construction of a qualifying asset, the initial carrying amount of the government loans is determined using the effective interest rate method, as further explained in the accounting policy for “Financial liabilities” above. The benefit of the government loans granted with no or at a below-market rate of interest, which is the difference between the initial carrying value of the loans and the proceeds received, is treated as a government grant and released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

2.4 Summary of significant accounting policies (continued)

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) from the rendering of services, on the percentage of completion basis, as further explained in the accounting policy for "Contracts for services" below;

(c) 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

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

Contracts for services

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

2.4 Summary of significant accounting policies (continued)

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 is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 34 to the financial statements.

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. 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.

2.4 Summary of significant accounting policies (continued)

Share-based payments (continued)

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.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Defined benefit plan

The Group operates a defined benefit pension plan which requires contributions to be made to a separately administered fund. The benefits are unfunded. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method.

Remeasurements arising from defined benefit pension plans, comprising actuarial gains and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability) and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to retained profits through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss at the earlier of:

- the date of the plan amendment or curtailment; and
- the date that the Group recognises restructuring-related costs

2.4 Summary of significant accounting policies (continued)

Other employee benefits (continued)

Defined benefit plan (continued)

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under "cost of sales" and "administrative expenses" in the consolidated statement of profit or loss by function:

- service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- net interest expense or income

Pension scheme

The Group's subsidiaries operating in Mainland China participate in a central defined contribution retirement benefit plan managed by the local municipal government in the locations in which they operate. Contributions are made based on a percentage of the companies' payroll costs and are charged to the statement of profit or loss as they become payable in accordance with the rules of the central defined contribution retirement benefit plan.

Termination benefits

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

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.

2.4 Summary of significant accounting policies (continued)

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 Renminbi. 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).

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than the Renminbi. As at the end of the reporting period, the assets and liabilities of these entities are translated into Renminbi at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Renminbi at the weighted average exchange rates for the year.

2.4 Summary of significant accounting policies (continued)

Foreign currencies (continued)

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 Renminbi 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 Renminbi 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:

Tax provisions

Determining tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions, and tax provisions are set up accordingly. The tax treatment of such transactions is assessed periodically to take into account all the changes in the tax legislation and practices.

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 at least 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 units 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 RMB560,883,000 (2014: RMB230,597,000). Further details are given in note 16 to the financial statements.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment of all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences and all unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, which affects the probability of utilisation and the tax rate to be used in the calculations. Details of deferred tax assets are contained in note 23 to the financial statements.

3. Significant accounting judgements and estimates (continued)

Estimation uncertainty (continued)

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair values of financial instruments.

Impairment of available-for-sale investments

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. 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 the investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration or extent to which the fair value of an investment is less than its cost.

Impairment of trade and other receivables

The Group determines the provision for impairment of trade and other receivables based on an assessment of the recoverability of the receivables. This assessment is based on the credit history of its customers and other debtors and the current market condition. Management reassesses the provisions at the end of each reporting period.

Estimation of inventory provision

The Group recognised a provision for inventories when the cost of inventories exceeded the net realisable value. The assessment of inventory provision requires management estimates on the future selling price and future cost to be incurred of the inventories. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact on the carrying value of inventories and provision charge/write-back of provision. The Group also reviewed the condition of the inventories of the Group and made provision for obsolete inventory items identified that were no longer suitable for sale.

3. Significant accounting judgements and estimates (continued)

Estimation uncertainty (continued)

Share-based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield and making assumptions about them. Details of share-based payments are contained in note 34 to the financial statements.

Useful lives, residual values and depreciation of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charges where useful lives are different to those previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives; and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expenses in the future periods.

4. Operating segment information

The Group has only one operating segment, which is the development, production, marketing and sale of biopharmaceutical products.

Geographical information

(a) Revenue from external customers

	2015 RMB'000	2014 RMB'000
Mainland China	1,582,588	1,106,093
Others	90,538	24,761
	1,673,126	1,130,854

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2015 RMB'000	2014 RMB'000
Mainland China	3,637,066	1,004,410
Others	214,388	98,298
	3,851,454	1,102,708

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

Revenue of approximately RMB172,907,000 (2014: RMB123,206,000) for the year ended 31 December 2015 was derived from Shanghai Siful Medicine Co., Ltd., which individually accounted for 10.3% (2014: 10.8%) of the Group's revenue.

5. Revenue, other income and gains

Revenue, which is also the Group's turnover, 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 RMB'000	2014 RMB'000
Revenue		
Sale of goods	1,683,018	1,140,179
Less: Business tax and government surcharges	(9,892)	(9,325)
	1,673,126	1,130,854
Other income		
Bank interest income	33,525	24,092
Government grants related to		
— Assets (a)	6,046	581
— Income (b)	9,889	6,440
Patent and technology know-how transfer income	11,491	—
Consulting service income	670	1,607
Licensing income	3,114	3,975
Others	6,161	520
	70,896	37,215
Gains		
Gain on disposal of a subsidiary	21,811	9,911
Foreign exchange differences	—	637
Fair value gain on available-for-sale investments upon reclassification to investments in associates (note 19)	102,818	—
Gain on deemed disposal of investments in an associate (note 19)	13,093	—
	137,722	10,548
	208,618	47,763

5. Revenue, other income and gains (continued)

Notes:

(a) The Group has received certain government grants in the form of cash donations to purchase items of property, plant and equipment. The grants are initially recorded as deferred income and are amortised against the depreciation charge of the underlying property, plant and equipment in accordance with the assets' estimated useful lives (note 30).

(b) The government grants have been received for the Group's contribution to the development of the local pharmaceutical industry. There are no unfulfilled conditions or contingencies attaching to these grants.

6. Profit before tax

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

	Notes	2015 RMB'000	2014 RMB'000
Cost of inventories sold		241,911	87,481
Depreciation of items of property, plant and equipment	14	49,863	30,889
Amortisation of other intangible assets	17	27,500	2,601
Recognition of prepaid land lease payments	15	2,466	764
Amortisation of long-term deferred expenditures		367	52
Operating lease expenses		6,744	3,962
Auditors' remuneration		7,211	4,650
Employee benefit expenses (excluding Directors' and chief executive's remuneration (note 8)):			
Wages, salaries and staff welfare		236,986	149,941
Equity-settled compensation expenses		46,581	64,055
Pension scheme contributions		15,082	11,144
Social welfare and other costs		28,701	17,602
		327,350	242,742
Other expenses and losses:			
Research and development costs		111,324	96,375
Loss on disposal of items of property, plant and equipment		2,019	337
Reversal of provision for impairment of trade receivables	25	(437)	(180)
Provision for impairment of long-term receivables	20	—	475
Foreign exchange differences		23,022	—
Others		6,723	1,178
		142,651	98,185

7. Finance costs

An analysis of finance costs is as follows:

	2015 RMB'000	2014 RMB'000
Interest on bank borrowings	**26,545**	29,182

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 RMB'000	2014 RMB'000
Fees	**3,232**	1,986
Other emoluments:		
Salaries, allowances, bonuses and other benefits	**1,865**	2,560
Pension scheme contributions	**557**	398
Equity-settled compensation expenses	**—**	40,628
	5,654	45,572

8. Directors' and chief executive's remuneration (continued)

Independent non-executive directors

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

	Fees RMB'000	Equity-settled compensation expenses RMB'000	Total remuneration RMB'000
2015*			
Mr. David Ross Parkinson	140	—	140
Mr. Jun Ma	140	—	140
Mr. Tianruo Pu	140	—	140
	420	—	420

	Fees RMB'000	Equity-settled compensation expenses RMB'000	Total remuneration RMB'000
2014*			
Mr. David Ross Parkinson	—	—	—
Mr. Jun Ma	—	—	—
Mr. Tianruo Pu	—	—	—
	—	—	—

* The three independent non-executive directors were appointed on 23 May 2015. There were no emoluments paid to those directors in the year ended 31 December 2014.

8. Directors' and chief executive's remuneration (continued)

Executive directors, non-executive directors and the chief executive

	Fees RMB'000	Salaries, allowances, bonuses and other benefits RMB'000	Pension scheme contributions RMB'000	Equity-settled compensation expenses (a) RMB'000	Total remuneration RMB'000
2015					
Executive directors					
Mr. Bo Tan	897	460	159	–	1,516
Mr. Bin Huang	649	476	82	–	1,207
Dr. Dongmei Su	487	497	82	–	1,066
Non-executive directors					
Mr. Dong Liu	–	–	–	–	–
Mr. Dong Lv	–	–	–	–	–
Chief executive					
Dr. Jing Lou*	779	432	234	–	1,445
	2,812	1,865	557	–	5,234

8. Directors' and chief executive's remuneration (continued)

Executive directors, non-executive directors and the chief executive (continued)

	Fees RMB'000	Salaries, allowances, bonuses and other benefits RMB'000	Pension scheme contributions RMB'000	Equity-settled compensation expenses (a) RMB'000	Total remuneration RMB'000
2014					
Executive directors					
Mr. Bo Tan	737	1,043	130	22,316	24,226
Dr. Dongmei Su	461	565	72	18,312	19,410
Mr. Bin Huang	51	40	6	—	97
	1,249	1,648	208	40,628	43,733
Non-executive directors					
Mr. Dong Liu	—	—	—	—	—
Mr. Dong Lv	—	—	—	—	—
Chief executive					
Dr. Jing Lou*	737	912	190	—	1,839
	1,986	2,560	398	40,628	45,572

* Dr. Jing Lou who acts as an executive director of the Company is also the chief executive and president of the Company.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the years ended 31 December 2015 and 31 December 2014.

Note:

(a) The equity-settled compensation expenses include the effects arising from the cliff vesting of share options, restricted shares ("**RSs**") and restricted share units ("**RSUs**") as part of privatisation and special grants of RSUs received from Century Sunshine on 31 August 2014 (note 34).

9. Five highest paid employees

The five highest paid employees during the year included three directors and the chief executive (2014: two directors and the chief executive), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining one (2014: two) highest paid employee who is neither a director nor chief executive of the Company are as follows:

	2015 RMB'000	2014 RMB'000
Salaries, allowances, bonuses and other benefits	1,744	1,961
Pension scheme contributions	83	174
Equity-settled compensation expenses (a)	—	51,245
	1,827	53,380

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees 2015	2014
RMB1,500,000 to RMB2,000,000	1	2

Note:

(a) The equity-settled compensation expenses include the effects arising from the cliff vesting of share options, RSs and RSUs as part of privatisation and special grants of RSUs received from Century Sunshine on 31 August 2014 (note 34).

10. Pension schemes

The Company's subsidiaries registered in the PRC are required to participate in the retirement benefit scheme operated by the relevant local government authority in Mainland China. The relevant local government authority in Mainland China is responsible for the pension liabilities payable to retired employees. The Group is required to make contributions for those employees who are registered as permanent residents in Mainland China and are within the scope of the relevant PRC regulations at 20% of the employees' salaries for the year.

The Group's contributions to the retirement benefit scheme for the year ended 31 December 2015 amounted to approximately RMB15,639,000 (2014: RMB11,542,000).

11. Income tax

The Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Pursuant to the relevant rules and regulations of the Cayman Islands and the British Virgin Islands ("**BVI**"), the Company and the subsidiaries of the Group incorporated therein are not subject to any income tax in the Cayman Islands and the BVI.

No provision for Hong Kong profits tax has been made during the year as the Group had no assessable profits arising in Hong Kong.

Under the relevant PRC income tax law, except for Shenyang Sunshine, Sciprogen and Zhejiang Wansheng which enjoy certain preferential treatment available to the Group, the PRC subsidiaries of the Group are subject to income tax at a rate of 25% on their respective taxable income.

Shenyang Sunshine, Sciprogen and Zhejiang Wansheng are qualified as High and New Technology Enterprises and are subject to a preferential income tax rate of 15%.

In accordance with relevant Italian tax regulations, Sirton is subject to an income tax rate of 31.4%.

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 of 5% may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors.

An analysis of the provision for tax in the financial statements is as follows:

	2015 **RMB'000**	2014 RMB'000
Current	**69,480**	131,093
Deferred (note 23)	**(7,854)**	(62,637)
Total tax charge for the year	**61,626**	68,456

11. Income tax (continued)

A reconciliation of the tax expense applicable to profit before tax using the statutory rate for Mainland China to the tax expense at the effective tax rate is as follows:

	2015 RMB'000	2014 RMB'000
Profit before tax	587,856	360,184
At the PRC's statutory income tax rate of 25%	146,964	90,046
Preferential income tax rates applicable to subsidiaries	(42,060)	(42,939)
Additional deductible allowance for research and development expenses	(12,446)	(8,978)
Income not subject to tax	(43,504)	—
Effect of non-deductible expenses	20,521	22,240
Provision/(reversal of provision) for withholding tax	(3,676)	3,676
Tax losses utilised from previous periods	(6,144)	(2,261)
Tax losses not recognised	1,284	6,766
Others	687	(94)
Tax charge at the Group's effective rate	61,626	68,456

The effective tax rate of the Group for the year ended 31 December 2015 was 10.5% (2014: 19.0%).

12. Dividends

	2015 RMB'000	2014 RMB'000
Proposed and declared dividend	119	659,014

Pursuant to the Company's resolutions of the board dated 31 March 2014, 28 October 2014 and 6 February 2015, the Company proposed 2014 cash dividends and 2015 share dividends with amounts of approximately United States Dollar ("**USD**") 107,152,000 and USD19,000 in aggregate, respectively, which were approved by Decade Sunshine Limited ("**Decade Sunshine**"), the then sole shareholder of the Company on the same dates.

13. 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 and the weighted average number of ordinary shares of 2,255,271,762 (2014: 1,939,518,570) in issue during the year, as adjusted to reflect the issue of ordinary shares during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, the weighted average number of ordinary shares used in the calculation of the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have issued at the exercise price on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	2015 RMB'000	2014 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent	**526,280**	291,728

	2015	2014
Shares		
Weighted average number of ordinary shares in issue during the year	**2,255,271,762**	1,939,518,570
Effect of dilution-weighted average number of ordinary shares:		
Warrants	**43,462,623**	—
	2,298,734,385	1,939,518,570

14. Property, plant and equipment

	Land and buildings RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
2015						
At 1 January 2015:						
Cost	251,453	200,831	56,053	6,831	12,849	528,017
Accumulated depreciation	(49,498)	(68,023)	(32,116)	(4,390)	—	(154,027)
Net carrying amount	201,955	132,808	23,937	2,441	12,849	373,990
At 1 January 2015, net of accumulated depreciation	201,955	132,808	23,937	2,441	12,849	373,990
Additions	1,378	10,381	5,338	106	26,417	43,620
Acquisition of subsidiaries (note 36)	112,800	19,314	3,388	803	1,508	137,813
Disposals	(1,224)	(1,914)	(201)	(136)	—	(3,475)
Disposal of a subsidiary (note 37)	(39,787)	(4,927)	(986)	(147)	(3,968)	(49,815)
Depreciation provided during the year	(17,358)	(25,085)	(6,649)	(771)	—	(49,863)
Transfers		3,237	279	—	(3,516)	—
Exchange realignment	(988)	(1,004)	(21)	(3)	—	(2,016)
At 31 December 2015, net of accumulated depreciation	256,776	132,810	25,085	2,293	33,290	450,254
At 31 December 2015:						
Cost	342,678	222,327	65,344	8,333	33,290	671,972
Accumulated depreciation	(85,902)	(89,517)	(40,259)	(6,040)	—	(221,718)
Net carrying amount	256,776	132,810	25,085	2,293	33,290	450,254

A freehold land with a carrying amount of approximately RMB3,613,000 as at 31 December 2015 (2014: RMB3,796,000) is situated in Italy.

The Group is in the process of applying for the title certificates of certain of its buildings with an aggregate book value of approximately RMB8,679,000 as at 31 December 2015 (2014: RMB74,217,000). The directors are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings. The directors are also of the opinion that the aforesaid matter does not have any significant impact on the Group's financial position as at 31 December 2015.

14. Property, plant and equipment (continued)

Certain of the Group's property, plant and equipment with a net book value of approximately RMB49,538,000 as at 31 December 2015 (2014: RMB98,990,000) have been pledged as security for the Group's interest-bearing bank borrowings (note 31).

	Land and buildings RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
2014						
At 1 January 2014:						
Cost	123,309	148,153	50,896	4,987	46,001	373,346
Accumulated depreciation	(39,299)	(53,764)	(28,409)	(3,936)	—	(125,408)
Net carrying amount	84,010	94,389	22,487	1,051	46,001	247,938
At 1 January 2014, net of accumulated depreciation	84,010	94,389	22,487	1,051	46,001	247,938
Additions	—	494	3,830	1,267	11,620	17,211
Acquisition of subsidiaries (note 36)	84,433	45,441	3,027	577	7,486	140,964
Disposals	—	(62)	(325)	—	—	(387)
Disposal of a subsidiary (note 37)	(539)	(4)	(15)	—	(289)	(847)
Depreciation provided during the year	(10,300)	(14,587)	(5,548)	(454)	—	(30,889)
Transfers	44,351	7,137	481	—	(51,969)	—
At 31 December 2014, net of accumulated depreciation	201,955	132,808	23,937	2,441	12,849	373,990
At 31 December 2014:						
Cost	251,453	200,831	56,053	6,831	12,849	528,017
Accumulated depreciation	(49,498)	(68,023)	(32,116)	(4,390)	—	(154,027)
Net carrying amount	201,955	132,808	23,937	2,441	12,849	373,990

15. Prepaid land lease payments

	2015 RMB'000	2014 RMB'000
Carrying amount at 1 January	88,670	27,381
Disposal of a subsidiary	(10,022)	(9,237)
Acquisition of subsidiaries	18,200	71,290
Recognised during the year	(2,466)	(764)
Carrying amount at 31 December	94,382	88,670
Current portion included in prepaid expenses and other receivables (note 26)	(2,474)	(2,295)
Non-current portion	91,908	86,375

The balance represented the amount paid to the PRC government authorities for the land use rights which are amortised on the straight-line basis over the lease periods of 30 years to 50 years of land situated in Mainland China.

As at 31 December 2015, certain of the Group's prepaid land lease payments with a net book value of approximately RMB6,775,000 (2014: RMB7,128,000) have been pledged as security for the Group's interest-bearing bank borrowings (note 31).

16. Goodwill

	RMB'000
Cost at 1 January 2014	—
Acquisition of subsidiaries (note 36)	230,597
Cost and net carrying amount at 31 December 2014	230,597
Cost at 1 January 2015	230,597
Acquisition of a subsidiary (note 36)	330,286
Cost and net carrying amount at 31 December 2015	560,883
At 31 December 2015:	
Cost	560,883
Accumulated impairment	—
Net carrying amount	560,883

16. Goodwill (continued)

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the group of pharmaceutical products cash-generating units ("**CGUs**") which is the sole group of CGUs of the Group.

The recoverable amount of the group of CGUs has been determined based on a value in use calculation using cash flow projections which is based on financial forecast approved by the Company's directors covering a period of six years ("**Forecast Period**"). The discount rate applied to the cash flow projections is 16.0%, which is determined by reference to the average rates for similar industry and the business risk of the relevant business units. The growth rate used to extrapolate the cash flows beyond the Forecast Period is 3%.

In the opinion of the Company's directors, any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the group of CGUs' carrying amount to exceed their recoverable amount.

Assumptions were used in the value in use calculation of the group of CGUs as at 31 December 2015. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Gross margins — Gross margins are based on the average gross margins achieved in the year immediately before the forecast year and are increased over the Forecast Period for anticipated efficiency improvements and expected market development.

Discount rate — The discount rate used is before tax and reflects specific risks relating to the relevant group of CGUs.

Growth rate — The growth rate is based on historical sales over the last three years and expected growth rates of the pharmaceutical market according to published industry research.

The values assigned to the key assumptions are consistent with external information sources.

17. Other intangible assets

2015

	Exclusive distribution right RMB'000	IP rights RMB'000	Patent and technology know-how RMB'000	IPR&D RMB'000	Others RMB'000	Total RMB'000
Cost at 1 January 2015, net of accumulated amortisation	–	4,317	336,884	35,229	29,115	405,545
Additions	–	36,483	–	–	–	36,483
Acquisition of a subsidiary (note 36)	–	–	66,100	–	17,152	83,252
Disposal of a subsidiary (note 37)	–	–	–	–	(13)	(13)
Amortisation provided during the year	–	(1,290)	(18,840)	–	(7,370)	(27,500)
Exchange realignment	–	–	–	–	(14)	(14)
At 31 December 2015	–	39,510	384,144	35,229	38,870	497,753
At 31 December 2015:						
Cost	5,500	42,312	422,897	35,229	46,444	552,382
Accumulated amortisation	(5,500)	(2,802)	(38,753)	–	(7,574)	(54,629)
Net carrying amount	–	39,510	384,144	35,229	38,870	497,753

17. Other intangible assets (continued)

2014

	Exclusive distribution right RMB'000	IP rights RMB'000	Patent and technology know-how RMB'000	IPR&D RMB'000	Others RMB'000	Total RMB'000
Cost at 1 January 2014, net of accumulated amortisation	—	4,695	2,392	35,229	171	42,487
Acquisition of subsidiaries (note 36)	—	—	336,700	—	28,959	365,659
Amortisation provided during the year	—	(378)	(2,208)	—	(15)	(2,601)
At 31 December 2014	—	4,317	336,884	35,229	29,115	405,545
At 31 December 2014:						
Cost	5,500	5,829	356,797	35,229	29,178	432,533
Accumulated amortisation	(5,500)	(1,512)	(19,913)	—	(63)	(26,988)
Net carrying amount	—	4,317	336,884	35,229	29,115	405,545

Impairment testing of IPR&D

The IPR&D was acquired from a third party and its useful life is considered indefinite until the completion or abandonment of the related research and development efforts. IPR&D is not amortised but tested individually for impairment annually. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable.

The recoverable amount of IPR&D has been determined based on a value in use calculation using cash flow projections which is based on financial forecast approved by the Company's directors. The discount rate applied to the cash flow projections is 26.0%, which is determined by reference to the average rates for in progress research and development projects with similar business risk and after taking into account the risk premium in connection with the related research and development efforts.

In the opinion of the Company's directors, any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the IPR&D's carrying amount to exceed its recoverable amount.

17. Other intangible assets (continued)

Impairment testing of IPR&D (continued)

Assumptions were used in the value in use calculation of IPR&D as at 31 December 2015. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of IPR&D:

Discount rate — The discount rate used is before tax and reflects specific risks in respect of the related research and development efforts.

Royalty rate — The royalty rate is based on similar royalty rates charged by third parties in the pharmaceutical and biotech industry.

The values assigned to the key assumptions are consistent with external information sources.

18. Investment in a joint venture

	2015 **RMB'000**	2014 RMB'000
Unlisted shares, at cost	**130**	103
At 1 January	**103**	—
Additions	**27**	—
Acquisition of subsidiaries	**—**	103
At 31 December	**130**	103

Particulars of the Group's joint venture are as follows:

Name	Registered capital	Place of registration and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Injenerics Srl ("Injenerics")	Euro10,000	Italy	50	50	50	Research and development

18. Investment in a joint venture (continued)

The following table illustrates the financial information of the Group's joint venture:

	2015 RMB'000	2014 RMB'000
Aggregate carrying amount of the Group's investments in the joint venture	130	103

19. Investments in associates

	2015 RMB'000	2014 RMB'000
Unlisted shares, at cost	1,614,262	10,272
Share of net assets		
At 1 January	3,903	3,718
Additions	1,374,375	1,568
Share of profits and losses	3,848	(1,383)
Reclassified from available-for-sale investments (note 21)	231,182	—
Fair value gain on available-for-sale investments upon reclassification to investments in an associate	102,818	—
Gain on deemed disposal of investments in an associate	13,093	—
At 31 December	1,729,219	3,903

19. Investments in associates (continued)

Particulars of the Group's associates are as follows:

Name	Paid-up capital	Place of registration and business	Percentage of ownership interest attributable to the Group %	Principal activities
Ascentage Shanghai Pharmaceutical Co., Ltd. (a) ("Ascentage Shanghai")	RMB5,000,000	PRC/ Mainland China	40	Research and development
Ascentage Pharma Group Co., Ltd. (a)(b) ("Ascentage Pharma")	USD2,142	PRC/ Hong Kong	40	Research and development
Ascentage Jiangsu Pharmaceutical Group Co., Ltd. (a)(d) ("Ascentage Jiangsu")	USD7,500,000	PRC/ Mainland China	19	Research and development
Sunshine Guojian Pharmaceutical (Shanghai) Co., Ltd. (formerly known as Shanghai CP Guojian Pharmaceutical Co., Ltd.) (c) ("Guojian")	RMB510,223,000	PRC/ Mainland China	29	Manufacture and sale of biopharmaceutical drugs and research and development
Shanghai Hongshang Investment Co., Ltd. (a)(c) ("Shanghai Hongshang")	—	PRC/ Mainland China	70	Investment holding

19. Investments in associates (continued)

Notes:

(a) Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

(b) As at 31 December 2011, the share of losses of Ascentage Pharma has exceeded the Group's interests in Ascentage Pharma. Therefore, the Group has discontinued the recognition of its share of losses. As at 31 December 2015, the Group has unrecognised share of losses of Ascentage Pharma of RMB6,857,000 cumulative (31 December 2014: RMB5,574,000). For the year ended 31 December 2015, the Group has unrecognised share of losses of Ascentage Pharma of RMB1,283,000 (2014: RMB1,286,000).

(c) In December 2015, the Group acquired approximately 21.84% of the direct and indirect equity interests in Guojian through the following arrangement:

Pursuant to three sale and purchase agreements dated 20 November 2015, Shenyang Sunshine acquired approximately 1.29%, 1.81% and 1.81% of equity interests in Guojian from Shanghai Jianyikang Investment Enterprise (Limited Partnership), Shanghai Jianweida Investment Enterprise (Limited Partnership) and Mianyang Science & Technology Industrial Investment Fund (LLP) at considerations of approximately RMB79,980,000, RMB112,220,000 and RMB118,125,000, respectively. These acquisitions were completed by 21 December 2015.

Pursuant to an sale and purchase agreement with Xizang Hongshang Capital Equity Investment Co., Ltd. ("**Xizang Hongshang**") dated 20 November 2015, Shenyang Sunshine acquired 70.0% of equity interests in Shanghai Hongshang, which holds a 57.75% equity interest in Lansheng Guojian, the principal asset of which is an approximately 41.69% equity interest in Guojian, at a consideration of RMB1,053,324,000. The acquisition was completed on 27 November 2015.

Upon completion of these transactions, the Group held approximately direct and indirect 28.8% of the equity interests in Guojian as at 31 December 2015.

(d) Pursuant to a sale and purchase agreement dated 1 December 2015, Hongkong Sansheng acquired approximately 27.041% of equity interests in Ascentage Jiangsu from Ascentage Pharma at a consideration of USD1,676,000. Pursuant to a capital injection agreement entered into with other shareholders of Ascentage Jiangsu dated 25 December 2015, the Group's equity interest in Ascentage Jiangsu was diluted to approximately 18.86%. Subsequent to the acquisition, the same directors who represent the Group have been retained on the board of directors of Ascentage Jiangsu and can exercise significant influence over Ascentage Jiangsu.

19. Investments in associates (continued)

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

	2015 RMB'000	2014 RMB'000
Share of the associates' results:		
Net incomes/(losses)	**3,848**	(1,383)
Total comprehensive incomes/(losses)	**3,848**	(1,383)

	2015 RMB'000	2014 RMB'000
Aggregate carrying amount of the Group's investments in the associates	**1,729,219**	3,903

20. Long-term receivables

	2015 RMB'000	2014 RMB'000
Long-term receivables	**1,845**	2,468
Provision for impairment of long-term receivables	**(1,845)**	(2,119)
	–	349

The Group's long-term receivables are due from third-party customers, and are to be repaid in monthly instalments over 3 to 5 years. The Group has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The Group does not obtain collateral from customers. Long-term receivables are unsecured and non-interest-bearing.

20. Long-term receivables (continued)

The movements in provision for impairment of long-term receivables are as follows:

	2015 RMB'000	2014 RMB'000
Balance at beginning of the year	2,119	1,644
Disposal of a subsidiary	(274)	—
Charge for the year	—	475
Balance at end of the year	1,845	2,119

The individually impaired long-term receivables relate to customers that were in financial difficulties or were in default and only a portion of the receivables is expected to be recovered.

21. Available-for-sale investments

An analysis of the balances of available-for-sale investments is as follows:

	2015 RMB'000	2014 RMB'000
Current		
Investments in bank financial products (i)	70,690	42,000
Listed equity investments, at fair value (ii)	10,895	14,052
	81,585	56,052
Non-current		
Unlisted equity investments, at cost	—	231,182

21. Available-for-sale investments (continued)

(i) The investments in bank financial products relate to short-term financial products issued by major banks in Mainland China. Such investment products were unsecured with no guaranteed return on investments and with original maturity of less than one year. The fair values of the bank financial products approximate to their acquisition costs.

(ii) The listed equity securities are designated as available-for-sale financial assets and have no fixed maturity date or coupon rate. The fair value of the listed equity investments derived from quoted prices in an active market.

Non-current available-for-sale financial assets consist of equity investments in unlisted companies which were reclassified to investments in associates in the current year (note 19).

22. Other non-current assets

	2015 RMB'000	2014 RMB'000
Other non-current assets:		
Other deposits	600	600
Long-term deferred expenditures	2,098	1,019
	2,698	1,619

23. Deferred income tax

The movements in deferred tax assets during the year are as follows:

	Accruals RMB'000	Impairment of inventories RMB'000	Decelerated depreciation for tax purposes RMB'000	Provision for trade and other receivables RMB'000	Others RMB'000	Total RMB'000
Gross deferred tax assets at 1 January 2014	3,643	54	357	131	219	4,404
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year (note 11)	2,719	61	(932)	(93)	(442)	1,313
Acquisition of a subsidiary (note 36)	2,138	195	1,446	588	1,467	5,834
Gross deferred tax assets at 31 December 2014	8,500	310	871	626	1,244	11,551
Gross deferred tax assets at 1 January 2015	**8,500**	**310**	**871**	**626**	**1,244**	**11,551**
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year (note 11)	**1,366**	**(259)**	**(899)**	**(148)**	**935**	**995**
Acquisition of a subsidiary (note 36)	**—**	**212**	**—**	**1,641**	**1,012**	**2,865**
Gross deferred tax assets at 31 December 2015	**9,866**	**263**	**(28)**	**2,119**	**3,191**	**15,411**

23. Deferred income tax (continued)

Deferred tax assets have not been recognised in respect of the following items:

	2015 RMB'000	2014 RMB'000
Tax losses arising in Mainland China [a]	5,412	4,450
Tax losses arising in Hong Kong and other countries [b]	55,011	50,685
Deductible temporary differences	2,916	2,338
	63,339	57,473

Notes:

(a) The tax losses are available for a maximum of five years for offsetting against future taxable profits of the companies in which the losses arose in Mainland China.

(b) Except the tax losses incurred by Hongkong Sansheng which are available indefinitely for offsetting against its future taxable profits, the tax losses arising in the tax exempted entities in other countries could not be utilised to offset against future profits.

Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that tax profits will be available against which the above items can be utilised.

23. Deferred income tax (continued)

The movements in deferred tax liabilities during the year are as follows:

	Fair value adjustment arising from acquisition of subsidiaries RMB'000	Withholding taxes on the distributable profits of the Group's subsidiaries in Mainland China RMB'000	Total RMB'000
Gross deferred tax liabilities at 1 January 2014	—	65,000	65,000
Deferred tax credited to the consolidated statement of profit or loss during the year (note 11)	—	(61,324)	(61,324)
Acquisition of a subsidiary (note 36)	69,945	—	69,945
Gross deferred tax liabilities at 31 December 2014	69,945	3,676	73,621
Gross deferred tax liabilities at 1 January 2015	**69,945**	**3,676**	**73,621**
Deferred tax credited to the consolidated statement of profit or loss during the year (note 11)	**(3,183)**	**(3,676)**	**(6,859)**
Acquisition of a subsidiary (note 36)	**15,028**	**—**	**15,028**
Gross deferred tax liabilities at 31 December 2015	**81,790**	**—**	**81,790**

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% or 10%.The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

23. Deferred income tax (continued)

At 31 December 2015, no deferred tax liabilities have been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries and joint ventures established in Mainland China (2014: RMB65,000,000). In the opinion of the directors, it is not probable that these subsidiaries and joint ventures will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised was approximately RMB985,640,000 (2014: RMB529,194,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

24. Inventories

	2015 RMB'000	2014 RMB'000
Raw materials	**20,859**	22,648
Work in progress	**77,880**	57,108
Finished goods	**26,664**	13,953
Consumables and packaging materials	**9,971**	8,082
	135,374	101,791
Impairment	**(983)**	(1,390)
	134,391	100,401

The amounts of write-down of inventories recognised as an expense were approximately RMB1,730,000 for the year ended 31 December 2015 (2014: RMB640,000).

25. Trade and notes receivables

	2015 RMB'000	2014 RMB'000
Trade receivables	**425,922**	227,402
Notes receivable	**138,305**	125,298
	564,227	352,700
Provision for impairment of trade receivables	**(14,631)**	(4,722)
	549,596	347,978

The Group's trading terms with its customers are mainly on credit. The credit period is generally two months, extending up to three months for major customers. The Group seeks to maintain strict control over its outstanding receivables and 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. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	2015 RMB'000	2014 RMB'000
Within 1 month	**200,802**	130,269
1 to 3 months	**188,335**	74,943
4 to 6 months	**12,127**	12,599
Over 6 months to 1 year	**9,992**	5,983
1 to 2 years	**12,483**	3,070
Over 2 years	**2,183**	538
	425,922	227,402

25. Trade and notes receivables (continued)

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

	2015 RMB'000	2014 RMB'000
Balance at beginning of the year	4,722	3,214
Charge for the year	3,332	—
Reversal	(3,769)	(180)
Write-off	—	(2,084)
Foreign exchange differences	52	—
Disposal of a subsidiary	(645)	—
Acquisition of subsidiaries	10,939	3,772
Balance at end of the year	14,631	4,722

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default interest or principal payment or both and only a portion of the receivables is expected to be recovered.

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2015 RMB'000	2014 RMB'000
Neither past due nor impaired	389,138	204,772
Less than 3 months past due	12,127	12,300
Over 3 months past due	10,026	5,608
	411,291	222,680

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.

Trade 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 Group 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.

26. Prepaid expenses and other receivables

	2015 RMB'000	2014 RMB'000
Prepaid expenses and other receivables:		
Interest receivables	**159**	3
Prepayments	**9,110**	7,619
Prepaid land lease payments — current portion	**2,474**	2,295
Other deposits and other receivables	**19,654**	20,033
Due from related parties — current portion (note 42(b))	**115,628**	51,768
	147,025	81,718
Provision for impairment of other receivables	**—**	(5,692)
	147,025	76,026

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

	2015 RMB'000	2014 RMB'000
Balance at beginning of the year	**5,692**	5,692
Charge for the year	**—**	—
Disposal of a subsidiary	**(5,692)**	—
Balance at end of the year	**—**	5,692

	2015 RMB'000	2014 RMB'000
Due from related parties — non-current (note 42(b))	**—**	17,424

The individually impaired other receivables relate to balances due from a party that were not expected to be recovered due to changes in business developments.

27. Cash and cash equivalents and deposits

	2015 RMB'000	2014 RMB'000
Cash and bank balances	**1,298,372**	105,961
Restricted cash	**1,026**	1,651
Deposits	**550,972**	254,558
	1,850,370	362,170
Less:		
Pledged deposits for letters of credit	**(1,149)**	(1,454)
Pledged deposits for bills payable	**—**	(900)
Pledged deposits for short-term bank borrowing (note 31)	**(30,335)**	(252,204)
Non-pledged time deposits with original maturity of more than three months when acquired	**(519,488)**	—
Cash and cash equivalents	**1,299,398**	107,612

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. The remittance of funds out of Mainland China is subject to exchange restrictions imposed by the PRC government.

The Group's cash and cash equivalents and deposits as at 31 December 2015 are denominated in the following currencies:

	2015 RMB'000	2014 RMB'000
Denominated in:		
— RMB	**716,420**	334,787
— USD	**882,297**	26,505
— Hong Kong Dollar ("**HKD**")	**241,522**	830
— Euro	**10,128**	48
— Great Britain Pound ("**GBP**")	**3**	—
	1,850,370	362,170

27. Cash and cash equivalents and deposits (continued)

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values as at the end of the reporting period. Pledged deposits of approximately RMB31,484,000 (2014: RMB254,558,000) have been pledged to secure letters of credit, bills payable and short-term bank borrowings as at 31 December 2015 (note 31).

28. Trade and bills payables

An aged analysis of the trade and bills payables as at the end of the reporting period is as follows:

	2015 RMB'000	2014 RMB'000
Within 3 months	23,262	22,152
3 to 6 months	3,442	3,401
Over 6 months	7,740	85
	34,444	25,638

The trade payables are non-interest-bearing and repayable within the normal operating cycle or on demand.

29. Other payables and accruals

	2015 RMB'000	2014 RMB'000
Accrued selling and marketing expenses	**78,694**	51,363
Accrued salaries, bonuses and welfare expenses	**51,523**	30,045
Payable to vendors of property, plant and equipment	**6,084**	11,768
Payable to vendors of technology know-how	**1,709**	—
Taxes payable (other than income tax)	**19,608**	18,837
Receipts in advance from customers	**15,557**	3,590
Payable to vendors in acquisitions	**—**	377,181
Accrued listing expenses	**—**	13,610
Payable to advisors for acquisition transactions	**7,082**	3,578
Due to related parties (note 42 (b))	**113,324**	77,711
Others	**16,411**	15,794
	309,992	603,477
Other liabilities — non-current	**18,000**	20,251
	327,992	623,728

Other payables are non-interest-bearing.

30. Deferred income

	2015 RMB'000	2014 RMB'000
At beginning of the year	18,734	22,440
Received during the year		
— Government grants (a)	—	—
— Consultation service (b)	—	—
Acquisition of subsidiaries (note 36)	134,847	7,154
Disposal of subsidiaries (note 37)	(9,138)	(8,672)
Less: Recognition during the year		
— Government grants (a)	(8,247)	(581)
— Consultation service (b)	(670)	(1,607)
	135,526	18,734
Less: Deferred income — current portion		
— Government grants	(12,959)	(976)
— Consultation service	—	(670)
	122,567	17,088

Notes:

(a) The grants relate to the subsidies received from the government for the purpose of compensation for expenses arising from research and the improvement of manufacturing facilities on certain special projects. Upon completion of the related projects and the final assessment of the relevant government authorities, the grants related to the expense items would be recognised as other income directly in the consolidated statement of profit or loss when such expense items had been incurred by the Group and the grants related to an asset would be released to the consolidated statement of profit or loss over the expected useful life of the relevant asset.

(b) In August 2012, the Group received consultation service fee of approximately RMB4,822,700 from DaVita China Pte. Ltd. ("**DaVita China**") for consultation services to be provided by the Group over the period of three years. The consultation service income is recognised on the straight-line basis over three years.

31. Interest-bearing bank borrowings

	2015 RMB'000	2014 RMB'000
Current		
Short-term bank borrowings, secured	405,000	617,429

Notes:

(a) The short-term bank borrowings bear interest at fixed interest rates ranging from 4.35% to 7% per annum and are secured by:

(i) mortgages over the Group's land and buildings situated in Shenyang and Shenzhen, which had an aggregate carrying value RMB56,313,000 as at 31 December 2015 (2014: RMB106,118,000); and

(ii) the pledge of time deposits amounting to RMB30,335,000 as at 31 December 2015 (2014: RMB252,204,000).

(b) As at 31 December 2015, all borrowings were denominated in RMB (2014: except for the 2.20% and 2.29% secured bank loans which were denominated in USD, all other bank borrowings were denominated in RMB).

(c) The carrying amount of the short-term bank borrowings approximates to their fair value.

32. Retirement benefit obligations

The Italian subsidiary of the Group operates an unfunded defined benefit plan, namely the Italian staff leaving indemnity (the "**TFR**"). The TFR is classified as a defined benefit pension plan, which defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

In 2007, with the Italian labour law reform, it was decided that the TFR accrued each month starting from January 2008 would be paid monthly to a private external fund or social institution, transforming the contribution to the pension plan into a defined contribution plan. It was also decided that the remaining TFR balances by the end of 2007 would be recorded as non-current liabilities to be paid to employees upon retirement. Such TFR balances are subject to actuarial valuation in accordance with IAS 19.

32. Retirement benefit obligations (continued)

The TFR benefit liability represents the present value of the defined benefit obligations at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligations are calculated annually by an independent actuary using the project unit credit method. The present value of the defined benefit obligations is determined by discounting the estimated future cash outflows. Actuarial gains and losses arising from the changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise. Past service costs are recognised immediately in profit or loss.

The plan is exposed to inflation risk and the risk of changes in the life expectancy for the life of the plan members.

The principal actuarial assumptions used at the end of the reporting period are as follows:

	2015
Discount rate (%)	1.7
Expected rate of future pension cost increases (%)	3.0

A quantitative sensitivity analysis for significant assumptions as at the end of the reporting period is shown below:

	Increase in rate %	Net decrease in defined benefit obligations RMB'000	Decrease in rate %	Net increase in defined benefit obligations RMB'000
2015				
Discount rate	0.5	242	0.5	261
2014				
Discount rate	0.5	297	0.5	323

32. Retirement benefit obligations (continued)

The sensitivity analysis above has been determined based on a method that extrapolates the impact on defined benefit obligations as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis above is based on a change in an assumption while holding all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligations as it is unlikely that changes in assumptions would occur in isolation of one another.

The total expenses recognised in the consolidated statement of profit or loss in respect of the plan are as follows:

	2015 **RMB'000**
Current service cost	**—**
Interest cost	**69**
Net benefit expenses	**69**
Recognised in finance costs	**69**

The movements in the present value of the defined benefit obligations are as follows:

	2015 **RMB'000**	2014 RMB'000
At 1 January	**6,600**	—
Current service cost	**—**	—
Interest cost	**69**	—
Benefit paid	**(473)**	—
Actuarial gain	**(135)**	—
Acquisition of a subsidiary	**—**	6,600
Exchange differences	**(334)**	—
At 31 December	**5,727**	6,600

32. Retirement benefit obligations (continued)

The movements in the defined benefit obligations are as follows:

2015

	1 January 2015 RMB'000	Benefit cost charged to profit or loss: Net interest expense RMB'000	Benefit paid RMB'000	Remeasurement gains in other comprehensive income: Actuarial changes arising from changes in financial assumptions RMB'000	Exchange differences RMB'000	31 December 2015 RMB'000
Defined benefit obligations	6,600	69	(473)	(135)	(334)	5,727

The plan has no defined benefit plan assets.

The Group does not expect to make further contributions to the defined benefit plan in future years.

The average duration of the defined benefit obligations at the end of the reporting period was 15 years (2014: 15 years).

33. Share capital

Shares

	2015 RMB'000	2014 RMB'000
Issued and fully paid:		
2,515,313,570 (2014: 1) ordinary shares	154	—

	Number of shares in issue	Share capital RMB'000	Share premium RMB'000	Total RMB'000
Ordinary shares of USD1 each at 31 December 2014 and 1 January 2015	1	—	366,448	366,448
Transfer from share premium to share capital after subdivision of par value into USD0.00001 each	1,939,518,569	119	(119)	—
Issue of shares	575,795,000	35	4,132,853	4,132,888
Share issue expenses	—	—	(143,895)	(143,895)
Ordinary shares of USD0.00001 each at 31 December 2015	2,515,313,570	154	4,355,287	4,355,441

34. Share incentive scheme

The Company operates a share incentive scheme (the "**Scheme**") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's executive directors, including independent non-executive directors, other employees and consultants of the Group.

34. Share incentive scheme (continued)

On 5 September 2006, the Company adopted the 2006 share incentive plan (the "**2006 Plan**") pursuant to which the shares, share options, RSs and RSUs of the Company can be granted to directors and employees upon approval by the board of directors or the compensation committee of the board of directors. Under the 2006 Plan, the Company is authorised to issue up to 10,000,000 shares plus the number of shares equal to 10% of any additional shares of the Company in issue at the time of the adoption of the 2006 Plan by the board of directors. The 2006 Plan will remain in effect for ten years from the date of adoption, unless otherwise extended. The term of each option granted under the 2006 Plan may not exceed five years from the date of grant. The 2006 Plan had been terminated upon the privatisation of the Company. The 2006 Plan had been terminated upon the privatisation and delisting of the Company from NASDAQ.

On 31 March 2010, the Company adopted the 2010 share incentive plan (the "**2010 Plan**") which provided the grant of share options, share appreciation rights, dividend equivalent rights, shares, RSs and RSUs of the Company to employees, directors and consultants. Under the 2010 Plan, the Company is authorised to issue up to 22,500,000 ordinary shares, subject to possible adjustments. The 2010 Plan is administered by the board of directors or the compensation committee of the board of directors. With respect to the grant of awards to employees or consultants who are neither directors nor officers, the board of directors may authorise one or more officers to grant such awards. The 2010 Plan became effective in April 2010. The 2010 Plan had been terminated upon the privatisation of the Company. The 2010 Plan had been terminated upon the privatisation and delisting of the Company from NASDAQ.

On 23 May 2015, the Company adopted a post-IPO share option scheme (the "**2015 Plan**") which provided the grant of share options for the subscription of the ordinary share of the Company to, among others, employees, directors, business partners and consultants at the discretion of the board of directors. Under the 2015 Plan, the Company is authorised to issue up to 242,439,857 ordinary shares, subject to possible adjustments. The 2015 Plan is administered by the board of directors. It will continue to be in effect for a term of ten years unless terminated sooner.

The maximum number of shares issuable under the Scheme to each eligible participant in the Scheme within any 12-month period is limited to 1% of the total shares of the Company in issue at any time. Each grant of options under the 2015 Plan to a director, chief executive or substantial shareholder of the Company (or any of their respective associates) shall be subject to the prior approval of the independent non-executive directors (excluding any independent non-executive director who is the proposed recipient of the grants) of the Company, subject to a cap on the number and aggregate value of the shares upon the exercise of options. Any further grant in excess of these limits is subject to shareholders' approval in a general meeting.

34. Share incentive scheme (continued)

The terms and conditions of each grant, including, but not limited to, the number of shares, the exercise price, term of the option/award and vesting requirements, are determined by the board of directors or the compensation committee of the board of directors on the grant date. The board of directors will establish the vesting schedule and the method of payment for the exercise price of each grant on the grant date as well, if applicable. The term of each option to be granted under the Scheme may not exceed ten years which commences after a vesting period of six months to one year and ends on a date which is not later than ten years from the date of grant or the expiry date of the Scheme, if earlier.

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

On 1 January 2015, the Company issued warrants to Shanghai Junling Investment Partnership (Limited Partnership) which is beneficially owned by certain management members of Guojian. The warrants entitle the holders to purchase 1,128.82033 ordinary shares of the Company at an exercise price of USD1.00 for each warrant. Pursuant to the subdivision of the par value of the Company's authorised shares from USD1.00 per share to USD0.00001 per share on 4 February 2015, the number of shares exercisable by the warrants was changed to 112,882,033 ordinary shares of the Company and the exercise price was changed from USD1.00 per share to USD0.00001 per share.

The warrants will vest and become exercisable upon meeting certain vesting and non-vesting conditions. If the vesting conditions are not met, the warrants will lapse.

The fair value of the warrants at the grant date is estimated using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the warrants were granted. The contractual life of each warrant granted is three and a half years. There is no cash settlement of the warrants. The fair value of the warrants was estimated on the date of grant using the following assumptions:

Dividend yield (%)	—
Expected volatility (%)	37.5
Risk-free interest rate (%)	1.1
Contractual life of share options (years)	3.5
Underlying share price (RMB)	70.5
Exercise price of each warrant (RMB)	0.00006

On the date of grant, the fair values of each warrant were RMB19.37 and RMB32.26, respectively, based on the different probability of meeting the non-vesting conditions estimated for two different batches of warrants.

For the year ended 31 December 2015, the Group recognised share-based payment expenses of RMB46,581,000 in the consolidated statement of profit or loss (2014: RMB104,683,000).

35. Reserves

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

Statutory surplus reserves

Pursuant to the relevant PRC rules and regulations, those PRC subsidiaries which are domestic enterprises in the PRC as mentioned in note 1 to the financial statements are required to transfer no less than 10% of their profits after taxation, as determined under PRC accounting regulations and their respective articles of association, to the statutory reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before the dividend distribution to shareholders.

36. Business combinations

Zhejiang Wansheng

On 24 July 2015, the Group acquired a 100.0% equity interest in Zhejiang Wansheng from independent third parties. Zhejiang Wansheng is primarily engaged in the research and development, production and sale of chemically synthesized pharmaceuticals. The purchase consideration for the acquisition of Zhejiang Wansheng was in the form of cash amounting to approximately RMB520,000,000, which was paid on 24 July 2015, the acquisition date. In addition, in accordance with the acquisition agreement, the Group assumed the outstanding debt of RMB8,000,000 owed by the vendor to Zhejiang Wansheng.

The fair values of the identifiable assets and liabilities of Zhejiang Wansheng as at the date of acquisition were as follows:

	2015 Fair value recognised on acquisition RMB'000
Property, plant and equipment	137,813
Prepaid land lease payments	18,200
Other intangible assets	83,252
Other non-current assets	928
Deferred tax assets	2,865
Inventories	34,127
Trade and notes receivables	80,226
Prepaid expenses and other receivables	11,953
Available-for-sale investments	30,000
Cash and cash equivalents	62,167
Trade and bills payables	(6,144)
Other payables and accruals	(36,892)
Interest-bearing bank borrowings	(70,000)
Tax payable	(906)
Deferred income	(134,847)
Deferred tax liabilities	(15,028)
Total identifiable net assets at fair value	197,714
Goodwill on acquisition (note 16)	330,286
Satisfied by cash	520,000
Assumption of outstanding debt	8,000
	528,000

36. Business combinations (continued)

Zhejiang Wansheng (continued)

An analysis of the cash flows in respect of the acquisition of Zhejiang Wansheng is as follows:

	RMB'000
Cash consideration paid	520,000
Less: Cash and cash equivalents acquired	(62,167)
Net outflow of cash and cash equivalents in cash flows from investing activities	457,833

Since the acquisition, the contributions of Zhejiang Wansheng to the Group's consolidated revenue and consolidated profit for the year ended 31 December 2015 amounted to RMB103,267,000 and RMB15,075,000, respectively.

Had the combination taken place at the beginning of the year, the revenue and the profit of the Group for the year would have been RMB1,812,731,000 and RMB507,200,000, respectively.

Sciprogen

On 31 December 2014, the Group acquired a 100% equity interest in Ample Harvest which held 90.57% of the equity interest in Sciprogen from an independent third party and a 100% interest in Shenzhen Baishitong which held 9.43% of the equity interest in Sciprogen from independent third parties. Upon the completion of these two transactions, the Group acquired the entire equity interest in Sciprogen. Ample Harvest and Shenzhen Baishitong are investment holding companies with no substantive operations. Sciprogen is primarily engaged in the production and sale of pharmaceutical products. The purchase consideration for the acquisition of Ample Harvest was in the form of cash amounting to approximately USD76,716,000, of which USD36,000,000 was paid on 31 December 2014, the acquisition date, and the remaining consideration of approximately USD40,716,000 was deferred and had been settled in 2015 pursuant to the acquisition agreements. The purchase consideration for the acquisition of Shenzhen Baishitong was in the form of cash amounting to approximately RMB34,390,000, of which approximately RMB13,338,000 was paid on 31 December 2014 and the remaining consideration of approximately RMB21,052,000 was deferred and had been settled in 2015 pursuant to the acquisition agreements. In addition, in accordance with the acquisition agreements, the Group agreed to pay approximately USD5,002,000 and RMB1,710,000 to the two vendors, respectively, in 2015 to assume the shareholders' loans which were originally lent by the vendors to Ample Harvest and Shenzhen Baishitong, respectively.

36. Business combinations (continued)

Sciprogen (continued)

In addition, the Group entered into a non-compete and non-solicitation agreement with Mr. Guangyang Sheng, the Chief Executive Officer of Sciporgen and a close family member of the former shareholders of Shenzhen Baishitong, pursuant to which Mr. Sheng agreed to cooperate with the Group in certain post-completion matters and agreed not to undertake any activities that may be in competition with the Group for a period of five years after the cessation of his employment relationship with Sciprogen for a cash consideration of RMB13.6 million. The agreement became effective from 31 December 2014.

The fair values of the identifiable assets and liabilities of the consolidated financial statements of Ample Harvest, Shenzhen Baishitong and Sciprogen as at the date of acquisition were as follows:

	2014 Fair value recognised on acquisition RMB'000
Property, plant and equipment	85,556
Prepaid land lease payments	71,290
Other intangible assets	358,102
Other non-current assets	352
Deferred tax assets	3,554
Inventories	35,810
Trade and notes receivables	47,122
Prepaid expenses and other receivables	5,302
Due from related parties	3,265
Available-for-sale investments	2,296
Cash and cash equivalents	5,687
Pledged deposits	1,656
Trade and bills payables	(10,092)
Other payables and accruals	(64,253)
Interest-bearing bank borrowings	(28,000)
Tax payable	(3,646)
Deferred income	(7,154)
Deferred tax liabilities	(63,314)
Total identifiable net assets at fair value	443,533
Goodwill on acquisition (note 16)	73,882
Satisfied by cash	517,415

36. Business combinations (continued)

Sciprogen (continued)

An analysis of the cash flows in respect of the acquisition of Ample Harvest and Shenzhen Baishitong is as follows:

	For the year ended 31 December 2014 RMB'000
Cash consideration paid	233,622
Less: Cash and cash equivalents acquired	(5,687)
Net outflow of cash and cash equivalents included in cash flows from investing activities	227,935

Since the acquisition, the consolidated contributions of Ample Harvest and Shenzhen Baishitong to the Group's consolidated revenue and consolidated profit for the year ended 31 December 2014 amounted to nil.

Had the acquisition taken place at the beginning of the year, the revenue and the profit of the Group would have been approximately RMB1,249,078,000 and RMB311,440,000, respectively.

Sirton

On 31 December 2014, the Group acquired a 100% equity interest in Excel Partner which held 100% of the equity interest in Sirton from an independent third party. Excel Partner is an investment holding company with no substantive operations. Sirton is an Italian contract-based pharmaceutical manufacturer. The purchase consideration for the acquisition of Excel Partner was in the form of cash amounting to approximately USD25,250,000 of which USD24,500,000 was paid on 31 December 2014 and the remaining consideration of approximately USD750,000 was deferred and had been settled in 2015 pursuant to the acquisition agreements. In addition, in accordance with the acquisition agreements, the Group agreed to pay approximately USD9,737,000 to the vendor in 2015 to assume the shareholder's loans which were originally lent by the vendor to Excel Partner.

36. Business combinations (continued)

Sirton (continued)

The fair values of the identifiable assets and liabilities of the consolidated financial statements of Excel Partner and Sirton as at the date of acquisition were as follows:

	2014 Fair value recognised on acquisition RMB'000
Property, plant and equipment	55,408
Other intangible assets	7,557
Investment in a joint venture	103
Long-term receivables	324
Deferred tax assets	2,280
Inventories	4,325
Trade and notes receivables	14,461
Prepaid expenses and other receivables	1,100
Due from a related party	329
Available-for-sale investments	298
Cash and cash equivalents	46
Trade payables	(7,609)
Other payables and accruals	(66,455)
Tax payable	(754)
Deferred tax liabilities	(6,631)
Other liabilities	(6,600)
Total identifiable net liabilities at fair value	(1,818)
Goodwill on acquisition (note 16)	156,715
Satisfied by cash	154,897

36. Business combinations (continued)

Sirton (continued)

An analysis of the cash flows in respect of the acquisition of Excel Partner is as follows:

	2014 RMB'000
Cash consideration paid	150,295
Less: Cash and cash equivalents acquired	(46)
Net outflow of cash and cash equivalents included in cash flows from investing activities	150,249

Since the acquisition, the consolidated contributions of Excel Partner to the Group's consolidated revenue and consolidated profit for the year ended 31 December 2014 amounted to nil.

Had the acquisition taken place at the beginning of the year, the revenue and the profit of the Group would have been approximately RMB1,191,631,000 and RMB286,415,000, respectively.

37. Disposal of subsidiaries

Liaoning Sunshine Science and Technology Development Co., Ltd. ("Liaoning Sunshine Technology")

On 22 December 2015, Liaoning Sunshine (the "**Seller**"), a wholly-owned subsidiary of the Company, and Beijing Huansheng Medical Investment Co., Ltd. ("**Beijing Huansheng**", the "**Purchaser**"), a related party of the Group, entered into an equity transfer agreement to sell a 100% equity interest in Liaoning Sunshine Technology, a wholly-owned subsidiary of Liaoning Sunshine, for nil consideration. Upon the disposal, Beijing Huansheng agreed to assume the balance owed by Liaoning Sunshine Technology to Shenyang Sunshine amounting to RMB100,000,000.

37. Disposal of subsidiaries (continued)

Liaoning Sunshine Science and Technology Development Co., Ltd. ("Liaoning Sunshine Technology") (continued)

The book values of assets and liabilities of Liaoning Sunshine Technology on the date of disposal were as follows:

	2015 RMB'000
Net assets disposed of:	
Property, plant and equipment	49,815
Prepaid land lease payment	10,022
Other intangible assets	13
Cash and bank balances	10,471
Long-term receivable	25
Prepayments and other receivables	17,195
Inventory	270
Interest receivable	1,589
Other current assets	328
Tax payable	1,749
Deferred income	(9,138)
Other payables and accruals	(4,150)
Long-term payable	(100,000)
	(21,811)
Gain on disposal	21,811
Satisfied by cash	–

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of Liaoning Sunshine Technology is as follows:

	2015 RMB'000
Cash consideration	–
Cash and bank balances disposed of	(10,471)
Net outflow of cash and cash equivalents in respect of the disposal	(10,471)

37. Disposal of subsidiaries (continued)

Jiangsu Sunshine Pharmaceutical Technology Company Co., Ltd. ("Jiangsu Sunshine")

On 12 November 2014, the Group entered into a sale and purchase agreement to dispose of its entire equity interest in Jiangsu Sunshine to Beijing Huansheng for a total consideration of approximately RMB32,225,000.

	2014 RMB'000
Net assets disposed of:	
Property, plant and equipment	847
Prepaid land lease payments	9,237
Cash and bank balances	20,474
Prepayments and other receivables	542
Other payables and accruals	(114)
Deferred income	(8,672)
	22,314
Gain on disposal	9,911
Satisfied by other receivables	32,225

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of Jiangsu Sunshine is as follows:

	2014 RMB'000
Cash consideration received	—
Less: Cash and bank balances of the subsidiary disposed of	(20,474)
Net outflow of cash and cash equivalents in respect of the disposal	(20,474)

38. Contingent liabilities

As at 31 December 2015, neither the Group nor the Company had any significant contingent liabilities (2014: Nil).

39. Pledge of assets

Details of the Group's interest-bearing bank borrowings which are secured by the assets of the Group, are included in note 31 to the financial statements.

40. Operating lease arrangements

Operating lease commitments — As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to five years.

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

	2015 RMB'000	2014 RMB'000
Within one year	1,717	471
In the second to fifth years, inclusive	5,055	32
	6,772	503

41. Commitments

In addition to the operating lease commitments detailed in note 40 above, the Group had the following capital commitments as at the end of the year:

	2015 RMB'000	2014 RMB'000
Contracted, but not provided for:		
Plant and machinery	24,182	24,109
Capital contribution with respect to an associate	—	15,141
Other intangible assets — online marketing platform	3,200	—
	27,382	39,250

42. Related party transactions

Details of the Group's principal related parties are as follows:

Company	Relationship
Decade Sunshine	Immediate holding company
Injenerics	Joint venture
Ascentage Shanghai	Associate
Ascentage Pharma	Associate
Ascentage Jiangsu	Associate
Beijing Huansheng	Significant influence by a director of the Company and owned by certain middle management personnel of the Group
Jiangsu Sunshine	Subsidiary of Beijing Huansheng
Liaoning Sunshine Technology	Subsidiary of Beijing Huansheng
Davita-3SBio Healthcare Management (Liaoning) Co., Ltd. ("Davita JV")	Associate of Beijing Huansheng

42. Related party transactions (continued)

(a) The Group had the following transactions with related parties during the year:

	Notes	2015 RMB'000	2014 RMB'000
Service fee paid to Jiangsu Sunshine and Beijing Huansheng	(i)	**4,500**	750
Sales of products to an associate		**—**	443
Loans to DaVita JV		**—**	5,651
Loans to Beijing Huansheng		**3,500**	—
Prepayment to Beijing Huansheng for consulting services		**1,000**	—
Financial guarantee provided by a director of the Company		**—**	300,000
Proceeds from disposal of Jiangsu Sunshine to Beijing Huansheng		**—**	32,225
Financial guarantee provided by a director of Sciprogen in respect of a bank borrowing		**—**	10,000
Proceeds from disposal of Liaoning Sunshine Technology to Beijing Huansheng	(ii)	**100,000**	—

Notes:

(i) The Group engaged Jiangsu Sunshine to perform certain ongoing research and product development. The Group recognised research and development expenses of RMB4,000,000 for the year ended 31 December 2015 (2014: RMB750,000) according to the progress achieved. The Group engaged Beijing Huansheng to provide consulting services. The Group recognised a service fee of RMB500,000 for the year ended 31 December 2015 (2014: Nil).

(ii) In 2015, the Group entered into a sale and purchase agreement to dispose of its entire interest in Liaoning Sunshine Technology to Beijing Huansheng for a total consideration of approximately RMB100,000,000 (note 37).

42. Related party transactions (continued)

(b) Outstanding balances with related parties:

The Group had the following significant balances with its related parties during the year:

	2015 RMB'000	2014 RMB'000
Due from related parties		
Current portion		
Jiangsu Sunshine	—	8,081
Beijing Huansheng	104,500	32,225
Injenerics	805	329
Directors and senior management	10,323	11,133
	115,628	51,768
Non-current portion		
DaVita JV	—	17,424
Due to related parties		
Current portion		
Ascentage Pharma	10,726	—
Century Sunshine	102,598	77,711
	113,324	77,711

None of the amounts due from related parties 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. The carrying amounts of the balances with related parties approximate to their fair values.

(c) Compensation of key management personnel of the Group:

Key management compensation is detailed in notes 8 and 9 to the financial statements.

43. 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:

2015

Financial assets

	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Financial assets included in other non-current assets	600	—	600
Trade and notes receivables	549,596	—	549,596
Financial assets included in prepaid expenses and other receivables	135,441	—	135,441
Available-for-sale investments — current	—	81,585	81,585
Cash and cash equivalents	1,299,398	—	1,299,398
Non-pledged time deposits	519,488	—	519,488
Pledged deposits	31,484	—	31,484
	2,536,007	81,585	2,617,592

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	34,444
Financial liabilities included in other payables and accruals	153,819
Interest-bearing bank borrowings	405,000
	593,263

43. Financial instruments by category (continued)

2014

Financial assets

	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Long-term receivables	349	—	349
Available-for-sale investments — non-current	—	231,182	231,182
Financial assets included in other non-current assets	600	—	600
Trade and notes receivables	347,978	—	347,978
Financial assets included in prepaid expenses and other receivables	89,228	—	89,228
Available-for-sale investments — current	—	56,052	56,052
Cash and cash equivalents	107,612	—	107,612
Pledged deposits	254,558	—	254,558
	800,325	287,234	1,087,559

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	25,638
Financial liabilities included in other payables and accruals	499,683
Interest-bearing bank borrowings	617,429
	1,142,750

44. Transfers of financial assets

At 31 December 2015, the Group endorsed certain notes receivable (the "**Derecognised Bills**") accepted by major banks in Mainland China (the "**PRC banks**") to certain of its suppliers in order to settle the trade payables due to such suppliers with carrying amounts totalling approximately RMB38,583,000 (2014: RMB11,880,000). The Derecognised Bills had a 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 have a right of recourse against the Group if the PRC banks default (the "**Continuing Involvement**"). In the opinion of the Directors, the Group has transferred substantially all 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 exposure to loss from the Group's Continuing Involvements 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 had 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 endorsements had been made evenly throughout the year.

45. Fair value and fair value hierarchy of financial instruments

Management has determined that the fair values of cash and cash equivalents, pledged deposits, non-pledged time deposits, trade and notes receivables, financial assets included in prepaid expenses and other receivables, amounts due from related parties, trade and bills payables, financial liabilities included in other payables and accruals and amounts due to related parties, reasonably approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument 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 the long-term receivables and interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair values of long-term receivables are reasonably approximate to their carrying amounts due to the insignificance of their values. The fair values of interest-bearing bank borrowings are reasonably approximate to their carrying amounts due to the short-term maturities. The Group's own non-performance risk for interest-bearing bank borrowings as at 31 December 2015 was assessed to be insignificant.

The fair values of listed equity investments are based on quoted prices in an active market.

45. Fair value and fair value hierarchy of financial instruments (continued)

The fair values of the investments in bank financial products approximate to their acquisition costs due to the short-term maturities and the floating rates of return on these investments.

Fair value hierarchy:

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

Assets measured at fair value:

As at 31 December 2015

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Available-for-sale investments:				
Equity investments	10,895	—	—	10,895
Investments in bank financial products	—	70,690	—	70,690
	10,895	70,690	—	81,585

45. Fair value and fair value hierarchy of financial instruments (continued)

Assets measured at fair value: (continued)

As at 31 December 2014

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Available-for-sale investments:				
Equity investments	14,052	—	—	14,052
Investments in bank financial products	—	42,000	—	42,000
	14,052	42,000	—	56,052

The Group did not have any financial liabilities measured at fair value as at 31 December 2015 and 31 December 2014.

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.

45. Fair value and fair value hierarchy of financial instruments (continued)

Assets for which fair values are disclosed:

As at 31 December 2015

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Long-term receivables	—	—	—	—

As at 31 December 2014

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Long-term receivables	—	—	349	349

45. Fair value and fair value hierarchy of financial instruments (continued)

Liabilities for which fair values are disclosed:

As at 31 December 2015

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank borrowings	—	—	405,000	405,000

As at 31 December 2014

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank borrowings	—	—	617,429	617,429

46. Financial risk management objectives and policies

The Group's principal financial instruments comprise cash and cash equivalents, pledged deposits, non-pledged time deposits, trade receivables and payables, notes receivable, other receivables and payables, balances with related parties and interest-bearing bank borrowings. 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 Group did not enter into any derivative transactions.

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 and senior management meet periodically to analyse and formulate measures to manage the Group's exposure to these risks.

Interest rate risk

The Group is exposed to cash flow interest rate risk due to fluctuations in the prevailing market interest rates on cash and cash equivalents, and pledged and non-pledged deposits. Management considers that these bank balances are not sensitive to fluctuations in interest rates.

The Group's interest rate risk relates primarily to bank borrowings. The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise. The Group's interest rate profile as monitored by management is set out in note 31 to the financial statements.

Foreign currency risk

The Group's business is mainly located in Mainland China and most transactions are conducted in RMB. Most of the Group's assets and liabilities were denominated in RMB, except for certain bank balances denominated in USD, HKD, GBP and Euro as disclosed in note 27 to the financial statements.

The Group's assets and liabilities denominated in USD were mainly held by the Company and certain subsidiaries incorporated outside Mainland China which had USD as their functional currency, and the Group did not have material foreign currency transactions during the year.

46. Financial risk management objectives and policies (continued)

Credit risk

As at 31 December 2015, all pledged deposits, non-pledged time deposits and cash and cash equivalents were deposited in high quality financial institutions without significant 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 amounts due from related parties, prepaid expenses and other receivables, trade and notes receivables and long-term 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. Concentrations of credit risk are managed by customer/counterparty and by geographical region. 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 regions.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 25 to the financial statements.

Liquidity risk

The Group monitors its risk to a shortage of funds based on the maturity of its financial assets and financial liabilities and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings and issue of new debts or equity instruments. The directors have reviewed the Group's profitability, working capital and capital expenditure requirements and determined that the Group has no significant liquidity risk.

46. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

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:

Group

	2015			
	Within 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
Financial liabilities:				
Trade and bills payables	**23,262**	**8,323**	**2,859**	**34,444**
Financial liabilities included in other payables and accruals	**39,156**	**18,952**	**95,711**	**153,819**
Interest-bearing bank borrowings	**400,000**	**5,000**	**—**	**405,000**
	462,418	**32,275**	**98,570**	**593,263**

	2014			
	Within 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
Financial liabilities:				
Trade and bills payables	22,061	3,577	—	25,638
Financial liabilities included in other payables and accruals	408,321	—	91,362	499,683
Interest-bearing bank borrowings	—	617,429	—	617,429
	430,382	621,006	91,362	1,142,750

46. 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 levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as available-for-sale investments at the end of the reporting period. The Group's major listed investment during the reporting period was listed on the Toronto Stock Exchange ("**TSX**") and was valued at quoted market prices at the end of the reporting period.

The market equity indices of the Toronto Stock Exchange, at the close of business of the nearest trading day in the reporting period to the end of the reporting period, and their respective highest and lowest points during the year were as follows:

	31 December 2015	High/low 2015	31 December 2014	High/low 2014
Toronto Stock Exchange — TSX Composite Index	13,010	15,451/12,696	14,632	15,658/13,486
Toronto Stock Exchange — TSX Venture Composite Index	526	707/496	696	1,046/642

46. Financial risk management objectives and policies (continued)

Equity price risk (continued)

The following table demonstrates the sensitivity to every 10% 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. For the purpose of this analysis, for the available-for-sale equity investments, the impact is deemed to be on the available-for-sale investment revaluation reserve and no account is given for factors such as impairment which might impact the consolidated statement of profit or loss.

	Carrying amount of equity investments RMB'000	Increase/ (decrease) in equity* RMB'000
2015		
Investment listed in:		
Toronto — Available-for-sale	**10,014**	**1,001/(1,001)**
2014		
Investment listed in:		
Toronto — Available-for-sale	13,458	1,346/(1,346)

* Excluding retained profits

Capital management

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

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 issue new shares or debt instruments. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2015 and 31 December 2014.

The Group monitors capital using a gearing ratio, which is interest-bearing bank borrowings divided by the total equity.

46. Financial risk management objectives and policies (continued)

Capital management (continued)

The gearing ratios as at the end of the reporting period were as follows:

	2015 RMB'000	2014 RMB'000
Interest-bearing bank borrowings	**405,000**	617,429
Total equity	**5,635,465**	943,592
Gearing ratio	**7.2%**	65.4%

47. Events after the reporting period

On 6 January 2016, the Group obtained an interest-bearing bank borrowing of RMB450,000,000 with the maturity date on 6 July 2016. The bank borrowing bears interest at an annual interest rate of 4.6% and is secured by non-pledged time deposits. The bank borrowing is used for the purpose of undertaking further acquisition of equity interests in Guojian.

On 26 January 2016, Shanghai Hongshang acquired 34.65% and 3.85% of equity interests in Lansheng Guojian from Shanghai Lansheng Corporation ("**Lansheng Corporation**") and Shanghai Lansheng (Group) Corporation ("**Lansheng Group**"), respectively, at considerations of approximately RMB890,094,000 and RMB98,899,000, respectively.

On 26 January 2016, Shanghai Hongshang acquired a 0.73% equity interest in Guojian from Lansheng Corporation at a consideration of approximately RMB44,326,000.

On 27 January 2016, the Group obtained an interest-bearing bank borrowing of USD25,000,000 with the maturity date on 26 January 2017. The bank borrowing bears interest at an annual interest rate of the London Interbank Offer Rate plus 2.3% and is guaranteed by the Company. The bank borrowing is used for the purpose of undertaking further acquisition of equity interests in Guojian.

On 28 January 2016, the Group obtained an interest-bearing bank borrowing of RMB500,000,000 with the maturity date on 27 January 2021. The bank borrowing bears interest at an annual interest rate of the Loan Prime Rate ("**LPR**") plus 1.2%. The bank borrowing is used for the purpose of undertaking further acquisition of equity interests in Guojian and is secured by such equity interest.

47. Events after the reporting period (continued)

On 22 February 2016, as confirmed by the Shanghai United Assets and Equity Exchange (the "**SUAEE**"), the Company is the only intended transferee for (i) the entire equity interest of Gains Prestige Limited ("**Gains Prestige**"), which indirectly holds an approximately 43.42% equity interest in Guojian, held by CITIC Hong Kong (Holdings) Limited ("**CITIC Holdings**"), and (ii) the interest of CITIC Holdings in a shareholder's loan of HKD1,085,230,000 owed by Gains Prestige. Pursuant to the requirements by the SUAEE, an amount in HKD equivalent to RMB800 million shall be payable in cash by the Company to the SUAEE on or before 25 February 2016 as an interest-free refundable deposit for the purpose of completing the transactions. The Company has paid the deposit to the SUAEE on 23 February 2016.

On 22 February 2016, the Group obtained an interest-bearing bank borrowing in HKD equivalent to RMB2,200,000,000 with the maturity date on 28 January 2019. The bank borrowing bears interest at an annual interest rate of 2.5%. The bank borrowing is used for the purpose of undertaking further acquisition of equity interests in Guojian and is secured by such equity interest.

On 3 March 2016, the Company conditionally agreed to acquire (i) the entire equity interest of Gains Prestige, which holds an approximately 43.42% equity interest in Guojian, held by CITIC Holdings, and (ii) the interest of CITIC Holdings in a shareholder's loan of HKD1,085,230,000 owed by Gains Prestige at a consideration of approximately RMB2,713,750,000 payable in HKD. In addition, the Company will grant the options to CITIC Pacific Limited ("**CITIC Pacific**"), which is beneficially owned by CITIC Holdings. The options entitle the holders to purchase 125,765,500 shares of the Company with an exercise price of HKD9.1 per option share. The options will vest and become exercisable by the holders upon meeting certain vesting and exercise conditions.

On 3 March 2016, Shenyang Sunshine acquired the remaining 30% equity interest in Shanghai Hongshang from Xizang Hongshang at a consideration of RMB1,217,994,000.

On 4 March 2016, the Group obtained an interest-bearing bank borrowing of RMB675,000,000 with the maturity date on 3 March 2021. The bank borrowing bears interest at an annual interest rate of the LPR plus 1.2%.The bank borrowing is used for the purpose of undertaking further acquisition of equity interests in Guojian and is secured by such equity interest.

On 29 March 2016, Shenyang Sunshine agreed to make available to Zhejiang Sunshine Pharmaceutical Company Limited ("**Zhejiang Sunshine**"), an approximately 52.1% of the equity interest of which is owned by one of the controlling shareholders of the Company and thus is a related party of the Group, a convertible loan with a principal amount of RMB75,000,000 at an interest rate of 8% per annum. The convertible loan can be converted into equity interests in Zhejiang Sunshine at the discretion of Shenyang Sunshine.

48. Statement of financial position of the company

	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**1,619**	1,619
Investments in subsidiaries	**92,183**	92,183
Available-for-sale investments	**67,783**	67,783
Total non-current assets	**161,585**	161,585
CURRENT ASSETS		
Available-for-sale investments	**10,014**	13,458
Prepaid expenses and other receivables	**2**	2
Due from subsidiaries	**4,165,490**	108,243
Cash and cash equivalents	**189,591**	3,788
Total current assets	**4,365,097**	125,491
CURRENT LIABILITIES		
Other payables and accruals	**11,396**	449
Total current liabilities	**11,396**	449
NET CURRENT ASSETS	**4,353,701**	125,042
TOTAL ASSETS LESS CURRENT LIABILITIES	**4,515,286**	286,627
NON-CURRENT LIABILITIES		
Other liabilities	**12,273**	13,651
Total non-current liabilities	**12,273**	13,651
Net assets	**4,503,013**	272,976
EQUITY		
Share capital	**154**	—
Share premium (note)	**4,283,999**	295,160
Other reserves (note)	**218,860**	(22,184)
Total equity	**4,503,013**	272,976

48. Statement of financial position of the company (continued)

Note:

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

	Share premium RMB'000	Share option reserve RMB'000	Available-for-sale investments revaluation reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits/ (accumulated losses) RMB'000	Total RMB'000
Balance at 1 January 2014	574,590	643	6,971	(222,000)	(64,978)	295,226
Total comprehensive income for the year	—	—	(439)	1,735	556,527	557,823
Issue of shares	11,801	(11,801)	—	—	—	—
Equity-settled restricted share arrangements	—	11,158	—	—	—	11,158
Dividend declared	(359,014)	—	—	—	(300,000)	(659,014)
Shareholder contribution for available-for-sale investments	67,783	—	—	—	—	67,783
At 31 December 2014	295,160	—	6,532	(220,265)	191,549	272,976
Total comprehensive income for the year	—	—	(5,129)	255,344	(9,171)	241,044
Transfer from share premium account to share capital	(119)	—	—	—	—	(119)
Issue of shares	4,132,853	—	—	—	—	4,132,853
Share issue expenses	(143,895)	—	—	—	—	(143,895)
At 31 December 2015	4,283,999	—	1,403	35,079	182,378	4,502,859

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 when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

49. Approval of the financial statements

The financial statements were approved and authorised for issue by the board of directors on 31 March 2016.