Bloomage BioTechnology Corporation Limited

華熙生物科技有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 00963

ANNUAL REPORT 2015

CONTENTS

Corporate Information

EXECUTIVE DIRECTORS

Ms. Zhao Yan *(Chairman)*
Mr. Jin Xuekun *(Chief Executive Officer)*
Ms. Liu Aihua
Ms. Wang Aihua

NON-EXECUTIVE DIRECTOR

Mr. Yau Wai Yan *(appointed on 18 January 2016)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Zhan Lili
Mr. Li Junhong
Mr. Xue Zhaofeng *(appointed on 18 January 2016)*

COMPANY SECRETARY

Mr. Yau Wai Yan *(appointed on 18 January 2016)*

AUTHORISED REPRESENTATIVES

Ms. Wang Aihua *(appointed on 18 January 2016)*
Mr. Yau Wai Yan *(appointed on 18 January 2016)*

MEMBERS OF AUDIT COMMITTEE

Mr. Li Junhong *(Chairman)*
Ms. Zhan Lili
Mr. Xue Zhaofeng *(appointed on 18 January 2016)*

MEMBERS OF REMUNERATION COMMITTEE

Mr. Xue Zhaofeng
(appointed as Chairman on 18 January 2016)
Mr. Li Junhong
Mr. Jin Xuekun

MEMBERS OF NOMINATION COMMITTEE

Ms. Zhan Lili *(Chairman)*
Mr. Xue Zhaofeng *(appointed on 18 January 2016)*
Ms. Liu Aihua

PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 678 Tianchen Avenue
Jinan High-tech Development Zone
Jinan City
Shandong Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 501
Hutchison House
No 10 Harcourt Road
Central
Hong Kong
Tel: 2889 3332
Fax: 2889 3428

AUDITORS

KPMG
8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAWS

Sidley Austin
39/F
Two Int'l Finance Centre
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

00963

COMPANY WEBSITE

www.bloomagebio-tech.com

PRINCIPAL BANKERS

Jinan Branch of the Bank of China
China Everbright Bank

Group Overview

Bloomage BioTechnology Corporation Limited (Stock Code: 963.HK, the "Company", together with its subsidiaries (the "Group")) was listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in 2008. The Company is principally engaged in the development, manufacture and sale of raw materials and end products for a diversified range of hyaluronic acid (also known as hyaluronan, hyaluronic acid sodium, "HA"), and is a leading provider of medical beauty products and services in the People's Republic of China (the "PRC" or "China") and one of the world's largest producer of HA raw materials. The Group's major business covers two segments:

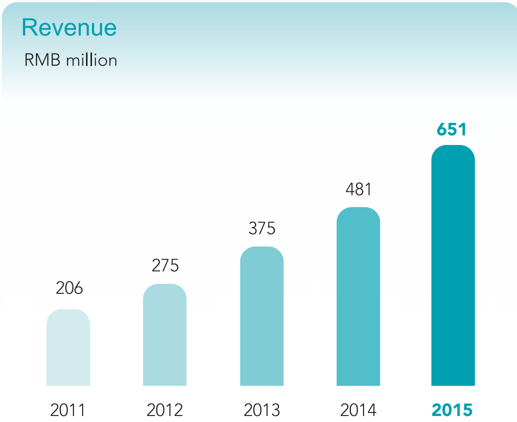
The first is development, manufacture and sale of a diversified range of HA and derivative raw materials based on bio-fermentation technology. HA is a naturally occurring substance found in many parts of human bodies and animals, usually in the joints, vitreous humor in the eyes, skin, umbilical cord and in rooster combs. Given that HA exhibits hydrating, lubricating, viscoelastic, pseudoplastic, biodegradable and biocompatible properties, it is widely used as raw materials and excipients in pharmaceutical, cosmetic and healthcare products. The HA raw materials products of the Group are classified into three major grades, namely medicine grade, cosmetic grade and food grade, covering more than 70 series of products, which can meet the need of different customers and customize products on demand.

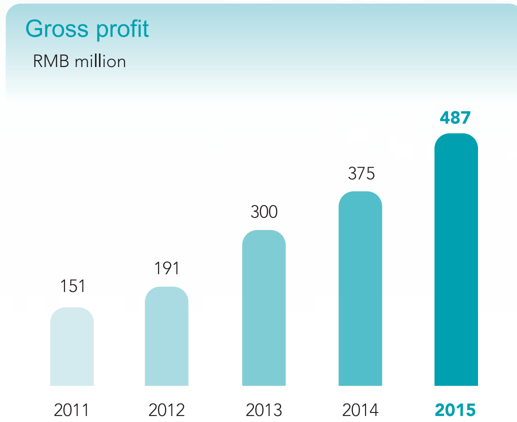
The second is research and development, manufacture, agency and sale of HA-cored end products. Currently, the Group has successfully launched several major products, including injection cosmetic filler product - Hyaluronan Soft Tissue Filling Gel (trade name "BioHyalux"), HA+ medical skin care products, Medical Sodium Hyaluronate Gel for ophthalmologic use (trade name "Hymois"), bone products for intra-articular injection (trade name "Hyprojoint") and medical beauty devices, involving various respects such as beauty, medicine and daily life. The Group devotes to develop itself to be a provider of comprehensive series of products and solutions based on HA as the core.

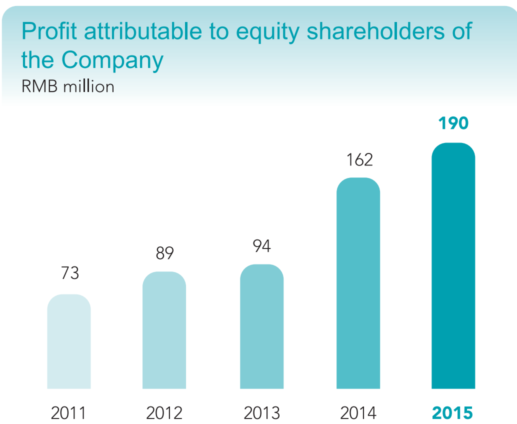
The Group always treats technological innovation as its driving force and two decades' research and development efforts as the base, seeking breakthroughs in technological innovation to capture first mover opportunities for future growth. Based on its existing products and through integrating and utilizing global new technologies and products, the Group constantly pushes to achieve transformation and upgrade to realize comprehensive development of medical beauty products and solutions, with the purpose of delivering better performance and creating more value for the society.

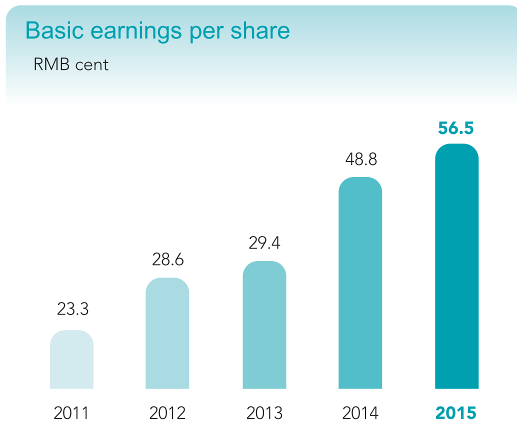
Current and Five Year Financial Summary

1. Five-year Consolidated Statement of Profit or Loss



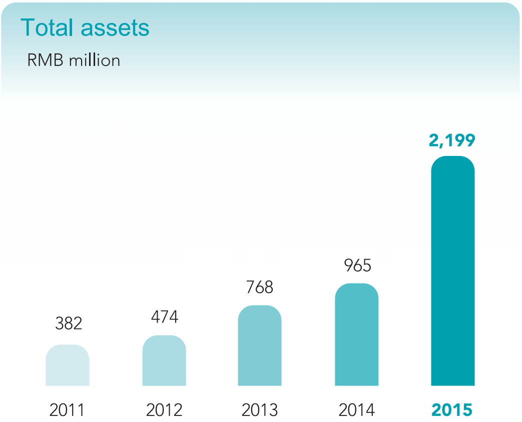


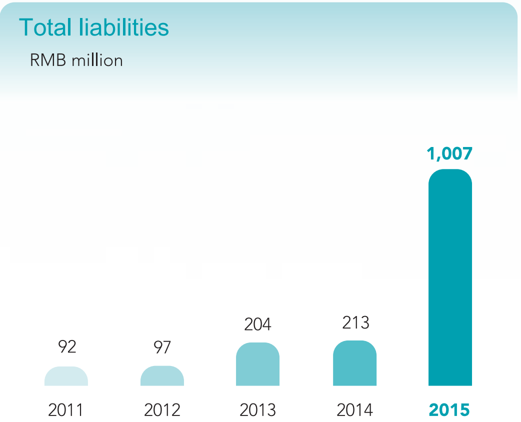


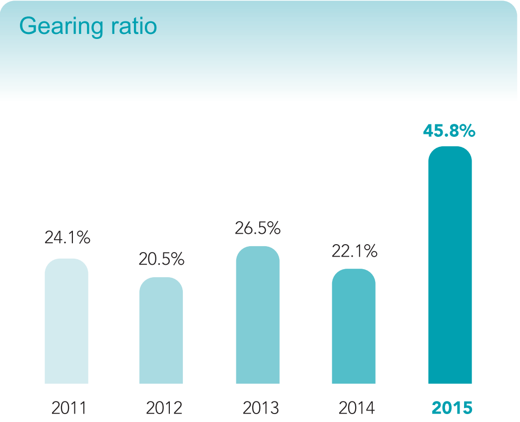


Current and Five Year Financial Summary

2. Five-year Consolidated Statement of Financial Position

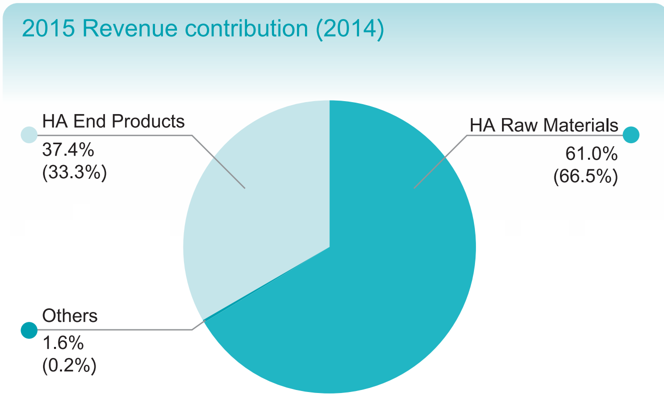




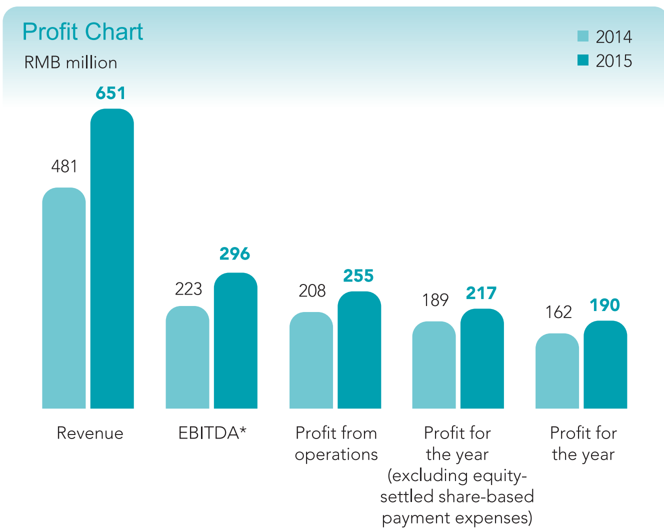


3. Detailed financial data comparison between 2015 and 2014

1) Revenue chart: HA raw materials, HA end products, Others



2) Profit chart: Revenue, EBITDA*, Profit from operations, Profit for the year (excluding equity-settled share-based payment expenses), Profit for the year



* EBITDA – Earnings before interest, taxes, depreciation and amortisation.

Highlights of the Year

15 July 2015

Strategic cooperation with Laboratoires Vivacy SAS ("Vivacy"), a leading HA injection fillers brand owner in Europe

With equity acquisitions, the Group held approximately 33.41% of the issued share capital in Vivacy and acquired exclusive distribution rights for Vivacy products in over 20 countries or regions including China and Australia. Vivacy, founded in 2007, is a company specially engaged in the design, development, production and sale of anti-senile rejuvenation products based in France. It is a fast-growing high-end HA injection filler products supplier with the cut-edge third generation cross-linked technology for HA injection fillers in Europe. Vivacy is applying for registration of its products in China, which will develop synergies with BioHaylux to ensure the Group maintains its competitiveness in the market of the HA injection fillers.

24 July 2015

Strategic cooperation with Medytox Inc. ("Medytox"), a Korean pharmaceutical enterprise

Medytox is the owner of the injective botulinum-A toxin ("botulinum toxin") brand with the lion's share in the Korean market and the fourth company that has developed for production botulinum toxin in the world, equipped with outstanding global research technologies and capabilities. The Group and Medytox have established a joint venture with 50% interests held by each in a joint effort to explore China's botulinum toxin market. Botulinum toxin and hyaluronan are the two major core types of products in the area of medical beauty. Through cooperation with Medytox, it can provide important "solutions" supplementary to the Group's formation of the medical beauty ecological chain and pave the road for a change of the Group's identity to a medical beauty turnkey solutions supplier.

5 November 2015

Strategic cooperation with Singapore Investment Corp GIC Pte. Ltd. ("GIC")

GIC is a global top-class investment management company with over US$ 100 billion funds under its management. GIC was set up in 1981 to principally engage in managing foreign exchange reserve for Singapore and to ensure preservation and appreciation of Singapore's wealth. As a long-term value investment principle-oriented company, GIC's investments encompass extensive type of assets, including real estate, private equity, stocks and fixed-income assets. With its investments in 40 or more countries worldwide, GIC has accumulated more than 20 years of experience in investments in emerging markets. This cooperation is a recognition from GIC of the Group for its proven track records and future growing potential as well as an endorsement to its medical beauty ecological chain strategy. With such cooperation, it can make additional capital sources available for the Group to facilitate its further development of the going-international process, as well as optimize its business operation. In the furture, the Group will maintain a sustainable growth and create more value for shareholders.

To all Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Bloomage BioTechnology Corporation Limited (the "Company"), I am pleased to present the annual report of the Company (together with its subsidiaries, the "Group") for the year ended 31 December 2015.

The Group's result achieved continuous and healthy growth in 2015. The annual revenue amounted to approximately RMB650,868,000, representing an increase of approximately 35.2% as compared to the year ended 31 December 2014 and the profits attributable to equity holders of the Company was approximately RMB190,393,000 with a growth of approximately 17.5% as compared to the year ended 31 December 2014. The above growth was mainly attributable to the rapid expansion of two major business segments and the smooth implementation of the Group's business transformation.

FINAL DIVIDEND AND CLOSURE OF REGISTER

The Board has recommended the payment of a final dividend of HKD2.7 cents per share of the Company (the "Share") for the year ended 31 December 2015 (2014: HKD2.5 cents per Share). Subject to the approval of the shareholders of the Company at the forthcoming annual general meeting of the Company (the "AGM") to be held on 6 June 2016 or any adjourned meeting, the above dividend is expected to be paid on or around 15 July 2016.

The transfer books and register of members of the Company will be closed from 2 June 2016 to 6 June 2016 (both days inclusive) for the purpose of ascertaining shareholders' entitlement to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 1 June 2016. In addition, the transfer books and register of members of the Company will be closed from 15 June 2016 to 17 June 2016 (both days inclusive) for the purpose of ascertaining shareholders' entitlement to the proposed final dividend (if approved at the AGM). In order to qualify for the proposed final dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, for registration no later than 4:30 p.m. on 14 June 2016. During such periods, no share transfers will be effected.

Chairman's Statement

BUSINESS REVIEW

In 2015, the Group further strengthened its positioning as a provider of integrated medical beauty solutions in terms of hardware and software reserves by making a reasonable strategic cooperation layout and by deepening cooperation with international advanced technology and capital. Following the transformation from the traditional manufacturer of HA raw materials to the manufacturer of HA medical beauty products with high added value, the Group continued its transformation into a service provider of medical beauty cosmetic solutions. Capitalizing on its advantages in resources, the strategy of various products mix and the provision of comprehensive solutions, the Group has formed its unique competitive edge which cannot be easily replicated by competitors.

During the year under review, despite of the slowdown of macro-economy and the intensified market competition, as our strategies were effectively implemented, both business segments recorded satisfying results. HA raw materials business carried forward its innovation and growth momentum to realize an annual sales of approximately RMB396,932,000, representing an increase of approximately 23.9% compared with the corresponding period in 2014. The end product business enriched the product chain with an annual sales of approximately RMB243,360,000, representing an increase of approximately 52.1% compared with the corresponding period in 2014. With the further deepening of the Group's strategic transformation, the percentage of the end product business in the total revenue of the Group increased from approximately 33.3% in 2014 to approximately 37.4% in 2015.

Through technological innovation in raw materials segment, the Group has enriched its HA product line, covering products ranging from MiniHA™, a smaller molecule produced by applying the world's first enzyme digestion method, to micro-crosslinked Hyacross™ product that functions as skin barriers, and to cationHA™ product which has been innovatively applied in hair care products, all of which are with intellectual property rights and core patent technology. The Group has met customers' demand of developing products at multi-level, energizing the growth of raw material operation.

In line with the Group's transformation strategy, while the Group maintained its market share of HA injection filler (BioHyalux), the Group have diversified its product portfolios, promoted its medical aesthetics solutions, and commenced the business of a skin care product which is based on biological activated combined treatment ("BACT") and with Bio-MESO as its core. The Group has established a series of well-equipped device, product and customer sale system by taking skin layering as its logic direction and has made certain achievements in 2015 when launched to the market, paving a road for the Group to develop as a comprehensive solutions platform provider.

In 2015, the Group had achieved impressive results by integrating the world-leading medical aesthetics products, technologies and capital supports. The Group invested in the shares of Vivacy, an European renowned brand of HA injection fillers, established a joint venture company with Medytox, an international corporation of high-end Toxin, and introduced the strategic investor GIC, all of which had stored up strong impetus for the Group's rapid development in the future.

OUTLOOK

In 2016,the Group will continue to focus on its strategy of parallel drives of organic growth, and external mergers and acquisitions by conducting integration and upgrade together with continuous innovations of its internal business so as to enhance its competitiveness, and consolidating competitive resources of domestic and overseas renowned medical beauty industry organizations and institutions with an emphasis on customer's experience so that the Group can take advantage of the platform which is built on various brands and product portfolios, thereby creating a medical beauty ecological chain.

The Group will continue to take HA as its core advantageous resources and implement innovation-driven development strategies, so as to deliver outstanding performance and create more values for the shareholders of the Company (the "Shareholders").

APPRECIATION

I would like to take this opportunity, on behalf of the Board, to express our gratitude for the continuous support and trust of the Shareholders, customers, business partners and bankers and also for the contribution made by the management and all the members of the staff.

Zhao Yan
Chairman

22 March 2016

Management's Discussion and Analysis

BUSINESS REVIEW

The Group's annual revenue for the year ended 31 December 2015 amounted to approximately RMB650.868 million, representing an increase of approximately 35.2% compared with the corresponding period in 2014. The Group's gross profit increased by approximately 29.8% from approximately RMB375.397 million for the year ended 31 December 2014 to approximately RMB487.239 million for the year ended 31 December 2015. Profit attributable to equity shareholders of the Company increased by approximately 17.5% from approximately RMB162.067 million for the year ended 31 December 2014 to approximately RMB190.393 million for the year ended 31 December 2015. Subject to approval by the Shareholders at the forthcoming annual general meeting, the Directors recommend the payment of a final dividend for the year ended 31 December 2015 of HK$2.7 cents per share (2014: HK$2.5 cents per share) to the Shareholders whose name appear on the register of members of the Company on 17 June 2016, amounting to approximately HK$9,753,000 in total.

Raw material product business – carrying forward the innovation and growth momentum to succeed in transforming from a simplistic raw material producer to a solutions provider

During the year ended 31 December 2015, against the backdrop of the new normal characterized by global economic downturn and change in domestic economy from rapid growth to slow growth, the Group enhanced customer satisfaction through product upgrade and innovation, improved quality, regional development of specialized sales and put great efforts to develop raw material market through innovative marketing methods. During the year ended 31 December 2015, the Group recorded annual sales of approximately RMB396.932 million, representing an increase of approximately 23.9% compared with the corresponding period in 2014.

The Group strived to build a systematic project research and development platform and a product qualification certification system. In terms of the research and development, the fermentation yield of hyaluronic acid ("HA") was further improved and the fermentation technology of hyaluronic acid of the Group continued to maintain its position as one of the major suppliers in the industry. At the same time, the Group developed and obtained certification for a series of HA new materials. Hyacross™, the first HA elastomer in the PRC, and cationHA™, a high-affinity HA, were successfully launched to the market in 2015. MiniHA™, an enzyme oligomeric hyaluronic acid, was recognized as "Shandong Province Famous Brand Product (山東省名牌產品)". Gabarelax™, a new type of food raw materials, was awarded the "2015 Ringier Technology Innovation Award for Functional Ingredient in the Food and Beverage Industry (2015食品飲料工業功能性配料榮格技術創新獎)"; and Gabacare™, an anti-aging new material, was awarded the "2015 Technology Innovation Award for Personal Care and Cosmetic Products in China (2015中國個人護理品及化妝品技術創新獎)". In addition, the research and development of cosmetic new materials such as HA derivative, tremella polysaccharide, polyglutamic acid and extracting solution from plant fermentation made significant progress during the year ended 31 Decmeber 2015.

In terms of international registration, eye drops grade HA obtained South Korean Active Ingredient Registration Certificate and the registration of pharmaceutical grade HA was subject to official review in the European Union, India and Russia, in which, the products with new specifications have applied for registration in the European Union. Food grade HA had completed the re-review of the Kosher and HALLA certification and cosmetic grade HA had completed the re-review of the ECOCERT certification.

During the year ended 31 December 2015, through technological innovation, the Group has enriched its HA product line, which has driven the rapid growth in the sale of raw materials. In personal care product area, the Group may offer raw material products which have wider application and variety, such as HA raw material applied in different molecular weight skin care products, MiniHA™ that is powerful for transdermal absorption, Hyacross™ that functions as skin barriers, Hyacolor™ as cosmetics raw material, CationHA™ as raw material for hair care and facial cleansing. Also, the technical support that the Group has provided to its clients is comprehensive, ranging from product usage to effect evaluation, and such technical support satisfies clients' multi-level needs in product development, thereby energizing the growth of our raw material operation. Medicine grade HA raw/supplementary material product is an area where the Company possesses advantage and remains its core, as well as the major protection for the sustainable growth of raw material operation. Taking advantage of the qualification for production approval of the only fermentation-based HA raw/supplementary material in the PRC at present, the Group continues to maintain its absolutely monopolistic status in domestic medicine grade HA market. In the overseas market expansion, the Group also has substantial room for further development. The Group has currently obtained EU CEP Certificates, US DMF, South Korea KDMF, and Canada DMF Registration No., and has successfully passed the on-site verification conducted by US FDA and South Korea KFDA in succession. With the increased registered regions and rich registration categories, the Group will accelerate the expansion to the overseas market for medicine grade HA. For the year ended 31 December 2015, the Group has successfully followed up with several medicine grade projects in US, Europe and Asia and has reached formal cooperation, which lay a foundation to the subsequent expansion of medicine grade HA.

End product business – enriching product mix while becoming an all-around service provider and a comprehensive solutions platform

During the year ended 31 December 2015, the Group gradually implemented medical aesthetics ecological chain strategy, and introduced a series of products solutions and multi-category products marketing portfolio, which resulted in high growth in the end product business, thereby driving a further increase in the proportion of the end product business in the Group's business. The Group achieved sales revenue of approximately RMB253.936 million in the end product business (including HA end products and others) in 2015, representing an increase of approximately 57.7% compared with the corresponding period in 2014 and accounted for approximately 39% of the total revenue of the Group, up from approximately 33.5% in 2014.

Management's Discussion and Analysis

During the year ended 31 December 2015, the medical aesthetics market in the PRC experienced an overall economic restructuring, which resulted in slower growth of certain large medical institutions due to impact of market changes, as compared to relatively rapid growth of small and medium-sized medical clinics which benefited from the country's new policies such as those regarding doctors' multi-sited license. With approval on more regular products, domestic HA injection filler market has been expanding towards achieving normalization and maturity. By the end of December of 2015, China Food and Drug Administration (CFDA) has approved medical device registration documents for 13 injection filler products among 10 brands. Out of these brands, 5 brands came from developed medical aesthetics markets such as Europe, U.S., Korea and Taiwan. With effective responses to such competition from numerous injection filler brands, the Group maintained its market share of HA injection filler products ("BioHyalux") and recorded healthy sales growth as well. As part of its marketing strategy, the Group showcased to the public facial aesthetics design ideas specific to brands, which, combined with its efforts in catering for the different facial plastics needs from women of all ages, enabled BioHyalux to enter into specific markets. With respect to building of marketing networks, the Company provided custom-made comprehensive services and supports to customers, on account of the bottleneck in the management of its key customers in major cities and leveraging the Group's advantageous resources. In addition, the Company kept abreast of the current pace of HA injection fillers market in the second and third-tier cities, in addition to reasonable allocation of resources, which created a wider range of market opportunities for BioHyalux.

During the year ended 31 December 2015, in term of business promotion for medical aesthetics solutions, the Group has built a leading brand in the domestic medical aesthetics market. Based on the biological activated combined treatment ("BACT"), the Group further introduced a product system with a core of Bio-MESO, which is a treatment system that organically integrated various devices and care products on the basis of their different consumption cycles, with a logical orientation of skin layering concept. An improved training system, accurate market positioning and diverse product mix are key to the successful launch of the Bio-MESO product system. The Bloomage Institute has organized over 500 small-sized product training across the country. By understanding the specific needs of clients and a combination of clinical concepts and business solutions, clients are provided with more effective training, which promotes the recognition of the Group in the industry and their loyalty to the products and services of the Group. In addition, with a main focus on HA+ skin care products for professional repair and maintenance, the Group has fully completed its allocation of products and staff in the dermatology field, and will enter into comprehensive skin business from that of end-product field.

During the year ended 31 December 2015, in terms of the two surgical products, orthopedic use injection ("Hyprojoint") and Medical HA Gel for ophthalmologic use ("Hymois"), the Group participated in the tendering in 17 provinces in the PRC and identified suitable distributors in the key cities in the PRC. The Group also established cooperation relationships with several hospitals in the PRC and made breakthrough in its business.

Research and development innovation is a driving force for the sustainable development of the Group's business. During the year ended 31 December 2015, the Group successfully developed several new products including medical aesthetics nursing products of medical devices nature, built marketing channels and introduced them into the market, the development of a range of HA injection filler products, Bio-Meso products and hemostatic products were in the process of clinical testing. The technological innovation projects in Shandong, "Research and Development of Injection Grade Hyaluronic Fluid" and "Research and Production of HA cavity lubricant" have passed acceptance inspection. The Group has developed more than 60 skin care products for professional repair and maintenance around a philosophy of bio-revitalizing adopting a unique HA production and compounding technique. In terms of registration of end products, the Group has obtained the CE certificate of EU Class III medical devices for the HA injection fluid. BioHyalux and its series products have obtained the certificate of registration in Hong Kong and are also in the process of registration in other countries such as Russia. The Group has obtained the health food certificate of registry for its first health food "Oral HA moisturizing capsule (優活膠囊)" as well as the production permit for its disinfection and sanitation products. These new qualifications, development and market entry of new products, the promotion and application of new technology serve as an on-going technique-side guaranty for prolonging the product chain and promoting itself as a comprehensive solutions platform provider.

Capital operation – consolidating superior resources and fully accelerating the internationalization progress

During the year ended 31 December 2015, the Group made major breakthrough in the internationalization development progress of consolidating the world-leading medical aesthetics products. The Group formed strategic cooperation with Laboratoires Vivacy SAS ("Vivacy"), an European renowned brand of HA injection fillers, and Medytox Inc., a Korean pharmaceutical enterprise, through acquisition of equity interest and establishment of a joint venture company, which will allow the Group to include the world's high-end brands in two core categories of micro-shaping area - HA injection filler and Toxin, greatly enhance the Group's competitiveness and drive the Group's leaping development in the PRC and, in turn, the international medical aesthetics market.

The Company successfully introduced GIC Pte. Ltd ("GIC"), an investment company owned by the government of Singapore, as a significant shareholder on 5 November 2015. As a global leading sovereign wealth fund, GIC has become a shareholder of the Company, thereby improving the shareholder structure and providing sufficient capital support to the Company.

Human resource – the backbone force to implement the strategy

During the year ended 31 December 2015, with the progressive enforcement of multiple product lines allocation, the Group actively solicited high-end talents, particularly the professional marketing, research and development, and management personnel, and built a reserve of highly-qualified talents as well as a ladder for their career development, to ensure the smooth implementation of its long-term strategy. In some emerging business fields, the Group adopts a model of project team management through organic interaction among staff in the research and development, marketing, and sales departments to react quickly to the market dynamics.

Management's Discussion and Analysis

OUTLOOK AND PROSPECTS

In 2016, the Group will continue to focus on its strategy of parallel drives, namely organic growth as well as external mergers and acquisitions by conducting integration and upgrade, together with continuous innovations of its internal business so as to enhance competitiveness, leverage and utilize domestic and overseas renowned medical aesthetics industry resources to provide a wider array of products and solutions with an emphasis on customers' experience, eventually forming a development strategy for the medical aesthetics ecological chain.

Raw material product business- become a personalized and professional consultant solution provider with a global perspective by leveraging on technology and product innovation

Looking ahead to 2016, continuous innovation and development under external support is a crucial means to enhance the competitiveness of the Group. The Group will develop new raw materials with the global perspective in collaboration and communication with domestic and overseas renowned scientific research institutions, industry associations and academic societies to provide its customers with professional and personalized solutions to increase consumers' reliance on products and services of the Group and to improve its competitiveness. The Group will continue to promote new raw materials and new applications in personal care products area so as to increase the sale of cosmetic grade HA. As pharmaceutical grade HA is an important guarantee for high profitability, the Group will endeavor to accelerate the overseas sales of pharmaceutical grade HA to achieve rapid growth in raw material business.

End product business- improve customer's experience and take advantage of the platform of multiple brands and multiple products portfolio to achieve the goal of the medical aesthetics ecological chain

The vast market demand for plastic surgery in the PRC has further stimulated the development of this industry and created more subtle demand for the service provided by the industry participants. In 2016, the Group will continue to provide more accurate services and more product portfolio solutions to the customers and consumers by taking advantage of the platform of multiple product lines and multiple brands based on their respective clinical and market values.

With respect to the Group's core end product -HA injection filler, the Group is going to launch more category of products and more brands, and the Group's self-developed products containing Lidocaine and Vivacy products are expected to obtain CFDA registration certificate in 2016. As the medical aesthetics market matures, the decision on consumption rests with the consumers themselves instead of the experts such as doctors who controlled the prescription in the past. In response to this market trend, the Group in collaboration with medical aesthetics institutions will foster consumer education and brand concepts cultivation by focusing more on the demand and perception of consumers to establish a loyal consumer group under the brand of "BioHyalux".

In 2016, in addition to promotion, the Group will subdivide each subitem under the BACT business to provide a full package service by combining means of skin treatment at various levels, such as injection micro-shaping, photoelectric treatment device, micro-needle therapy and medical skincare products according to customer's specific needs, and to provide medical institutions and consumers with the most suitable skin aesthetics services with the support of strong training and well-established sales system of the Bloomage Institute. With respect to new growth driver, skin health products, the Group will provide consumers with various levels of solutions to skin problems through penetration of and injection to the skin at various physiological levels by utilizing different devices, complemented with our self-developed consumables and HA+ skin care products, thereby gaining the market initiative in this vast skin business and eventually leading the skin health market.

In 2016, the Group will continue to seek the global resource integration, enhance research and development and registration, constantly improve the product system and strive to accurately position the products to accelerate the business integration and upgrade of the Group.

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 31 December 2015 was approximately RMB650.868 million, representing an increase of approximately 35.2% or approximately RMB169.567 million as compared to the corresponding period of 2014.

The breakdown of the Group's revenue by products was as follows:

	For the year ended 31 December			
	2015		2014	
	RMB'000	**%**	*RMB'000*	%
HA raw materials	**396,932**	**61.0**	320,286	66.5
HA end products	**243,360**	**37.4**	160,012	33.3
Others	**10,576**	**1.6**	1,003	0.2
Total	**650,868**	**100.0**	481,301	100.0

Cost of sales

Cost of sales for the year ended 31 December 2015 was approximately RMB163.629 million, representing an increase of approximately 54.5% as compared to approximately RMB105.904 million for the corresponding period of 2014. The increase was mainly due to the increase of sales volume.

Gross profit margin

The Group's gross profit margin for the year ended 31 December 2015 slightly decreased to approximately 74.9% from approximately 78.0% in the year ended 31 December 2014. The decrease was mainly due to an increase in product categories and the decrease of average selling prices.

Other revenue

Other revenue of the Group was approximately RMB15.799 million for the year ended 31 December 2015, representing an increase of 21.7% from approximately RMB12.979 million for the year ended 31 December 2014.

Distribution costs

The Group's distribution costs for the year ended 31 December 2015 were approximately RMB107.070 million, representing an increase of approximately 43.4% from approximately RMB74.646 million for the year ended 31 December 2014. The increase was mainly attributable to the combined effect of the increase in amortisation expense of intangible assets related to the exclusive distribution agreements for the distribution of Vivacy's products in certain countries in Asia-Pacific region and increase in marketing costs of HA end products, which is in line with the Group's strategy on promotion enhancement and business development. The amortisation expenses of intangible assets included in the distritubion costs for the year ended 31 December 2015 were approximately RMB9.557 million (2014: approximately nil).

Administrative expenses

The Group's administrative expenses for the year ended 31 December 2015 were approximately RMB141.910 million, representing an increase of approximately 36.3% from approximately RMB104.128 million for the year ended 31 December 2014. The increase in administrative expenses was mainly due to the increase in staff costs as a result of increase in the number of staff and higher intermediary costs derived from capital market activities such as acquisitions and financing. The non-cash equity-settled share-based payment expenses included in the administrative expenses for the year ended 31 December 2015 were approximately RMB26.538 million (2014: approximately RMB26.549 million).

Other operating income

The Group's other operating income for the year ended 31 December 2015 were approximately RMB0.569 million, representing an increase of approximately RMB2.433 million from approximately RMB1.864 million of other operating expenses for the year ended 31 December 2014.

Finance costs

The Group's finance costs for the year ended 31 December 2015 were approximately RMB16.727 million, representing an increase of approximately 73.9% from approximately RMB9.617 million for the year ended 31 December 2014. The Group's finance costs includes the dividends on the preferred shares, interest on bank loans and interest on convertible bonds.

Profit for the year

The Group's profit for the year ended 31 December 2015 was approximately RMB190.395 million, representing an increase of approximately 17.5% from approximately RMB162.066 million for the year ended 31 December 2014. The non-cash equity-settled share-based payment expenses, amortisation expenses of intangible assets and interest expenses on bank loans and convertible bonds of the Group were approximately RMB26.538 million (2014: RMB26.549 million), RMB9.905 million (2014: RMB0.220 million) and RMB8.202 million (2014: RMB0.735 million) respectively, excluding the effect of the above expenses, the Group's profit for the year ended 31 December 2015 was approximately RMB235.040 million (2014: RMB189.570 million), representing an increase of 24.0%.

Final dividend

The Board proposed the payment of a final dividend of HK$2.7 cents (2014: HK$2.5 cents) per share for the year ended 31 December 2015 to the Shareholders whose names appear on the register of members of the Company on 17 June 2016. Subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company to be held on Monday, 6 June 2016. (the "AGM"), it is expected that the final dividend will be paid on or around Friday, 15 July 2016.

Purchase, sale or redemption of the Company's listed securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2015.

Closure of register of members

The transfer books and register of members of the Company will be closed from 2 June 2016 to 6 June 2016 (both days inclusive) for the purpose of ascertaining Shareholders' entitlement to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 1 June 2016. In addition, the transfer books and register of members of the Company will be closed from 15 June 2016 to 17 June 2016 (both days inclusive) for the purpose of ascertaining Shareholders' entitlement to the proposed final dividend (if approved at the AGM). In order to qualify for the proposed final dividend (if approved at the AGM), all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at the above-mentioned address for registration no later than 4:30 p.m. on Tuesday, 14 June 2016. During such periods, no share transfers will be effected.

Liquidity, capital structure and financial resources

As at 31 December 2015, the Group had current assets of approximately RMB1,275.516 million (2014: approximately RMB516.397 million) and current liabilities of approximately RMB624.100 million (2014: approximately RMB160.654 million). The current ratio of the Group as at 31 December 2015 was approximately 204.4% (2014: approximately 321.4%).

As at 31 December 2015, the Group had cash and cash equivalents of approximately RMB651.050 million (2014: approximately RMB187.840 million), of which approximately 10% (2014: approximately 87%) was denominated in RMB, approximately 4% (2014: approximately 6%) in HKD, approximately 84% (2014: approximately 7%) in United States Dollars ("USD"), approximately 1% (2014: approximately 0%) in Euro and approximately 1% (2014: approximately 0%) in Japanese Yen ("JPY").

Total liabilities of the Group amounted to approximately RMB1,007.214 million (2014: approximately RMB212.937 million) as at 31 December 2015.

As at 31 December 2015, the Group's total bank borrowing was RMB472.873 million (31 December 2014: nil).

As at 31 December 2015, the gearing ratio (calculated by dividing total liabilities by total assets) of the Group was approximately 45.8% (2014: approximately 22.1%). The increase in gearing ratio as at 31 December 2015 as compared to that as at 31 December 2014 was principally attributable to issuance of convertible bonds and increase of bank loans in connection with the acquisition of interest in Vivacy.

Net cash generated from operating activities for the year ended 31 December 2015 was approximately RMB159.161 million (2014: approximately RMB137.473 million).

Net cash used in investing activities for the year ended 31 December 2015 was approximately RMB681.733 million (2014: approximately RMB71.422 million), mainly representing the expenditure for the purchase of equipments and intangible assets and payments for the acquisition of interest in associates.

Net cash generated from financing activities for the year ended 31 December 2015 was approximately RMB975.264 million (2014: net cash outflow of approximately RMB47.673 million), mainly representing the increase of bank loans and issuance of new shares and convertible bonds.

The Board is of the opinion that the Group is in a strong and healthy financial position and has sufficient resources to support its operations and meet its foreseeable capital expenditures.

Treasury Policy

It is the Group's treasury management policy not to engage in any highly leveraged or speculative derivative products. During the year ended 31 December 2015, the Group continued to adopt a conservative approach to financial risk management. Most of the assets, receipts and payments of the Group are denominated in RMB.

Exchange risk exposure

The Group's sales were principally made in RMB, USD, HKD and Euro, with the majority of which was denominated in RMB. The Group's secured bank loans at 31 December 2015 was denominated in Euro and USD. Although the Group may be exposed to foreign currency exchange risks, the Board does not expect future currency fluctuations (other than the fluctuations of Euro and USD) to have a material impact on the Group's operations. The Group had not adopted formal hedging policies and no instruments had been applied for foreign currency hedging purposes during the year ended 31 December 2015. The Group will closely monitor the foreign exchange risk and take appropriate measures when needed to address the risk.

Contingent liabilities

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

Capital commitment

As at 31 December 2015, the capital commitment of the Group was approximately RMB8.000 million (2014: approximately RMB6.190 million).

Employee information

As at 31 December 2015, the Group had 717 (2014: 568) employees, the majority of whom were stationed in the PRC. Total remuneration for the year ended 31 December 2015 amounted to approximately RMB132.877 million (2014: approximately RMB98.636 million). The Group adopts a competitive remuneration package for its employees. Promotion and salary increments are assessed on a performance-related basis.

Charge on assets

As at 31 December 2015, the Group has pledged bank deposit of RMB255.000 million, property, plant and equipment of RMB200.270 million and lease prepayments of RMB59.161 million for issuance of letters of guarantee issued by a PRC bank that in turn secure the bank loans.

Significant investment, material acquisitions and disposal of subsidiaries and associated companies

Save as disclosed below, during the year ended 31 December 2015, there was no significant investment, material acquisition and disposal of subsidiaries and associated companies by the Group.

Acquisition of 37.32% of Issued Share Capital of V Plus SA ("V Plus")

On 26 May 2015, the Company (as purchaser) entered into a sale and purchase agreement (the "Sale and Purchase Agreement") with an individual (holding 858,304 shares of V Plus, representing approximately 55.02% of its entire issued share capital) (the "Major Shareholder") and two individuals (in aggregate holding 241,000 shares of V Plus, representing approximately 15.45% of its entire issued share capital) (together with the Major Shareholders, collectively, the "Vendors"), pursuant to which the Company agreed to purchase and the Vendors agreed to sell at a consideration of EUR59,000,000 (subject to adjustment based on the Sale and Purchase Agreement) the 582,192 shares of V Plus (of which 507,232 shares to be sold by the Major Shareholder and 74,960 shares in aggregate to be sold by the two other individuals, representing 37.32% of the issued shares of V Plus, which in turn holds 15,613 shares of Laboratoires Vivacy SAS ("Vivacy") (representing 89.51% of the issued share capital of Vivacy). Vivacy is a privately held company based in France with limited liability. The acquisition of the relevant shares in V Plus was completed on 15 July 2015. For details of this acquisition, please refer to the announcement of the Company dated 26 May 2015, 28 May 2015 and 15 July 2015.

Issue of convertible bonds and new Shares under general mandate

On 5 November 2015, the Company and Ora Investment Pte. Ltd. (the "Investor") entered into a subscription agreement, pursuant to which the Company conditionally agreed to issue and the Investor conditionally agreed to subscribe for (i) the convertible bonds in the aggregate principal amount of HK$465,000,000, which may be converted to 27,034,883 new Shares based on the conversion price of HK$17.20 per conversion share; and (ii) 16,145,834 new Shares (the "Subscription Shares") at the aggregate consideration of HK$ 193,750,008, being the subscription price of HK$12.00 per Subscription Share multiplied by the number of Subscription Shares.

The subscription price of HK$12.00 per Subscription Share represents (i) a discount of approximately 13.42% to the closing price of HK$13.86 per Share as quoted on the Stock Exchange on 4 November 2015, being the last trading day immediately prior to the date of the subscription agreement; (ii) a discount of approximately 13.04% to the average closing price of approximately HK$13.80 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the subscription agreement; (iii) a discount of approximately 13.23% to the average closing price of approximately HK$13.83 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to the date of the subscription agreement; and (iv) a discount of approximately 6.90% to the average closing price of approximately HK$12.89 per Share as quoted on the Stock Exchange for the last thirty consecutive trading days immediately prior to the date of the subscription agreement. The net subscription price (after deduction of all relevant costs and expenses) was approximately HK$11.89 per Share. Completion of the subscription took place on 20 November 2015.

The net proceeds from the subscription are approximately HK$652.7 million. As at 31 December 2015, the Group has utilised a portion of the net proceeds in the manner consistent with the intended use (i.e. for financing potential mergers and acquisitions, capital expenditures and for working capital and general corporate purposes).

The Investor is a private limited company organised and existing under the laws of Singapore. It is an investment vehicle managed by GIC's private equity and infrastructure group. GIC is one of the world's leading sovereign wealth funds established in 1981 to manage Singapore's foreign reserves. The Directors considered that, the subscription will provide adequate financial support to the Company's business development and the achievement of its strategic objectives, and strengthen the cash flow. Also, through introducing the investment from GIC, it would optimize the shareholder structure in a better way and improve the corporate governance standards. The extensive global resources and professional operating experience of GIC will also help to further promote the Company's international operations, which will enable the Company to achieve sustainable and scalable growth and create greater value for its shareholders.

Details of the subscription are set out in Note 27 and 31 to the financial statements.

DIRECTORS

The Board comprises eight Directors, among whom there are four executive Directors, one non-executive Director and three independent non-executive Directors.

EXECUTIVE DIRECTORS

Ms. Zhao Yan, aged 49, is the chairman and an executive Director. Ms. Zhao is the director of several subsidiaries of the Company. Ms. Zhao graduated with a bachelor's degree in science with major in biology from the East China Normal University (華東師範大學) in 1986 and completed an international MBA program organized by the China Center for Economic Research at Peking University from 2000 to 2002, and was awarded a master degree of business administration by Fordham University of the US in 2002. Ms. Zhao started her business from 1989 and had engaged in various sectors, including real estate development, culture and sports, biotechnology, investment and management. She has over 26 years of experience in investment and management. Presently, Ms. Zhao is also the chairman of Bloomage International Investments Group Inc. ("Bloomage International"). Ms. Zhao is the sole director and shareholder of AIM First Investments Limited which holds approximately 50.5% of the shares of the Company as at the date of this annual report.

Mr. Jin Xuekun, aged 51, is an executive Director and the chief executive officer of the Company. Mr. Jin is the director of several subsidiaries of the Company and the general manager of Beijing Bloomage Hyinc Technology Company Limited ("Beijing Bloomage Hyinc"). Mr. Jin obtained from Fordham University a master's degree of Business Administration in 2002. Before joining the Group, Mr. Jin served as the general manager of the PRC division of Esaote (Shenzhen) Medical Equipment Co., Ltd., with profound understanding in the corporate strategic management, innovation of business model, and in fostering corporate culture. Mr. Jin also previously worked in various large international medical instrument groups. Mr. Jin has over 20 years' experience in the sales and marketing of international medical instruments in the PRC. Mr. Jin is fully responsible for the Group's business planning and operations management. Mr. Jin had been an independent non-executive Director from 18 June 2012 to 29 October 2013.

Ms. Liu Aihua, aged 53, is an executive Director and the chief operating officer of the Company. She had been the chief executive officer of the Company from 18 June 2012 until 20 December 2013, and had been the general manager of Bloomage Freda Biopharmaceutical Co., Ltd. ("Bloomage Biopharm") and Shandong Bloomage Hyinc Biopharm Company Limited ("Shandong Bloomage Hyinc") and resigned in January 2016 and March 2016 respectively. Ms. Liu graduated from the pharmaceutical department of Shenyang Pharmaceutical University in 1983 with a bachelor's degree in science. Ms. Liu had worked for Jinan Yongning Pharmaceutical Ltd. during the period between August 1983 and July 1998 and was responsible for research and technical management. Before joining the Group, Ms. Liu was the vice-president of Biopharmaceuticals Research Institute during the period between August 1998 and December 2001. Ms. Liu has over 30 years' experience in both of pharmaceutical research and management. Ms. Liu is the director of several subsidiaries of the Company. She joined the Group in January 2002.

Biography of Directors and Senior Management

Ms. Wang Aihua, aged 37, is an executive Director. She graduated from Yanshan University (燕山大學) (formerly known as The Northeast Heavy Machinery Institute (東北重型機械學院)) in 1999 with a bachelor's degree in economic major in international economic and trading. She further obtained a master of business administration degree from Yanshan University in 2004 with a major in the management science and engineering from 2001 to 2004. Ms. Wang worked as an analyst for Golden Credit Rating International Co., Ltd. and was responsible for analysis and assessment of company solvency and major loan projects. She is responsible for the office operation of the Board and capital management of the Group. Ms. Wang is the director of several subsidiaries of the Company. She joined the Group in December 2008.

NON-EXECUTIVE DIRECTORS AND COMPANY SECRETARY

Mr. Yau Wai Yan, aged 40, is a non-executive Director and the company secretary of the Company appointed on 18 January 2016. Mr. Yau is an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Yau graduated from the Hong Kong University of Science and Technology with a bachelor's degree in professional accounting. Prior to joining the Company, Mr. Yau had worked for an international accounting firm for over 10 years. Mr. Yau is the financial controller, the authorised representative of the Company and is a director of a subsidiary of the Company.

Mr. Guo Jiajun (Song), aged 40, was a non-executive Director of the Company and resigned on 18 January 2016. He had been an executive Director and the chief executive officer of the Company. He graduated from Shandong University at Weihai (山東大學威海分校) in 1998 with a bachelor's degree in science major in electronics and information systems and completed an international MBA program organized by the China Center for Economic Research at Peking University from 2005 to 2008, and was awarded a master degree of business administration by Fordham University of the US in 2008. He is the vice general manager of Bloomage International. Mr. Guo is responsible for supervising the performance of the Group and advising on its development plan. Mr. Guo joined the Group in March 2006.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Zhan Lili, aged 43, is an independent non-executive Director. She completed her studies in business administration at the Faculty of Business Administration of Capital University of Economics and Business in 2003. Ms. Zhan was an assistant to the General Manager of Tomson (Shanghai) Company Limited (湯臣高爾夫 (上海) 有限公司) from 2000 to 2001, worked in the human resource department of the Beijing branch of Industrial Bank Co., Ltd. (興業銀行) from 2003 to 2007 and has been a president assistant of Beijing Hai Dian Science & Technology Development Co., Ltd. (北京海澱科技發展有限公司), a company engaged in electronics and information technology, environmental protection materials, property development and e-business, from 2007 to 2015.

Mr. Li Junhong, aged 49, is an independent non-executive Director. He graduated from Central University of Finance and Economics (中央財經大學) with a Bachelor's degree in accounting in 1989. He obtained a Master of Business Administration from Fordham University in 2002. He is also a member of The Chinese Institute of Certified Public Accountants. From January 2008 to December 2008, Mr. Li had been an executive director of Hong Kong Life Sciences and Technologies Group Ltd. (香港生命科學技術集團有限公司) (formerly known as Zmay Holdings Limited and New Chinese Medicine Holdings Limited) (stock code: 8085), a company listed on the Growth Enterprise Market of SEHK. He has over 20 years of experience in auditing, accounting, merger and acquisition consultancy and management consultancy with local accountants firms and private companies. He was a partner in Beijing Tianhua CPAs (北京天華會計師事務所).

Mr. Xue Zhaofeng, aged 48, was appointed as an independent non-executive Director on 18 January 2016. He holds a doctorate of philosophy (PhD) in economics from George Mason University and was a postdoctoral fellow at School of Law, Northwestern University in the United States from 2008 to 2010. Mr. Xue is currently a professor at National School of Development and a co-director of the Institute for Law and Economics, Peking University. In 2006, Mr. Xue was awarded the title of "Youth of the Year" by Southern People Magazine. Mr. Xue is a member of "Information Society 50 Forum" (信息社會50人論壇), a co-founding member of "Micro-Finance 50 Forum" (微金融50人論壇) and the invited-economist of Alibaba Inc.. Mr. Xue is also the author of various books, including "Global Trend: The Modularized Innovation and the New Opportunity of China" (《全球風口—積木式創新與中國新機會》), "Common Sense in Economics" (《經濟學通識》) and "Commerce without Frontiers: The Economics Revolution in Antitrust" (《商業無邊界—反壟斷法的經濟學革命》).

Mr. Hai Wen, aged 63, was an independent non-executive Director of the Company and resigned on 18 January 2016. He graduated from Peking University with a Bachelor's degree in economics in 1982. He obtained a doctorate degree in Economics from the University of California, Davis in 1991. He is a professor in Economics and doctoral supervisor of Peking University and currently serves as the deputy director of the University Council of Peking University (北京大學校務委員會) and the dean of the HSBC Business School of Peking University (北京大學滙豐商學院). He had been a permanent deputy director of The China Center for Economic Research at Peking University (北京大學中國經濟研究中心), vice principal of Peking University and the dean of the Shenzhen Graduate School of Peking University (北京大學深圳研究生院). Mr. Hai had compiled and translated more than ten books on economics and has won several awards in the fields of economics and education. Mr. Hai is an independent director of China Vanke Co., Ltd., a company listed on Shenzhen Stock Exchange (stock code: 000002) and the Main Board of The Stock Exchange of Hong Kong Limited ("SEHK") (stock code: 2202)

SENIOR MANAGEMENT

Apart from the Directors, the senior management of the Group includes:

Mr. Gong Anmin, aged 50, was appointed as the chief financial officer of the Company in January 2014. Mr. Gong is also the general manager of Bloomage Biopharm and Shandong Bloomage Hyinc. Mr. Gong graduated with a bachelor's degree in economics from the Central University of Finance and Economics in 1988 and completed an international MBA program organized by the China Center for Economic Research at Peking University from 2000 to 2002, and was awarded a master degree of business administration by Fordham University of the US in 2002. He had worked in several large state-owned enterprises and foreign enterprises for years, and thus had extensive experience in financial management and corporate governance.

Biography of Directors and Senior Management

Mr. Guo Xueping, aged 51, is the vice general manager and a director of Bloomage Biopharm. Mr. Guo graduated from Shandong University (山東大學), majoring in pharmacy, microbiology and biochemical pharamcy, and was awarded a Ph.D. Mr. Guo worked for Biopharmaceuticals Research Institute for 10 years before joining the Group in January 2000. Mr. Guo obtained the National Technology Advancement Third-Class Award awarded by the National Technology Committee (國家科學技術委員會) (which has been renamed as 科學技術部 ("The Ministry of Science and Technology")), an independent third party, in 1995 for his research in the production of injection grade hyaluronic acid, the Great Achievement Award of the "Ninth five-years" National Key Technology Tackle Project in 2001 jointly organized by the Ministry of Science and Technology (科學技術部), Ministry of Finance (財政部), National Development and Planning Committee (國家發展計劃委員會) and State Economic and Trading Committee (國家經濟及貿易委員會), all being independent third parties, for his research in "the production of hyaluronic acid pharmaceuticals by fermentation", and obtained the Wu Jie Ping Medical Research Award, Paul Janssen Pharmaceutical Research Award–Medical Production Third Class Award (吳階平醫學研究獎一保羅•楊森藥學研究獎製藥工程專業三等獎) in 2002, which is an award established by International Health Exchange and Cooperation Centre of Ministry of Health (衛生部國際交流與合作中心) and a pharmaceutical enterprise to award the medical and pharmaceutical researches in the PRC, both being independent third parties.

Mr. Wang Chunxi, aged 48, is the vice general manager of Bloomage Biopharm. Mr. Wang graduated from East China University of Science & Technology (華東化工學院) with a bachelor's degree in engineering major in biochemistry engineering. Mr. Wang worked for the Biopharmaceuticals Research Institute for 10 years. He joined the Group in January 2000.

Mr. Luan Yihong, aged 52, is the vice general manager of Bloomage Biopharm. Mr. Luan graduated from Shandong University (山東大學) with a master's degree in microbiology and biochemical pharmacy. He was awarded the Scientific and Technological Advancement Award in Shandong Province, the PRC. Mr. Luan has nearly 30 years' experience in pharmaceutical production process and quality control of medicine. He joined the Group in 2004.

Ms. Xu Guixin, aged 43, is the vice general manager of Bloomage Biopharm. Ms. Xu graduated from Shandong University (山東大學) with a bachelor's degree in Biology. Ms. Xu has nearly 20 years' experience in pharmaceutical sales. She joined the Group in January 2000 and is a director of a subsidiary of the Company.

Mr. Hu Ning, aged 45, is the vice general manager of Beijing Bloomage Hyinc. Mr. Hu graduated from the University of Nottingham in England with a master degree in operation management. He had worked in multinational companies and state-owned enterprises with over 20 years' working experience in marketing, products and channel operation. He joined the Group in 2014.

The Directors herein present to the shareholders the audited financial statements of the Company and its subsidiaries for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company during the year ended 31 December 2015 was investment holding and those of the subsidiaries are set out in Note 15 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year ended 31 December 2015.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of profit or loss and other comprehensive income on page 57.

Subject to the approval by the shareholders of the Company at the AGM, the Directors recommended the payment of a final dividend of HK$2.7 cents for the year ended 31 December 2015 to shareholders whose names appear on the register of members of the Company on 17 June 2016, amounting to approximately HK$9,753,000 in aggregate.

CLOSURE OF REGISTER OF MEMBERS

The transfer books and register of members of the Company will be closed from 2 June 2016 to 6 June 2016 (both days inclusive) for the purpose of ascertaining shareholders' entitlement to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 1 June 2016. In addition, the transfer books and register of members of the Company will be closed from 15 June 2016 to 17 June 2016 (both days inclusive) for the purpose of ascertaining shareholders' entitlement to the proposed final dividend (if approved at the AGM). In order to qualify for the proposed final dividend (if approved at the AGM), all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, for registration no later than 4:30 p.m. on 14 June 2016. During such periods, no share transfers will be effected.

Report of the Directors

GROUP FINANCIAL SUMMARY

The summary of the results of the Group for each of the five years ended 31 December 2015 and the assets and liabilities of the Group as at 31 December 2011, 2012, 2013, 2014 and 2015 are set out on page 148.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year ended 31 December 2015 are set out in Note 11 to the financial statements.

SIGNIFICANT CHANGE IN CONSTRUCTION IN PROGRESS

Details of the movements in the Group's construction in progress during the year ended 31 December 2015 are set out in Note 12 to the financial statements.

SHARE CAPITAL

Details of the movements in the Company's share capital during the year ended 31 December 2015 are set out in Note 31(c) to the financial statements.

RESERVES

Details of movements in reserves of the Group and the Company during the year ended 31 December 2015 are set out in the consolidated statement of changes in equity and Note 31(a) to the financial statements, respectively.

EMOLUMENT POLICY

A remuneration committee is 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 and comparable market practices. The remunerations of the Directors are determined with reference to the economic situation, the market condition, the responsibilities and duties assumed by each Director as well as their individual performance.

The Company has adopted a share option scheme as incentive to Directors and eligible employees, details of the scheme are set out in the paragraph headed "Share Option Scheme" below.

REMUNERATION OF DIRECTORS, KEY MANAGEMENT AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors, the key management and the top five highest paid individuals of the Group are set out in Notes 8 , 34(c) and 9 to the financial statements.

The emoluments of the five individuals (which include members of the key management) with the highest emoluments are within the following bands:

	2015	2014
HKD 1,000,001 ~ HKD 1,500,000	**2**	—
HKD 1,500,001 ~ HKD 2,000,000	**2**	3
HKD 2,000,001 ~ HKD 2,500,000	**—**	1
HKD 30,500,001 ~ HKD 31,000,000	**—**	1
HKD 34,500,001 ~ HKD 35,000,000	**1**	—

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in this annual report, there are no contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest subsisted at the end of the year or at any time during the year ended 31 December 2015.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors who held office during the year ended 31 December 2015 were:

Executive Directors:

Ms. Zhao Yan *(Chairman)*
Mr. Jin Xuekun *(Chief Executive Officer)*
Ms. Liu Aihua
Ms. Wang Aihua

Non-executive Director:

Mr. Guo Jiajun *(resigned on 18 Jaunary 2016)*

Report of the Directors

Independent non-executive Directors:

Ms. Zhan Lili
Mr. Hai Wen *(resigned on 18 Jaunary 2016)*
Mr. Li Junhong

Each of Mr. Jin Xuekun, Ms. Wang Aihua, Mr. Yau Wai Yan and Mr. Xue Zhaofeng will retire at the AGM and, all of them being eligible, will offer themselves for re-election at the said meeting.

The Company has received annual confirmations of independence from Ms. Zhan Lili, Mr. Junhong and Mr. Xue Zhaofeng, all being independent non-executive Directors and as at the date of this annual report still considers them to be independent.

Each of Ms. Zhao Yan and Ms. Liu Aihua has entered into a service contract for a term commencing from 18 June 2015 to the 2017 annual general meeting to be convened in 2018. Mr. Jin Xuekun has entered into a service contract for a term commencing from 29 October 2013 to the 2015 annual general meeting to be convened in 2016. Ms. Wang Aihua has entered into a service contract for a term commencing from 28 May 2014 to the 2015 annual general meeting to be convened in 2016. Each of the executive Directors and the Company may terminate the appointment by giving the other party not less than three months' prior notice in writing. Mr. Yau Wai Yan has entered into a service contract for a term of three years commencing from 18 January 2016. Mr. Yau Wai Yan and the Company may terminate the appointment by giving the other party not less than one months' prior notice in writing. Ms. Zhan Lili has entered into a service contract for a term commencing from 18 June 2015 to the 2016 annual general meeting to be convened in 2017. Mr. Li Junhong has entered into a service contract for a term commencing from 28 February 2015 to the 2016 annual general meeting to be convened in 2017. Mr. Xue Zhaofeng has entered into a service contract for a term of three years commencing from 18 January 2016. Each of the independent non-executive Directors and the Company may terminate the appointment at any time during the term by giving the other party at least one month's notice in writing.

Save as disclosed above, no Director proposed for re-election at the AGM has a service contract with the Company, which is not determinable by the Company within one year without payment other than statutory compensation.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management are set out on pages 23 to 26 of this annual report.

SHARE OPTION SCHEME

In order to attract and retain the eligible persons, to provide additional incentive to them and to promote the success of the business of the Group, the Company conditionally adopted a share option scheme (the"Scheme") on 3 September 2008 whereby the Board is authorised, at their absolute discretion and subject to the terms of the Scheme, to grant options to subscribe the shares of the Company (the "Shares") to, inter alia, any employees (full-time or part-time), directors, consultants and advisers or any substantial shareholder, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group. The Scheme became unconditional on 3 October 2008 and shall be valid and effective for a period of ten years commencing on 3 September 2008, subject to the early termination provisions contained in the Scheme.

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HKD1.00. The subscription price of a Share in respect of any particular option granted under the Scheme shall be solely determined by the Board and notified to a participant and shall be at least the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option.

The Company shall be entitled to issue options, provided that the total number of shares which may be issued upon exercise of all options to be granted under the Scheme does not exceed 31,200,000 which is equivalent to 10% of the Shares in issue on the date of listing of the Shares on the Stock Exchange. The Company may at any time refresh such limit, subject to the shareholders' approval and issue of a circular in compliance with the Listing Rules, provided that the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under all the share option schemes of the Company does not exceed 30% of the shares in issue at the time.

On 24 December 2012, 12,480,000 share options to subscribe for up to a total of 12,480,000 Shares were granted to certain grantees under the Scheme and each share option shall entitle the holder to subscribe for one Share at the exercise price of HKD4.422 per Share. 50% of the share options may be exercised within the period from 25 December 2013 to 24 December 2017 and the remaining 50% of the share options may be exercised within the period from 25 December 2014 to 24 December 2017. Details of the grant of share options are set out in the announcement of the Company dated 24 December 2012.

In addition, on 29 October 2013, 3,320,000 share options to subscribe for a total of 3,320,000 Shares were granted to certain employees of the Company under the Scheme and each share option shall entitle the holder to subscribe for one Share at the exercise price of HKD16.652 per Share, provided that all share options would become exercisable on the condition that the performance target for the relevant period has been achieved. 25% of the share options may be exercised within the period from 30 October 2014 to 29 October 2018, 25% of the share options may be exercised within the period from 30 October 2015 to 29 October 2018, 25% of the share options may be exercised within the period from 30 October 2016 to 29 October 2018, and the remaining 25% of the share options may be exercised within the period from 30 October 2017 to 29 October 2018. Details of the grant of share options are set out in the announcement of the Company dated 29 October 2013.

Furthermore, on 29 October 2013, 6,640,000 share options to subscribe for a total of 6,640,000 Shares were granted to Mr. Jin Xuekun under the Scheme and each share option shall entitle Mr. Jin to subscribe for one Share at the exercise price of HKD16.652 per Share, provided that all share options would become exercisable on the condition that the performance target for the relevant period has been achieved. 25% of the share options may be exercised within the period from 23 December 2014 to 22 December 2018, 25% of the share options may be exercised within the period from 23 December 2015 to 22 December 2018, 25% of the share options may be exercised within the period from 23 December 2016 to 22 December 2018, and the remaining 25% of the share options may be exercised within the period from 23 December 2017 to 22 December 2018. Details of the grant of share options are set out in the announcement of the Company dated 29 October 2013.

Apart from the share options granted on 24 December 2012 and 29 October 2013 as mentioned above, the total number of securities available for issue under the Scheme as at the date of this annual report was 8,760,000 Shares which represented approximately 2.43% of the issued share capital of the Company as at the date of this annual report. The total number of Shares issued and to be issued upon exercise of options granted to any grantee (including both exercised and outstanding options) under the Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue.

An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

The status of the share options granted up to 31 December 2015 is as follows:

Name and category of participant	As at 1 January 2015	Granted during the year	Cancelled/ lapsed during the year	Exercised during the year	As at 31 December 2015	Date of grant of share options	Vesting period of share options*	End of exercise period	Share price of the Company as at the date of grant of share options
	Number of unlisted share options								*HKD per share*
Directors									
Liu Aihua	2,190,000	–	–	–	2,190,000	24 December 2012	50%: 24 December 2012 to 24 December 2013 50%: 24 December 2012 to 24 December 2014	24 December 2017	4.3
Wang Aihua	680,000	–	–	–	680,000	24 December 2012	50%: 24 December 2012 to 24 December 2013 50%: 24 December 2012 to 24 December 2014	24 December 2017	4.3
Guo Jiajun	700,000	–	–	–	700,000	24 December 2012	50%: 24 December 2012 to 24 December 2013 50%: 24 December 2012 to 24 December 2014	24 December 2017	4.3
Jin Xuekun	310,000	–	–	–	310,000	24 December 2012	50%: 24 December 2012 to 24 December 2013 50%: 24 December 2012 to 24 December 2014	24 December 2017	4.3
	6,640,000	–	–	–	6,640,000	29 October 2013	25%: 23 December 2013 to 22 December 2014 25%: 23 December 2013 to 22 December 2015 25%: 23 December 2013 to 22 December 2016 25%: 23 December 2013 to 22 December 2017	22 December 2018	15.8

Name and category of participant	As at 1 January 2015	Granted during the year	Cancelled/ lapsed during the year	Exercised during the year	As at 31 December 2015	Date of grant of share options	Vesting period of share options*	End of exercise period	Share price of the Company as at the date of grant of share options
	Number of unlisted share options								*HKD per share*
Other employees	7,476,000	–	–	2,050,000	5,426,000	24 December 2012	50%: 24 December 2012 to 24 December 2013 50%: 24 December 2012 to 24 December 2014	24 December 2017	4.3
	3,320,000	–	–	–	3,320,000	29 October 2013	25%: 29 October 2013 to 29 October 2014 25%: 29 October 2013 to 29 October 2015 25%: 29 October 2013 to 29 October 2016 25%: 29 October 2013 to 29 October 2017	29 October 2018	15.8
Total	21,316,000	–	–	2,050,000	19,266,000				

Notes to the table of share options outstanding during the year:

* The vesting period of the share options is from the date of grant until the commencement of the exercise period. Such share options will only become vested upon expiry of the relevant vesting period.

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

As at 31 December 2015, the interests and short positions of the Directors and/or chief executive of the Company in any shares (the "Shares"), underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which require notification pursuant to Divisions 7 and 8 of Part XV of the SFO, or which are required, pursuant to Section 352 of the Part XV of the SFO, to be entered in the register kept by the Company, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(i) Interests and short positions in Shares and underlying Shares

Name of Director	Nature of interest	Number of Shares/underlying Shares held/ interested	Approximate percentage of issued share capital of the Company
Ms. Zhao Yan	Interest of a controlled corporation *(Note 2 and 6)*	182,520,000(L)	51.95%
		9,960,000(L)	2.84%
		9,960,000(S)	2.84%
	Beneficial owner	1,200,000(L)	0.34%
Ms. Liu Aihua	Interest of a controlled corporation *(Note 3)*	4,544,000(L)	1.29%
	Beneficial owner *(Note 4)*	2,190,000(L)	0.62%
Mr. Guo Jiajun	Beneficial owner *(Note 4)*	700,000(L)	0.20%
Ms. Wang Aihua	Beneficial owner *(Note 4 and 7)*	922,188(L)	0.26%
Mr. Jin Xuekun	Interest of a controlled corporation *(Note 5 and 6)*	16,600,000(L)	4.73%
		9,960,000(L)	2.84%
		9,960,000(S)	2.84%
	Beneficial owner *(Note 4 and 7)*	12,363,750(L)	3.52%

Notes:

(1) The letter "L" denotes a long position in the Shares and the letter "S" donotes a short position in the Shares.

(2) The 182,520,000 Shares are held by AIM First Investments Limited ("AFI"), which is wholly-owned by Ms. Zhao Yan. Therefore, Ms. Zhao is deemed, or taken to be, interested in all the Shares which are beneficially owned by AFI for the purpose of the SFO.

(3) The 4,544,000 Shares are held by Forever Shining Holdings Limited ("Forever Shining"), which is owned as to 42.86% by Ms. Liu Aihua. Therefore, Ms. Liu Aihua is deemed, or taken to be, interested in all the Shares which are beneficially owned by Forever Shining for the purpose of the SFO.

(4) On 24 December 2012, 2,190,000, 700,000, 680,000 and 310,000 share options were granted to Ms. Liu Aihua, Mr. Guo Jiajun, Ms. Wang Aihua and Mr. Jin Xuekun respectively pursuant to the Scheme. On 29 October 2013, 6,640,000 share options were conditionally granted to Mr. Jin Xuekun pursuant to the Scheme and were approved by the independent shareholders at the extraordinary general meeting held on 23 December 2013. Mr. Jin holds 570,000 Shares through his individual security account.

(5) The 16,600,000 warrants are held by Wealthy Delight Group Limited ("Wealthy Delight"), which is wholly-owned by Mr. Jin Xuekun. Therefore, Mr. Jin Xuekun is deemed, or taken to be, interested in all the warrants beneficially owned by Wealthy Delight for the purpose of the SFO.

(6) On 22 May 2014, AFI had granted a call option to Wealthy Delight ("AFI Call Option") exercisable during the period from 22 May 2014 to 22 May 2019 to require AFI to transfer an aggregate of 9,960,000 shares of the Company or any part thereof held by AFI (the "Option Shares") to Wealthy Delight at HK$5.8 per share (the "Transfer Price"); and Wealthy Delight had granted a call option to AFI exercisable during the period commencing on the completion date of the transfer of the relevant Option Shares under the AFI Call Option and ending on 22 May 2019 to require Wealthy Delight to transfer the Option Shares or any part thereof held by Wealthy Delight to AFI at the Transfer Price on the condition that AFI Call Option has been exercised by Wealthy Delight and Mr. Jin resigns as the chief executive officer of the Company due to personal reason(s).

(7) On 6 November 2015, the Company and each of Mr. Jin Xuekun and Ms. Wang Aihua entered into respective management subscription agreements, pursuant to which the Company conditionally agreed to allot and issue, and Mr. Jin Xuekun and Ms. Wang Aihua conditionally agreed to subscribe for 4,843,750 and 242,188 Shares of the Company, respectively.

(ii) Long position in the ordinary shares of associated corporation

Name of Director	Name of associated corporation	Capacity	Number of securities	Percentage of shareholding
Ms. Zhao Yan	AFI	Beneficial owner	50,000 ordinary shares	100%

Save as disclosed above, as at 31 December 2015, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2015, so far as is known to the Directors, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company pursuant to provision of 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:

Name of substantial shareholders	Nature of interest	Number of Shares/underlying Shares held	Approximate percentage of the issued capital of the Company
AFI *(Note 2 and 6)*	Beneficial owner	182,520,000(L) 9,960,000(L) 9,960,000(S)	51.95% 2.84% 2.84%
Mr. Wang Yi *(Note 3)*	Interest of spouse	183,720,000(L) 9,960,000(L) 9,960,000(S)	52.29% 2.84% 2.84%
Wealthy Delight *(Note 4 and 6)*	Beneficial owner	16,600,000(L) 9,960,000(L) 9,960,000(S)	4.73% 2.84% 2.84%
Ms. Zhang Lanying *(Note 5)*	Interest of spouse	28,963,750(L) 9,960,000(L) 9,960,000(S)	8.24% 2.84% 2.84%
Ora Investment Pte. Ltd.	Beneficial owner	43,180,717(L)	12.29%
GIC (Ventures) Pte. Ltd.	Interest of a controlled corporation	43,180,717(L)	12.29%
GIC Special Investments Pte. Ltd.	Interest of a controlled corporation	43,180,717(L)	12.29%
GIC Private Limited	Interest of a controlled corporation	43,180,717(L)	12.29%

Notes:

(1) The letter "L" denotes a long position in the Shares and the letter "S" donotes a short position of the Shares.

(2) AFI is wholly-owned by Ms. Zhao Yan. Ms. Zhao is the sole director of AFI.

(3) Mr. Wang Yi is the spouse of Ms. Zhao Yan. Under the SFO, Mr. Wang Yi is deemed, or taken to be, interested in all the Shares in which Ms. Zhao is interested.

(4) On 27 December 2013, 16,600,000 warrants of the Company were granted to Wealthy Delight, entitling the holder thereof to subscribe for 16,600,000 Shares.

(5) Ms. Zhang Lanying is the spouse of Mr. Jin Xuekun. Under the SFO, Ms. Zhang Lanying is deemed, or taken to be, interested in all the shares options and warrants in which Mr. Jin Xuekun is interested.

(6) On 22 May 2014, AFI had granted a call option to Wealthy Delight ("AFI Call Option") exercisable during the period from 22 May 2014 to 22 May 2019 to require AFI to transfer an aggregate of 9,960,000 shares of the Company or any part thereof held by AFI (the "Option Shares") to Wealthy Delight at HK$5.8 per share (the "Transfer Price"); and Wealthy Delight had granted a call option to AFI exercisable during the period commencing on the completion date of the transfer of the relevant Option Shares under the AFI Call Option and ending on 22 May 2019 to require Wealthy Delight to transfer the Option Shares or any part thereof held by Wealthy Delight to AFI at the Transfer Price on the condition that AFI Call Option has been exercised by Wealthy Delight and Mr. Jin resigns as the chief executive officer of the Company due to personal reason(s).

Save as disclosed above, as at 31 December 2015, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares 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 therein.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the sections headed "Directors' interests and short positions in shares, underlying shares and debentures" and "Share Option Scheme" above, at no time during the year ended 31 December 2015 was the Company, its holding company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors or the chief executive of the Company or their associates to acquire benefits by means of the acquisition of shares in or debentures of the Company.

APPOINTMENT, REDESIGNATION AND CHANGE OF MEMBERS OF COMMITTEES

The following changes took effect from 18 January 2016:

(1) Upon the resignation of Mr. Hai Wen ("Mr. Hai") as independent non-executive Directors, Mr. Hai has resigned as a member of the audit committee and nomination committee and the chairman of the remuneration committee; and

(2) Mr. Xue Zhaofeng ("Mr. Xue") have been appointed as independent non-executive Directors. Mr. Xue has been appointed as a member of the audit committee and nomination committee and the chairman of the remuneration committee.

COMPETING INTERESTS

None of the Directors and the substantial shareholders had any interests in any business, which competed with or might compete with the business of the Group.

All the independent non-executive Directors are delegated with the authority to review on an annual basis of the non-competition undertakings given by Ms. Zhao Yan in a deed of non-competition dated 3 September 2008 (an extract of the material terms of such undertakings had been set out in the prospectus of the Company dated 19 September 2008). Ms. Zhao confirmed that (a) she has provided all information necessary for the enforcement of her respective deed of non-competition as requested by the independent non-executive Directors from time to time; and (b) during the year ended 31 December 2015, she had complied with her non-competition undertaking. The independent non-executive Directors also confirmed that they were not aware of any non-compliance of the non-competition undertakings given by Ms. Zhao during the year ended 31 December 2015.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2015, the Group's sales to the largest and five largest customers accounted for approximately 7.0% and 24.9% respectively of the Group's total revenue while the Group's purchase from the largest and five largest suppliers accounted for approximately 12.0% and 43.7% respectively of the Group's total purchases.

To the best knowledge of the Directors, neither the Directors, their associates, nor any shareholders, who owned more than 5% of the Company's issued share capital, had any beneficial interest in any of the Group's five largest customers or suppliers during the year under review.

CONNECTED TRANSACTIONS

(i) On 6 November 2015, the Company and each of the 23 subscribers (the "Subscribers") entered into respective management subscription agreements (the "Management Subscription Agreements"), pursuant to which the Subscribers conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, an aggregate of 9,687,500 subscription shares (the "Management Subscription Shares"), in cash at the aggregate consideration of HK$116,250,000, being the subscription price of HK$12.00 per Management Subscription Share multiplied by the number of Management Subscription Shares. Please refer to the announcement and the circular of the Company dated 6 November 2015 and 2 December 2015, respectively for details of the transaction.

Mr. Jin Xuekun and Ms. Wang Aihua, being one of the Subscribers, are also executive Directors. Therefore each of Mr. Jin Xuekun and Ms. Wang Aihua are connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the issue of the Management Subscription Shares to Mr. Jin Xuekun and Ms. Wang Aihua constituted connected transactions for the Company under Chapter 14A of the Listing Rules.

(ii) On 6 November 2015, the Company and each of the Subscribers (including Mr. Jin Xuekun and Ms. Wang Aihua) entered into respective management loan agreements (the "Management Loan Agreements"), pursuant to which the Company conditionally agreed to grant a loan in the aggregate principal amount of HK$98,812,500 to the Subscribers, which represents approximately 85% of the aggregate consideration for subscribing the Management Subscription Shares. Please refer to the announcement of the Company dated 6 November 2015 for details of the transaction.

As Mr. Jin Xuekun and Ms. Wang Aihua are executive Directors, each of them are connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the grant of the loan to each of Mr. Jin Xuekun and Ms. Wang Aihua constituted connected transactions for the Company under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

On 18 January 2013, Beijing Bloomage Hyinc Technology Company Limited ("Beijing Bloomage Hyinc") entered into a property leasing agreement (the "Property Leasing Agreement") with Beijing Bloomage Central Property Management Co., Ltd ("Bloomage Property"), pursuant to which Beijing Bloomage Hyinc leased from Bloomage Property certain properties located in Beijing, the PRC as office for a term of 3 years from 1 January 2013 to 31 December 2015 at an annual rental cap of RMB6,252,261.6. As Bloomage Property is currently ultimately owned as to approximately 86.8% by Ms. Zhao Yan, the controlling shareholder of the Company, the chairman of the Company and an executive Director, Bloomage Property is a connected person of the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

As none of the applicable percentage ratios (other than the profits ratio) for the Property Leasing Agreement in aggregate, on an annual basis, exceeds the 5% threshold under Rule 14A.76 of the Listing Rules, the Property Leasing Agreement is only subject to the reporting, annual review and announcement requirements and is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Details of the Property Leasing Agreement are set out in the announcement of the Company dated 18 January 2013.

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors have reviewed the above continuing connected transactions and confirm that the transactions have been entered into:

(1) in the ordinary and usual course of business of the Company;

(2) on normal commercial terms or on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and

(3) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditors have also confirmed in writing to the Board that nothing had come to their attention which caused them to believe that:

- the above connected transaction had not been approved by the Board;
- the connected transaction had not been entered into, in all material respects, in accordance with the relevant agreement governing the transactions;
- the connected transaction had not been entered into, in all material respects, in accordance with the pricing policies of the Group if the transactions involve provision of goods or services by the Group; and
- the transaction amount for the above connected transaction in 2015 was not within the cap amount as disclosed in the Company's announcement on 18 January 2013.

On 4 January 2016, Beijing Bloomage Hyinc and Bloomage Property entered into a property leasing agreement for renewal of the Property Leasing Agreement for a term from 1 January 2016 to 31 December 2016.

Details of the renewal of the Property Leasing Agreement are set out in the announcement of the Company dated 4 January 2016.

Save as disclosed above, the Directors consider that the material related party transactions disclosed in Note 34 to the financial statements did not fall under the definition of "connected transactions" or "continuing connected transactions" (as the case may be) under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the Listing Rules. The Company also confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

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

For the year ended 31 December 2015, neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this annual report.

RELATIONSHIP WITH STAKEHOLDERS

The Group recognizes that the employees, customers and suppliers are the key to corporate sustainability and are keen on developing long-term relationships with these stakeholders.

The Group places significant emphasis on human capital and strives to foster an environment in which the employee can develop to their fullest potential and can assist their personal and professional growth. The Group provides a fair and safe workplace, promotes diversity to our staff, provides competitive remuneration and benefits and career development opportunities based on their merits and performance.

The Group also puts ongoing efforts to provide adequate trainings and development resources to the employees so that they can keep abreast of the latest development of the market and the industry and, at the same time, improve their performance and self-fulfillment in their positions.

The Group understands that it is important to maintain good relationship with customers and provide the products in a way that satisfy needs and requirements of the customers. The Group enhances the relationship by continuous interaction with customers to gain insight on the changing market demand for the products so that the Group can respond proactively. The Group has also established procedures in place for handling customers' complaints to ensure customers' complaints are dealt with in a prompt and timely manner.

The Group is also dedicated to develop good relationship with suppliers and customers as long-term business partners by ongoing communication in a proactive and effective manner.

Report of the Directors

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group has strictly complied with applicable environmental regulations and policies and adhered to the object of building green plants, devoting to environment protection, energy saving and safe production.

In the year of 2015, the key indicators of effluent discharge had met the standards, and the new plant of hyaluronic acid had also successively passed site safety inspection and environmental completion inspection to ensure safe and environmental production.

COMPLIANT WITH RELEVANT LAWS AND REGULATIONS

During the year under review, to the best knowledge of the Board and our management, the Group has not materially violated or disobeyed any applicable laws and regulations that may have significant effect on the business and operations of the Group.

MAJOR RISKS

The Group's business scatters over many countries around the world and is subject to laws and regulations in the localities. Any revision or change of applicable laws and regulations may have an effect on the development of the Group's business.

With intensifying competition in the market, the Group is also confronted with possibly intensified competition which could have an adverse effect on its price of products and profitability.

EVENTS AFTER THE REPORTING PERIOD

Pursuant to the Management Subscription Agreements entered into between the Company and each of the 23 subscribers on 6 November 2015, the Company conditionally agreed to allot and issue, and the subscribers conditionally agreed to subscribe for the Management Subscription Shares of the Company. The completion of the Management Subscription Agreements took place on 8 January 2016. Further details of the allotment and issue of the Management Subscription Shares are set out in the announcements of the Company dated 6 November 2015, 17 December 2015 and 8 January 2016, and the circular of the Company dated 2 December 2015.

Details of additional events after the reporting period are set out in Note 36 to the financial statements.

AUDITORS

The financial statements for the year ended 31 December 2015 have been audited by the Group's auditors, KPMG (who shall retire and, being eligible, offer themselves for reappointment at the forthcoming annual general meeting). A resolution for its re-appointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
Zhao Yan
Chairman

Hong Kong, 22 March 2016

The Company recognises the value and importance of achieving high corporate governance standards to enhance corporate performance, transparency and accountability, earning the confidence of shareholders and the public. The Board strives to adhere to the principles of corporate governance and adopt sound corporate governance practices to meet the legal and commercial standards by focusing on areas such as internal control, fair disclosure and accountability to all shareholders.

During the year ended 31 December 2015, the Company had complied with all the code provisions as set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Details of the Company's corporate governance for the year ended 31 December 2015 are summarized below.

BOARD OF DIRECTORS

As at 31 December 2015, the Board comprises eight Directors including four executive Directors, one non-executive Director and three independent non-executive Directors.

Executive Directors

Ms. Zhao Yan *(Chairman)*
Mr. Jin Xuekun *(Chief Executive Officer)*
Ms. Liu Aihua
Ms. Wang Aihua

Non-executive Director

Mr. Guo Jiajun

Independent non-executive Directors

Ms. Zhan Lili
Mr. Hai Wen
Mr. Li Junhong

Corporate Governance Report

The Board is responsible for the leadership and control of the Company and overseeing the Group's businesses, strategic decisions and performance. The management is delegated with the authority and responsibility by the Board for the management and administration of the Group. In addition, the Board has also delegated various responsibilities to the board committees of the Company (the "Board Committees"). Further details in relation to the Board Committee are set out in the "Corporate Governance Report" section of this annual report. All Board members have separate and independent access to the Company's management to fulfil their duties, and upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expense. All Directors also have access to the company secretary who is responsible for ensuring that the Board procedures and all applicable rules and regulations are followed. An agenda accompanying Board or the Board Committee meeting materials are distributed to the Directors or the Board Committee members (as the case may be) with reasonable notice in advance of the meetings. Minutes of board meetings and meetings of Board Committees, which recorded in sufficient detail the matters considered by the Board and decisions reached, including any concerns raised by the Directors or dissenting views expressed, are kept by the company secretary and are open for inspection by the Directors.

Key information regarding the Directors' academic and professional qualifications and other appointments are set out in the section headed "Biography of Directors and Senior Management" of this annual report.

The Company has complied with Rules 3.10(1) and 3.10A of the Listing Rules. During the year ended 31 December 2015, there were three independent non-executive Directors in the Board and the number of independent non-executive Directors represents at least one-third of the Board. The Company has also complied with Rule 3.10(2) of the Listing Rules, which stipulates that one of the independent non-executive Directors must possess appropriate professional qualifications or accounting or related financial management expertise. The Board considers that the independent non-executive Directors are all independent persons with appropriate qualifications or expertise and the Company has complied with the relevant requirements of the Listing Rules.

The Board is responsible for performing the corporate governance functions set out in code provision D.3.1 of the Code. As at the date of this annual report, the Board has reviewed and monitored: (a) the Company's corporate governance policies and practices, (b) training and continuous professional development of directors and senior management, (c) the Company's policies and practices on compliance with legal and regulatory requirements, (d) the Company's code of conduct and (e) the Company's compliance with the Code disclosures requirements.

Mr. Guo Jiajun is the vice general manager of Bloomage International Investment Group Inc.. Ms. Zhao Yan and Mr. Jin Xuekun are business partners of companies which are outside the Group. Save as disclosed above, there is no relationship (including financial, business, family or other material/relevant relationship(s)) between Board members and between the chairman of the Board ("Chairman") and the chief executive officer of the Company ("Chief Executive Officer").

CHAIRMAN AND CHIEF EXECUTIVE

Ms. Zhao Yan serves as the Chairman and Mr. Jin Xuekun serves as the Chief Executive Officer. They have separate defined responsibilities whereby the Chairman is primarily responsible for leadership and effective functioning of the Board, and the Chief Executive Officer is responsible for the day-to-day management of the Company's business and the effective implementation of corporate strategy and policies.

BOARD MEETINGS ATTENDANCE

Under code provision A.1.1 of the Code, the Board shall meet regularly and at least four times a year at approximately quarterly intervals. During the financial year ended 31 December 2015, the Board held thirteen meetings and the individual attendance of the Directors at the board meetings is as follows:

	Attendance/ Number of meetings eligible to attend
Ms. Zhao Yan *(Chairman)*	11/12
Mr. Jin Xuekun *(Chief Executive Officer)*	11/13
Ms. Liu Aihua	10/13
Ms. Wang Aihua	10/13
Mr. Guo Jiajun	8/13
Ms. Zhan Lili	7/13
Mr. Hai Wen	6/13
Mr. Li Junhong	7/13

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT PROGRAMME

Each newly appointed director is provided with necessary induction and information to ensure that he has a proper understanding of the Company's operations and businesses as well as his responsibilities as a director under the Listing Rules and the relevant statutes, laws, rules and regulations. Directors' training is an ongoing process. During the year ended 31 December 2015, the Directors were provided with monthly updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to keep abreast of responsibilities as a director of the Company and to ensure then contribution to the Board remains informed and relevant. In addition, all Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company updates the Directors on the latest development regarding the Listing Rules and other applicable regulatory requirements from time to time, to ensure compliance and enhance their awareness of good corporate governance practices.

During the year ended 31 December 2015, the Company had also organized briefing sessions conducted by the legal advisers of the Company, Loong & Yeung as to Hong Kong laws and provided relevant training materials for the Directors.

The briefing sessions covered topics including the roles, functions and duties of a director of a listed company in compliance with the Code, listed company regulations and disclosure obligations of a decried compapny in Hong Kong such as, in the context of , disclosable transactions and connected transactions, etc.

According to the records provided by the Directors and maintained by the Company, a summary of training received by the Directors for the year ended 31 December 2015 is as follows:

	Attending seminar(s)/ conference(s) relevant to the business or directors' duties, and reading materials
Ms. Zhao Yan	√
Mr. Jin Xuekun	√
Ms. Liu Aihua	√
Ms. Wang Aihua	√
Mr. Guo Jiajun	√
Ms. Zhan Lili	√
Mr. Hai Wen	√
Mr. Li Junhong	√

All the Directors also understand the importance of continuous professional development and are committed to participating in any suitable training to develop and refresh their knowledge and skills.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors a written annual confirmation confirming their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent to the Company.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of Ms. Zhao Yan and Ms. Liu Aihua has entered into a service contract for a term commencing from 18 June 2015 to the 2017 annual general meeting to be convened in 2018. Mr. Jin Xuekun has entered into a service contract for a term commencing from 29 October 2013 to the 2015 annual general meeting to be convened in 2016. Ms. Wang Aihua has entered into a service contract for a term commencing from 28 May 2014 to the 2015 annual general meeting to be convened in 2016. Each of the executive Directors and the Company may terminate the appointment by giving the other party not less than three months' prior notice in writing. Mr Yau Wai Yan has entered into a service contract for a term of three years commencing from 18 January 2016. Mr. Yau Wai Yan and the Company may terminate the appointment by giving the other party not less than one month's prior notice in writing. Ms. Zhan Lili has entered into a service contract for a term commencing from 18 June 2015 to the 2016 annual general meeting to be convened in 2017. Mr. Li Junhong has entered into a service contract for a term commencing from 28 February 2015 to the 2016 annual general meeting to be convened in 2017. Mr. Xue Zhaofeng has entered into a service contract for a term of three years commencing from 18 January 2016. Each of the independent non-executive Directors and the Company may terminate the appointment at any time during the term by giving the other party at least one month's notice in writing.

Pursuant to Article 86 of the Articles, any Director appointed by the Board to fill casual vacancy shall hold office until the first general meeting after his/her appointment, and shall be eligible for re-appointment at the relevant meeting. Any Director appointed by the Board as an additional member to the existing Board shall hold office only until the next annual general meeting of the Company, and shall be eligible for re-election and re-appointment. In accordance with Article 87 of the Articles, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

Pursuant to Article 86, Mr Yau Wai Yan and Mr. Xue Zhaofeng, and pursuant to Article 87, Mr. Jin Xuekun and Ms. Wang Aihua will retire from office as Directors at the forthcoming annual general meeting, and being eligible, offer themselves for re-election.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. The Company has also adopted the Model Code for the relevant employees.

Having made specific enquiry of all Directors, the Directors have confirmed that they have complied with the Model Code for the year ended 31 December 2015. Moreover, no incident of non-compliance of the Model Code by the relevant employees was noted by the Company.

RESPONSIBILITIES OF DIRECTORS

All appointed Directors received comprehensive, formal training on the first occasion of their appointments and were ensured to have a proper understanding of the businesses and development of the Group and that they were fully aware of their responsibilities under statute and common law, the Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the Company.

To facilitate the Directors to discharge their responsibilities, they are continuously updated with regulatory developments, business and market changes and the strategic development of the Group.

SUPPLY OF AND ACCESS TO INFORMATION

In respect of regular board meeting, and so far as practicable in all other cases, an agenda and accompanying board meeting materials are sent in full to all Directors in a timely manner and at least 3 days before the intended date of a board meeting.

All Directors are entitled to have access to board papers, minutes and related materials.

AUDIT COMMITTEE

The primary duties of the audit committee of the Company (the "Audit Committee") are to review and supervise the financial reporting process and internal control procedures of the Group. The members of the Audit Committee consist of three independent non-executive Directors, namely Mr. Li Junhong, Ms. Zhan Lili and Mr. Hai Wen. Mr. Li Junhong, who possesses rich financial management experience and relevant expertise, is the chairman of the Audit Committee.

The written terms of reference of the Audit Committee adopted by the Board are in line with the provisions of the Code and are available on the websites of the Company and the Stock Exchange.

During the year ended 31 December 2015, the Audit Committee has reviewed the Group's risk management and internal controls system. The Group's annual report for the year ended 31 December 2015 had been reviewed by the Audit Committee before submission to the Board for approval. The Audit Committee confirms that it is complete and accurate and in compliance with the Listing Rules. There is no disagreement between the Directors and the Audit Committee regarding the selection and appointment of the external auditors.

The Audit Committee held two meetings during the year ended 31 December 2015, and performed major works as follows during the year under review:

1. reviewed the annual financial results and report for the year ended 31 December 2014 and interim financial results and report for the six months ended 30 June 2015;
2. reviewed the internal audit department's report regarding the review and procedures of the internal control and risk management of the Company;
3. reviewed the effectivies of the Company's internal audit function, and
4. provided opinions to the Board in respect of the terms of appointment of external auditors.

The attendance record of each member of the Audit Committee is as follows:

	Attendance/ Number of meetings eligible to attend
Mr. Li Junhong *(Chairman)*	2/2
Ms. Zhan Lili	2/2
Mr. Hai Wen *(resigned on 18 January 2016)*	2/2

AUDITORS' REMUNERATION

During the year ended 31 December 2015, the fee incurred for audit and non-audit services provided by the auditors for the Group is approximately set out as follows.

Type of services	**2015**	2014
	RMB'000	*RMB'000*
Non-audit services	**20**	27
Audit services	**1,750**	1,300
	1,770	1,327

NOMINATION COMMITTEE

The primary duties of the nomination committee of the Company (the "Nomination Committee") are to make recommendations to the Board on the appointment of Directors and management of the Board's succession and to ensure that the candidates to be nominated as Directors are experienced, and high calibre individuals. The Nomination Committee consists of Ms. Liu Aihua, an executive Director and two independent non-executive Directors, namely Ms. Zhan Lili and Mr. Hai Wen. Ms. Zhan Lili is the chairman of the Nomination Committee.

The Nomination Committee shall meet at least once every year for reviewing the structure, size and composition of the Board, assessing the independence of independent non-executive Directors of the Company and other related matters.

The written terms of reference of the Nomination Committee adopted by the Board are in line with the provisions of the Code and are available on the websites of the Company and the Stock Exchange.

The Nomination Committee held one meeting during the year ended 31 December 2015, and performed the major work as follows during the year under review:

1. examined the structure, size and composition of the Board, to ensure the Directors have the expertise, skills and experience required to meet the Company's business; and

2. assessed the independence of all independent non-executive directors of the Company.

The attendance record of each member of the Nomination Committee is as follows:

	Attendance/ Number of meetings eligible to attend
Ms. Zhan Lili *(Chairman)*	1/1
Ms. Liu Aihua	1/1
Mr. Hai Wen *(resigned on 18 January 2016)*	1/1

At the meetings of the Nomination Committee, the Nomination Committee reviewed the structure, size and composition of the Board, assessed the independence of independent non-executive Directors, the qualification of the proposed Directors, the Company's board diversity policy and the progress on achieving the objectives set for implementing the said policy and other related matters of the Company.

DIVERSITY OF THE BOARD

The Stock Exchange issued certain amendments to the Code contained in Appendix 14 to the Listing Rules in relation to diversity of the members of the Board, effective on 1 September 2013. The amended Code provides that the Nomination Committee shall fully take into account the formation of the Board and relevant principles regarding appointment, re-election and dismission set out in the Code when performing their duties. In achieving the diversity of the members of the Board, the Board may consider various factors such as gender, age, cultural and educational background or professional experience. The terms of reference of the Nomination Committee had been amended to take into account its responsibilities to monitor the implementation of policy in relation to the diversity of the members of the Board.

The Group has adopted policies in relation to the diversity of the members of the Board and the summary of these policies is as follows:

(1) selection of Board members will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service; and

(2) the Nomination Committee will monitor the implementation of the diversity policy from time to time to ensure the effectiveness of the diversity policy.

REMUNERATION COMMITTEE

The primary duties of the remuneration committee of the Company (the "Remuneration Committee") are to review and determine the terms of remuneration packages, bonuses and other compensation payable to the Directors and other senior management. It will make recommendation to the Board on the remuneration packages of individual executive directors and senior management. The Remuneration Committee comprises Mr. Jin Xuekun, an executive Director and two independent non-executive Directors, namely Mr. Hai Wen and Mr. Li Junhong. Mr. Hai Wen is the chairman of the Remuneration Committee.

The Remuneration Committee shall meet at least once every year to discuss remuneration related matters. No executive Director is allowed to be involved in deciding his/her own remuneration.

The written terms of reference of the Remuneration Committee adopted by the Board are in line with the provisions of the Code and are available on the websites of the Company and the Stock Exchange.

The Remuneration Committee held one meeting during the year ended 31 December 2015, and performed the major work as follows during the year under review:

1. reviewed and discussed the remuneration policy and structure of the Company and the remuneration and performance of duties of the executive Directors and senior management and the terms of executive directors' service contracts in the year under review;
2. assessed performance of executive Directors; and
3. made recommendation to the Board on the remuneration packages of individual executive directors and senior management.

The attendance record of each member of the Remuneration Committee is as follows:

	Attendance/ Number of meetings eligible to attend
Mr. Hai Wen *(Chairman) (resigned on 18 January 2016)*	1/1
Mr. Jin Xuekun	1/1
Mr. Li Junhong	1/1

At the meeting, the Remuneration Committee reviewed the remuneration policies of the Directors and the senior executives and reviewed the remuneration packages and performance of the Directors (including proposed Directors) for the year ended 31 December 2014.

Corporate Governance Report

DIRECTORS' AND AUDITORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements for the year ended 31 December 2015. The statement of the independent auditors of the Company about their reporting responsibilities is net out on page 55 of the section "Independent Auditor's Report" in this annual report. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, therefore the Directors continue to adopt the going concern approach in preparing the financial statements.

INTERNAL CONTROL

The Board has overall responsibility to maintain a sound and effective internal control of the Company to safeguard the shareholders' investments and the Company's assets. The Company will continue to review its internal control function on a regular basis.

The management has conducted a review during the year under review on the effectiveness of the system of internal control of the Group, covering all material controls including financial, operational, compliance controls and risks management functions with recommendations for improvement. The recommendations have been reviewed by the Audit Committee of the Board. The Board has adopted the recommendations of the Audit Committee to enhance the Group's system of internal control system.

COMPANY SECRETARY

Mr. Loong Ping Kwan ("Mr. Loong") has been the company secretary of the Company since May 2009 and resigned on 18 January 2016. Mr. Loong is a practising solicitor admitted in Hong Kong and is a founder and a partner of Messrs. Loong and Yeung in Hong Kong.

COMMUNICATION WITH SHAREHOLDERS

The Company endeavours to maintain an on-going communication with shareholders by way of annual general meetings or other general meetings and to encourage their arrive participation.

The Chairman and chairman of the Audit Committee, Nomination Committee and Remuneration Committee will make themselves available at the annual general meeting to meet with shareholders. The Company will ensure that there are separate resolutions for separate issues at general meetings.

The Company will continue to maintain an open and effective investor communication policy and to update investors on relevant information on its business in a timely manner, subject to relevant regulatory requirement.

GENERAL MEETINGS WITH SHAREHOLDERS

There was two general meetings held during the year under review, which was the annual general meeting held on 18 June 2015 and the extraordinary general meeting held on 17 December 2015. The attendance record of the Directors at the general meetings in 2015 was as follows:

Directors	**Attendance/ Number of general meetings eligible to attend**
Ms. Zhao Yan *(Chairman)*	2/2
Mr. Jin Xuekun	2/2
Ms. Liu Aihua	2/2
Ms. Wang Aihua	2/2
Mr. Guo Jiajun	2/2
Ms. Zhan Lili	2/2
Mr. Hai Wen	2/2
Mr. Li Junhong	2/2

The Company's external auditor also attended the annual general meeting held on 18 June 2015.

PROCEDURES FOR DIRECTING SHAREHOLDERS' ENQUIRIES TO THE BOARD

Shareholders may at any time send their enquiries and concerns to the Board in writing for the attention of the company secretary of the Company at the Company's principal place of business in Hong Kong at Room 501, Hutchison House, 10 Harcourt Road, Central, Hong Kong.

CONVENING AN EXTRAORDINARY GENERAL MEETING BY SHAREHOLDERS

Pursuant to Article 58 of the Articles of Association, the Board may whenever it thinks fit call extraordinary general meetings. Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (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.

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS BY SHAREHOLDERS

Pursuant to Article 88 of the Articles of Association, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a notice signed by a Shareholder (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the registration office provided that the minimum length of the period, during which such notice (s) are given, shall be at least seven (7) days and that (if the notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice (s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

Shareholders may at any time lodge the aforesaid requisition or notice to the Board in writing for the attention of the company secretary of the Company at the Company's principal place of business in Hong Kong at Room 501, Hutchison House, 10 Harcourt Road, Central, Hong Kong.

INVESTOR RELATIONS

The Company has established a range of communication channels between itself and its Shareholders, investors and other stakeholders. These include the annual general meeting, the annual and interim reports, notices, announcements and circulars and the Company's website at www.bloomagebio-tech.com.

During the year ended 31 December 2015, there had been no significant change in the Company's constitutional documents.

KPMG

Independent Auditor's Report to the Shareholders of
Bloomage BioTechnology Corporation Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Bloomage BioTechnology Corporation Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 57 to 147, which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

Independent Auditor's Report

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the 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 Group as at 31 December 2015 and of the Group's 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.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Charter Road
Central, Hong Kong

22 March 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2015

	Note	**2015** **RMB'000**	2014 RMB'000
Revenue	4	**650,868**	481,301
Cost of sales		**(163,629)**	(105,904)
Gross profit		**487,239**	375,397
Other revenue	5	**15,799**	12,979
Distribution costs		**(107,070)**	(74,646)
Administrative expenses		**(141,910)**	(104,128)
Other operating income/(expenses), net		**569**	(1,864)
Profit from the operation		**254,627**	207,738
Finance costs	6(a)	**(16,727)**	(9,617)
Share of profits less losses of associates		**91**	—
Share of loss of a joint venture		**(66)**	—
Profit before taxation	6	**237,925**	198,121
Income tax	7	**(47,530)**	(36,055)
Profit for the year		**190,395**	162,066
Other comprehensive income for the year (after tax adjustments):			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**(23)**	593
Share of other comprehensive income of equity-accounted investees		**5,841**	—
Total comprehensive income for the year		**196,213**	162,659
Profit attributable to:			
Equity shareholders of the Company		**190,393**	162,067
Non-controlling interests		**2**	(1)
Profit for the year		**190,395**	162,066
Total comprehensive income attributable to:			
Equity shareholders of the Company		**196,211**	162,667
Non-controlling interests		**2**	(8)
Total comprehensive income for the year		**196,213**	162,659
Earnings per share (RMB)			
Basic	10(a)	**0.565**	0.488
Diluted	10(b)	**0.553**	0.473

The notes on pages 63 to 147 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in Note 31(b).

Consolidated Statement of Financial Position

at 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
Non-current assets			
Property, plant and equipment, net	11	**362,731**	375,622
Construction in progress	12	**5,383**	412
Intangible assets	13	**208,093**	1,160
Lease prepayments	14	**59,161**	60,470
Interest in associates	16	**240,949**	—
Interest in a joint venture	17	**—**	—
Deferred tax assets	29(b)	**11,615**	11,383
Other non-current assets	18	**35,723**	—
Total non-current assets		**923,655**	449,047
Current assets			
Inventories	19	**117,592**	55,082
Trade and other receivables	20	**251,874**	177,672
Available-for-sale financial assets	21	**—**	80,000
Restricted cash	22	**255,000**	15,803
Cash and cash equivalents	22	**651,050**	187,840
Total current assets		**1,275,516**	516,397
Current liabilities			
Secured bank loans	24	**472,873**	—
Trade and other payables	25	**117,801**	136,577
Current portion of preferred shares	26	**11,538**	10,683
Income tax payable	29(a)	**21,888**	13,394
Total current liabilities		**624,100**	160,654
Net current assets		**651,416**	355,743
Total assets less current liabilities		**1,575,071**	804,790
Non-current liabilities			
Preferred shares	26	**39,933**	42,946
Convertible bonds	27	**326,938**	—
Deferred income	30	**16,243**	9,337
Total non-current liabilities		**383,114**	52,283
NET ASSETS		**1,191,957**	752,507

The notes on pages 63 to 147 form part of these financial statements.

	Note	2015 *RMB'000*	2014 *RMB'000*
CAPITAL AND RESERVES			
Share capital	31(c)	**3,117**	2,969
Reserves	31(d)	**1,188,787**	749,487
Total equity attributable to equity shareholders of the Company		**1,191,904**	752,456
Non-controlling interests		**53**	51
TOTAL EQUITY		**1,191,957**	752,507

Approved and authorised for issue by the board of directors on 22 March 2016.

Zhao Yan
Director

Jin Xuekun
Director

The notes on pages 63 to 147 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2015

		Attributable to equity shareholders of the Company								
	Note	Share capital *RMB'000*	Share premium *RMB'000* 31(d)(i)	Statutory reserve *RMB'000* 31(d)(ii)	Exchange reserve *RMB'000* 31(d)(iii)	Other reserve *RMB'000* 31(d)(iv)	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2014		2,961	92,220	44,447	(3,914)	78,677	349,895	564,286	59	564,345
Changes in equity for 2014:										
Profit for the year		—	—	—	—	—	162,067	162,067	(1)	162,066
Other comprehensive income		—	—	—	600	—	—	600	(7)	593
Total comprehensive income for the year		—	—	—	600	—	162,067	162,667	(8)	162,659
Equity settled share-based transactions		—	—	—	—	26,549	—	26,549	—	26,549
Appropriation to statutory reserve		—	—	16,745	—	—	(16,745)	—	—	—
Shares issued on the exercise of share options granted under share option scheme		8	5,088	—	—	(1,182)	—	3,914	—	3,914
Dividends for the year ended 31 December 2013	31(b)	—	—	—	—	—	(4,960)	(4,960)	—	(4,960)
		8	5,088	16,745	—	25,367	(21,705)	25,503	—	25,503
Balance at 31 December 2014		2,969	97,308	61,192	(3,314)	104,044	490,257	752,456	51	752,507

The notes on pages 63 to 147 form part of these financial statements.

	Note	Share capital RMB'000	Share premium RMB'000 31(d)(i)	Statutory reserve RMB'000 31(d)(ii)	Exchange reserve RMB'000 31(d)(iii)	Other reserve RMB'000 31(d)(iv)	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to equity shareholders of the Company								
Balance at 1 January 2015		2,969	97,308	61,192	(3,314)	104,044	490,257	752,456	51	752,507
Changes in equity for 2015:										
Profit for the year		—	—	—	—	—	190,393	190,393	2	190,395
Other comprehensive income		—	—	—	5,818	—	—	5,818	—	5,818
Total comprehensive income for the year		—	—	—	5,818	—	190,393	196,211	2	196,213
Equity settled share-based transactions		—	—	—	—	26,538	—	26,538	—	26,538
Appropriation to statutory reserve		—	—	20,941	—	—	(20,941)	—	—	—
Shares issued on the exercise of share options granted under share option scheme		17	9,581	—	—	(2,226)	—	7,372	—	7,372
Equity component of convertible bonds		—	—	—	—	59,627	—	59,627	—	59,627
Issuance of new shares		131	156,147	—	—	—	—	156,278	—	156,278
Dividends for the year ended 31 December 2014	31(b)	—	—	—	—	—	(6,578)	(6,578)	—	(6,578)
		148	165,728	20,941	—	83,939	(27,519)	243,237	—	243,237
Balance at 31 December 2015		3,117	263,036	82,133	2,504	187,983	653,131	1,191,904	53	1,191,957

The notes on pages 63 to 147 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
Operating activities			
Cash generated from operations	22(b)	**193,245**	180,991
PRC income tax paid		**(39,268)**	(44,366)
Interest received on cash at bank		**5,184**	848
Net cash generated from operating activities		**159,161**	137,473
Investing activities			
Payments for purchase of property, plant and equipment, construction in progress and intangible assets		**(266,974)**	(118,449)
Government grants received		**7,750**	4,550
Payments for acquisition of interest in associates		**(230,083)**	—
(Increase) /decrease in restricted cash		**(239,197)**	20,197
Net disposal of available-for-sale financial assets		**80,000**	17,000
Investment income received from available-for-sale financial assets		**2,494**	5,280
Deposits made in relation to certain proposed acquisitions		**(35,723)**	—
Net cash used in investing activities		**(681,733)**	(71,422)
Financing activities			
Proceeds from exercise of share options		**7,372**	3,914
Proceeds from issuance of convertible bonds, net of issuing expenses		**379,817**	—
Proceeds from issuance of new shares, net of issuing expenses		**156,278**	—
Proceeds from bank loans		**454,362**	—
Repayment of bank loans		**—**	(36,000)
Interests paid on bank loans		**(5,304)**	(735)
Dividends paid on preferred shares		**(10,683)**	(9,892)
Dividends paid to equity shareholders of the Company		**(6,578)**	(4,960)
Net cash generated from/(used in) financing activities		**975,264**	(47,673)
Net increase in cash and cash equivalents		**452,692**	18,378
Cash and cash equivalents at 1 January		**187,840**	169,429
Effect of foreign exchange rate changes		**10,518**	33
Cash and cash equivalents at 31 December	22(a)	**651,050**	187,840

The notes on pages 63 to 147 form part of these financial statements.

1 CORPORATE INFORMATION

Bloomage BioTechnology Corporation Limited (the "Company", and together with its subsidiaries, the "Group") was incorporated in the Cayman Islands on 3 April 2006 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 3 October 2008. The Group is principally engaging in the manufacture and sale of bio-chemical products (including hyaluronic acid ("HA") raw materials and end products) through its principal subsidiaries established in the People's Republic of China (the "PRC"), Bloomage Freda Biopharmaceutical Co., Ltd. ("Bloomage Biopharm"), Beijing Bloomage Hyinc Technology Company Limited ("Beijing Bloomage Hyinc") and Shandong Bloomage Hyinc Biopharm Company Limited ("Shandong Bloomage Hyinc"), and investment holding in associates and a joint venture engaging in design, development, manufacturing and sales of cosmetic products.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB"). These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. A summary of the significant accounting policies adopted by the Group is set out below.

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2015 comprise the Group and the Group's interest in associates and a joint venture.

The measurement basis used in the preparation of these consolidated financial statements is the historical cost basis except that the following assets are stated at their fair values as explained in the accounting policies set out below:

– available-for-sale financial assets (see Note 2(f)).

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Basis of preparation of the financial statements *(continued)*

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

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

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

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company's principal subsidiaries operating in the PRC. The Company's functional currency is Hong Kong dollar ("HKD").

(c) Changes in accounting policies

The IASB has issued the following amendments to IFRSs that are relevant to the Group and first effective for the current accounting period of the Group:

- *Annual Improvements to IFRSs 2010-2012 Cycle*
- *Annual Improvements to IFRSs 2011-2013 Cycle*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended IFRSs are discussed below:

Annual Improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Subsidiaries and non-controlling interests

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

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

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

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(j)).

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Associates and joint ventures

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

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 2(j)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Associates and joint ventures *(continued)*

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

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

In the Company's statement of financial position, investments in associates and joint venture are stated at cost less impairment losses (see Note 2(j)).

(f) Available-for-sale financial assets

The investments in securities, other than investments in subsidiaries, which do not fall into any other categories are classified as available-for-sale financial assets. These investments are initially stated at fair value, which is their transaction price. Cost includes attributable transaction costs. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. Investment income from these investments is recognised in profit or loss in accordance with the policy set out in Note 2(v)(v). When these investments are derecognised or impaired (see Note 2(j)), the cumulative gain or loss is reclassified from equity to profit or loss.

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Property, plant and equipment and construction in progress

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(j)).

Construction in progress represents property, plant and equipment under construction and equipment pending installation, and is initially recognised in the statement of financial position at cost less impairment losses (see Note 2(j)). Cost comprises the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see Note 2(x)). Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided in respect of construction in progress until it is substantially completed and ready for its intended use.

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

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

Buildings	20 years
Plant and machinery	5-10 years
Motor vehicles	5 years
Office equipment and others	5 years

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Intangible assets

Research and development costs comprise all costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Because of the nature of the Group's research and development activities, the criteria for the recognition of such costs as an asset are generally not met until late in the development stage of the project when the remaining development costs are immaterial. Hence both research costs and development costs are generally recognised as expenses in the period in which they are incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 2(j)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

Technology know-how	10-20 years
Software	2-10 years
Exclusive distribution right	10 years

Both the period and method of amortisation are reviewed annually.

(i) Leased assets

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

(i) Classification of assets leased to the Group

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Leased assets *(continued)*

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased assets, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in Note 2(g). Impairment losses are accounted for in accordance with the accounting policy as set out in Note 2(j). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

Lease prepayments (see Note 14) represent cost of land use rights paid to the government authority. Land use rights are carried at cost less accumulated amortisation and impairment losses (see Note 2(j)). Amortisation is charged to profit or loss on a straight-line basis over the lease period of land use rights.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Impairment of assets

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

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

— significant financial difficulty of the debtor;

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Impairment of assets *(continued)*

(i) Impairment of investments in securities and trade and other receivables *(continued)*

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

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

For available-for-sale financial assets, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity assets are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Impairment of assets *(continued)*

(ii) Impairment of other assets

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

— property, plant and equipment;

— construction in progress;

— intangible assets;

— lease prepayments; and

— investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

— Calculation of recoverable amount

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

— Recognition of impairment losses

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

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Impairment of assets *(continued)*

(iii) Interim financial reporting and impairment

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

(k) Inventories

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

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

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

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

(l) Trade and other receivables

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Convertible bonds

Convertible bonds that can be converted into equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability component of the convertible bonds is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the other reserve until either the bond is converted or redeemed.

If the bond is converted, the other reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the bond is redeemed, the other reserve is released directly to retained earnings.

(n) Interest-bearing borrowings

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends on preference share capital classified as equity are recognised as distributions within equity.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the holder of the preferred shares, or if dividend payments are not discretionary. The liability is recognised in accordance with the Group's policy for interest-bearing borrowings set out in Note 2(n) and accordingly dividends thereon are recognised on an accrual basis in profit or loss as part of finance costs.

(p) Trade and other payables

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

(q) Warrants

The issue of warrants will be settled by the exchange of fixed amount of cash for a fixed number of the Company's own equity instruments.

The fair value of warrants on the date of issue is recognised in warrant reserve, or other reserve when this is related to share-based payments to directors and employees (see Note 2(s)(ii)). The warrant reserve will be transferred to share capital and share premium upon exercise of the warrants, where the warrants remain unexercised at the expiry date, the amount previously recognised in warrant reserve will be released to the retained earnings.

(r) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Employee benefits

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

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

Contributions to appropriate local defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the PRC and Hong Kong are recognised as an expense in profit or loss as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

(ii) Share-based payments

The fair value of shares, share options (including those settled by the controlling shareholder) and warrants (net of net proceeds received from the issues of shares, share options and warrants) granted to directors and employees is recognised as an employee cost with a corresponding increase in other reserve within equity. The fair value of shares is measured at grant date market price taking into account the effect of the restriction, if any, on transferring. The fair value of share options and warrants is measured at grant date using Dividend Adjusted Black-Scholes Options Pricing model, taking into account the terms and conditions upon which the options and warrants were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the shares, options and warrants, the total estimated fair value of the shares, options and warrants is spread over the vesting period, taking into account the probability that the shares, options and warrants will vest.

During the vesting period, the number of shares, share options (including those settled by the controlling shareholder) and warrants that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review with a corresponding adjustment to other reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of shares, options and warrants that vest (with a corresponding adjustment to other reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in other reserve until either the options and warrants are exercised and shares are issued (when it is transferred to the share premium account) or the options and warrants expire (when it is released directly to retained earnings).

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Employee benefits *(continued)*

(iii) Termination benefits

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

(t) Income tax

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) Income tax *(continued)*

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

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Provisions and contingent liabilities

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

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

(v) Revenue recognition

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

(i) Sales of goods

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

(ii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised in profit or loss on a systematic basis over the useful life of the asset.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) Revenue recognition *(continued)*

(iii) Rental income from operating lease

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iv) Interest income

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

(v) Investment income on available-for-sale financial assets

Investment income on available-for-sale financial assets is recognised when the holder's right to receive payment is established.

(w) Translation of foreign currencies

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(x) Borrowing costs

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

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

(y) Related parties

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

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

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

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third entity.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(z) Segment reporting

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

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

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

The Group's financial position and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of these consolidated financial statements. The Group bases the assumptions and estimates on historical experience and on various other assumptions that the Group believes to be reasonable and which form the basis for making judgements about matters that are not readily apparent from other sources. On an on-going basis, management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in condition and assumptions are factors to be considered when reviewing these consolidated financial statements. The significant accounting policies are set forth in Note 2. Note 28 contains information about the assumptions and their risk factors relating to fair value of shares, share options and warrants granted to the directors and employees. In addition, the Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of these consolidated financial statements.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

(a) Impairment for non-current assets

If circumstances indicate that the net book value of a non-current asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with IAS 36, *Impairment of assets*. The carrying amounts of non-current assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the fair value less cost to sell and the value in use. It is difficult to precisely estimate selling price because quoted market prices for the Group's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sale volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sale volume, selling price and amount of operating costs.

(b) Impairment for bad and doubtful debts

The Group estimates impairment losses for bad and doubtful debts resulting from the inability of the customers to make the required payments. The Group bases the estimates on the ageing of the trade receivable balance, customer credit-worthiness and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write-offs would be higher than estimated.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

(c) Depreciation

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

(d) Withholding tax

Withholding tax is recognised on profits of Bloomage Biopharm and other PRC established subsidiaries which are to be distributed to their overseas holding companies in the foreseeable future. Note 29(c) contains information on the unrecognised deferred tax liabilities relating to the undistributed profits of the PRC established subsidiaries as the Company controls the dividend policy of the PRC established subsidiaries and it has been determined that it is probable that such profits will not be distributed in the foreseeable future. Any significant change in the dividend policy of the PRC established subsidiaries would result in adjustment in the amount of withholding tax charged to profit or loss for the period and deferred tax liabilities recognised as at the end of the reporting period.

(e) Impairment of interest in the associates

In determining whether an interest in the associates is impaired or the event previously causing impairment no longer exists, the Group has to exercise judgement in the area of impairment of assets relevant to the associates (the "Relevant Assets") and others, particularly in assessing: (1) whether an event has occurred that may affect the value of Relevant Assets or such event affecting the value of Relevant Assets have not been in existence; (2) whether the carrying value of Relevant Assets can be supported by the net present value of future cash flows which are estimated based upon the continued use of the Relevant Assets or de-recognition; (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate and (4) dividend policy of the associates.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the production and sale of bio-chemical products.

Revenue represents the sales value of goods sold, net of value-added tax.

	2015	2014
	RMB'000	*RMB'000*
HA raw materials	**396,932**	320,286
HA end products	**243,360**	160,012
Others	**10,576**	1,003
	650,868	481,301

The Group's customer base is diversified and includes no customer (2014: no customer) with whom transactions have exceeded 10% of the Group's revenues. Details of concentrations of credit risk arising from the largest customer and the five largest customers are set out in Note 32(a).

(b) Segment reporting

In accordance with IFRS 8, segment information disclosed in the financial statements was prepared in a manner consistent with the information used by the Group's most senior executive management for the purposes of assessing segment performance and allocating resources between segments.

The Group has presented two reportable segments for the year ended 31 December 2015, namely domestic customers and overseas customers, for which business are mainly derived from the production and sale of bio-chemical products.

In presenting information on the reportable segments, segment revenue is based on the geographical location of customers. The measure used for reporting segment profit is "gross profit", after deducting transportation expenses incurred.

4 REVENUE AND SEGMENT REPORTING *(continued)*

(b) Segment reporting *(continued)*

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the year ended 31 December 2015 and the reconciliation of reportable segment revenues and profit or loss are set out below.

	Year ended 31 December 2015				
	Domestic	**Overseas**			**Total**
		Asia	**Americas**	**Others**	
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
HA raw materials and others	**288,767**	**41,749**	**48,905**	**28,087**	**407,508**
HA end products	**239,223**	**3,826**	**75**	**236**	**243,360**
Revenue	**527,990**	**45,575**	**48,980**	**28,323**	**650,868**
Segment results	**410,237**	**25,896**	**26,481**	**18,568**	**481,182**
Unallocated income and expenses					**(226,555)**
Profit from operations					**254,627**
Finance costs					**(16,727)**
Share of profits less losses of associates					**91**
Share of loss of a joint venture					**(66)**
Income tax					**(47,530)**
Profit for the year					**190,395**

4 REVENUE AND SEGMENT REPORTING *(continued)*

(b) Segment reporting *(continued)*

	Year ended 31 December 2014				
	Domestic	Overseas			Total
		Asia	Americas	Others	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
HA raw materials and others	235,931	28,467	37,410	19,481	321,289
HA end products	158,613	279	236	884	160,012
Revenue	394,544	28,746	37,646	20,365	481,301
Segment results	322,410	16,909	20,279	13,168	372,766
Unallocated income and expenses					(165,028)
Profit from operations					207,738
Finance costs					(9,617)
Income tax					(36,055)
Profit for the year					162,066

The following table sets out information about the geographical location of the Group's property, plant and equipment, construction in progress, lease prepayments, intangible assets, interest in associates, interest in a joint venture and other non-current assets ("specified non-current assets"). The geographical location of the specified non-current assets is based on the physical location of the assets, in the case of property, plant and equipment, lease prepayments and construction in progress, the location of the operation to which they are allocated, in the case of intangible assets and other non-current assets, and the location of operations, in the case of interest in associates and interest in a joint venture.

	2015	2014
	RMB'000	*RMB'000*
China (including Hong Kong)	**670,883**	437,664
United States	**208**	—
France	**222,201**	—
Israel	**18,748**	—
Total	**912,040**	437,664

5 OTHER REVENUE

	Note	2015 RMB'000	2014 RMB'000
Government grants	(a)	**4,447**	3,992
Interest income on cash at bank		**5,184**	848
Investment income on available-for-sale financial assets		**2,494**	5,280
Rental income		**2,141**	2,331
Others		**1,533**	528
		15,799	12,979

(a) Government grants

The grants represent incentives and awards of RMB 4,447,000 which are mainly in relation to the Group's technical achievement on the research and development of HA products and its expansion of business to overseas markets during the year ended 31 December 2015 (2014: incentives and awards of RMB 3,992,000 mainly in relation to the Group's technical achievement on the research and development of HA products).

There are no unfulfilled conditions and other contingencies attached to the receipt of these government grants. There is no assurance that the Group will receive government grants in the future in respect of any of the Group's research and development and other activities.

6 PROFIT BEFORE TAXATION

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

(a) Finance costs

	2015 RMB'000	2014 RMB'000
Interest on bank loans	**5,304**	735
Dividends on preferred shares (Note 26)	**8,525**	8,882
Interest on convertible bonds (Note 27)	**2,898**	—
	16,727	9,617

6 PROFIT BEFORE TAXATION *(continued)*

(b) Staff costs

	2015 RMB'000	2014 RMB'000
Salaries, wages and other benefits	**99,464**	66,468
Contributions to defined contribution retirement plan	**6,875**	5,619
Equity-settled share-based payment expenses		
– share option scheme (Note 28(i))	**6,972**	15,907
– group share-based payment transaction settled by the controlling shareholder (Note 28(iii))	**17,990**	10,642
– shares granted to employees at discount (Note 28(iv))	**1,576**	—
	132,877	98,636

Pursuant to the relevant labour rules and regulations in the PRC, the subsidiaries of the Group established in the PRC (the "PRC subsidiaries") participate in defined contribution retirement benefit schemes (the "Schemes") organised by the local government authorities whereby the PRC subsidiaries are required to make contributions to the Schemes at 18%~20% (2014: 19%~20%) of the eligible employees' salaries during the year. The local government authorities are responsible for the entire retirement plan obligation payable to retired employees.

The employees of the Company who are stationed in Hong Kong participates in the Mandatory Provident Fund Scheme ("MPF Scheme"), whereby the Company is required to contribute to the MPF Scheme at 5% of the employee's basic salaries.

For those forfeited contributions under the Schemes and MPF Scheme, the amounts could not be used by the Group to reduce the existing level of contributions.

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

6 PROFIT BEFORE TAXATION *(continued)*

(c) Other items

	Note	2015 RMB'000	2014 RMB'000
Amortisation			
– intangible assets		**9,905**	220
– lease prepayments		**1,309**	1,309
Auditors' remuneration		**1,770**	1,327
Depreciation		**30,340**	13,891
Net foreign exchange (gain)/loss		**(1,455)**	580
Net loss on disposal of property, plant and equipment		**8**	3
Provision for impairment loss on trade receivables		**732**	—
Operating lease charges in respect of leased property, plant and equipment		**6,407**	7,060
Cost of inventories	(i)	**163,629**	105,904
Research and development costs	(ii)	**29,803**	15,655

(i) Cost of inventories for the year ended 31 December 2015 included RMB 53,388,000 (2014: RMB 27,973,000) relating to staff costs and depreciation, which amounts were also included in the respective total amounts disclosed separately in Note 6(b) or above for each of these types of expenses.

(ii) Research and development costs for the year ended 31 December 2015 included RMB 12,319,000 (2014: RMB 8,023,000) relating to staff costs and depreciation, which amounts were also included in the respective total amounts disclosed separately in Note 6(b) or above for each of these types of expenses.

7 INCOME TAX

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2015 RMB'000	2014 RMB'000
Current tax - PRC income tax		
Provision for the year (Note 29(a))	**47,974**	39,226
(Over)/under-provision in respect of prior year (Note 29(a))	**(212)**	512
Deferred tax		
Origination and reversal of temporary differences (Note 29(b))	**(232)**	(3,683)
	47,530	36,055

(b) Reconciliation between actual tax expense and accounting profit at applicable tax rates:

	Note	2015 RMB'000	2014 RMB'000
Profit before taxation		**237,925**	198,121
Expected tax on profit before tax, calculated at the rates applicable to profits in the tax jurisdictions concerned	(i) and (v)	**72,848**	55,121
Tax effect of tax concession	(ii)	**(29,639)**	(24,501)
Tax effect of non-deductible expenses	(iii)	**4,605**	3,373
Tax effect of unused tax losses not recognised (Note 29(d))		**1,092**	1,686
Utilisation of previous years' unrecognised tax losses		**(1,164)**	(136)
(Over)/under-provision in respect of prior year		**(212)**	512
Income tax		**47,530**	36,055

7 INCOME TAX *(continued)*

(b) Reconciliation between actual tax expense and accounting profit at applicable tax rates: *(continued)*

(i) Provision for PRC income tax is based on a statutory rate of 25% of the assessable profit of the PRC subsidiaries.

(ii) Pursuant to the notice [Lu Ke Han Zi (2014) No.136] issued by Department of Science & Technology of Shandong Province, Finance Bureau of Shandong Province, National Taxation Bureau of Shandong Province and Local Taxation Bureau of Shandong Province on 31 October 2014, Bloomage Biopharm has satisfied certain conditions in the income tax law and was granted the qualification of advanced and new technology enterprise. Bloomage Biopharm was therefore entitled to a concession on PRC income tax of 10% for the three years from 1 January 2014 to 31 December 2016. As a result, the applicable PRC income tax rate of Bloomage Biopharm for 2015 is 15% (2014: 15%).

Pursuant to the notice [Jing Ke Fa (2015) No.548] issued by Department of Science & Technology of Beijing, Finance Bureau of Beijing, National Taxation Bureau of Beijing and Local Taxation Bureau of Beijing on 24 November 2015, Beijing Bloomage Hyinc has satisfied certain conditions in the income tax law and was granted the qualification of advanced and new technology enterprise. Beijing Bloomage Hyinc was therefore entitled to a concession on PRC income tax of 10% for the three years from 1 January 2015 to 31 December 2017. As a result, the applicable PRC income tax rate of Beijing Bloomage Hyinc for 2015 is 15% (2014: 25%).

(iii) The non-deductible expenses primarily represent dividends on the preferred shares and entertainment expenses in excess of allowable limit.

(iv) Pursuant to the PRC income tax law, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or place of business in the PRC, are subject to PRC income tax at the rate of 10% on various types of passive income including dividends derived from sources in the PRC ("withholding tax").

Under the Sino-Hong Kong Double Tax Arrangement and the relevant regulations, a Hong Kong company will be liable for withholding tax at the rate of 5% for dividend income derived from the PRC if the Hong Kong company is the "beneficial owner" and holds 25% of equity interests or more of the Chinese company directly.

As the Company controls the dividend policy of the PRC subsidiaries and it has been determined that no profits of the PRC subsidiaries will be distributed in the foreseeable future, no tax expenses have been recognised during the year ended 31 December 2015 in respect of the withholding tax that would be payable on the distribution of the distributable profits of PRC subsidiaries.

(v) No provision has been made for Hong Kong Profits Tax as the Group did not have assessable profits subject to Hong Kong Profits Tax during the year ended 31 December 2015.

8 DIRECTORS' EMOLUMENTS

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

	2015						
	Fees	Basic salaries, allowances and other benefits in kind	Discretionary bonuses	Contributions to retirement benefit schemes	Subtotal	Equity-settled share-based payments (note)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chairman							
Zhao Yan	122	—	—	—	122	—	122
Executive directors							
Jin Xuekun	499	3,788	—	59	4,346	23,966	28,312
Liu Aihua	163	412	—	9	584	—	584
Wang Aihua	163	402	—	44	609	39	648
Non-executive directors							
Guo Jiajun (resigned on 18 January 2016)	81	—	—	—	81	—	81
Yau Waiyan (appointed on 18 January 2016)	—	717	60	15	792	39	831
Independent non-executive directors							
Zhan Lili	122	—	—	—	122	—	122
Li Junhong	122	—	—	—	122	—	122
Hai Wen (resigned on 18 January 2016)	—	—	—	—	—	—	—
Xue Zhaofeng (appointed on 18 January 2016)	—	—	—	—	—	—	—
	1,272	5,319	60	127	6,778	24,044	30,822

8 DIRECTORS' EMOLUMENTS *(continued)*

	2014						
	Fees	Basic salaries, allowances and other benefits in kind	Discretionary bonuses	Contributions to retirement benefit schemes	Subtotal	Equity-settled share-based payments (note)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chairman							
Zhao Yan	118	—	—	—	118	—	118
Executive directors							
Jin Xuekun	480	3,620	180	40	4,320	19,970	24,290
Liu Aihua	158	396	355	23	932	600	1,532
Wang Aihua	158	334	104	21	617	186	803
Non-executive directors							
Guo Jiajun	79	—	—	—	79	192	271
Independent non-executive directors							
Qin Bin (resigned on 28 February 2014)	11	—	—	—	11	—	11
Zhan Lili	109	—	—	—	109	—	109
Zhang Fuping (resigned on 28 February 2014)	11	—	—	—	11	—	11
Li Junhong (appointed on 28 February 2014)	99	—	—	—	99	—	99
Hai Wen (appointed on 28 February 2014)	132	—	—	—	132	—	132
	1,355	4,350	639	84	6,428	20,948	27,376

Note:

These represent the estimated value of shares, share options and warrants granted to the directors. The value of these shares, share options and warrants granted to directors is measured according to the Group's accounting policies for share-based payment transactions as set out in note 2(s)(ii).

The details of these benefits in kind, including the principal terms and number of shares, options and warrants granted, are disclosed in Note 28.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments during the year, one of them (2014: two) is director of the Company whose emoluments is disclosed in Note 8. The aggregate of the emoluments in respect of the other four (2014: three) individuals of the Group are as follows:

	2015	2014
	RMB'000	*RMB'000*
Basic salaries, allowances and other emoluments	**4,190**	2,053
Bonus	**100**	753
Contributions to retirement benefit schemes	**129**	81
Equity settled share-based transaction expenses	**307**	1,261
	4,726	4,148

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

	2015	2014
HKD 1,000,001 ~ HKD 1,500,000	**2**	—
HKD 1,500,001 ~ HKD 2,000,000	**2**	2
HKD 2,000,001 ~ HKD 2,500,000	**—**	1

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company for the year ended 31 December 2015 of RMB 190,393,000 (2014: RMB 162,067,000) and the weighted average number of ordinary shares in issue during the year ended 31 December 2015 of 336,907,000 shares (2014: 332,172,000 ordinary shares), calculated as follows:

(i) Weighted average number of ordinary shares (basic)

	2015	2014
	'000	*'000*
Issued ordinary shares at 1 January	**333,124**	332,000
Effect of issuance of new shares	**1,814**	—
Effect of shares granted to employees at discount (Note 28(iv))	**1,460**	—
Effect of exercise of share options granted under share option scheme	**509**	172
Weighted average number of ordinary shares (basic) at 31 December	**336,907**	332,172

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB 190,393,000 (2014: RMB 162,067,000) and the weighted average number of ordinary shares of 344,437,000 shares (2014: 342,511,000 ordinary shares), calculated as follows:

(i) Weighted average number of ordinary shares (diluted)

	2015	2014
	'000	*'000*
Weighted average number of ordinary shares at 31 December	**336,907**	332,172
Effect of deemed issue of shares under the Company's share option scheme and for warrants granted to a director for nil consideration (Note 28)	**7,530**	10,339
Weighted average number of ordinary shares (diluted) at 31 December	**344,437**	342,511

Note: The conversion of convertible bonds has anti-dilution effect to the basic earnings per share.

11 PROPERTY, PLANT AND EQUIPMENT, NET

	Buildings	Plant and machinery	Motor vehicles	Office equipment and others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:					
At 1 January 2014	79,859	90,436	3,737	6,652	180,684
Additions	—	51	138	3,106	3,295
Transferred from construction in progress (Note 12)	206,016	86,396	—	5,030	297,442
Deduction of government grants received	(30,800)	—	—	—	(30,800)
Disposal	—	(40)	—	—	(40)
At 31 December 2014	255,075	176,843	3,875	14,788	450,581
At 1 January 2015	255,075	176,843	3,875	14,788	450,581
Additions	—	204	231	7,838	8,273
Transferred from construction in progress (Note 12)	—	9,175	—	9	9,184
Disposal	—	(9)	—	—	(9)
At 31 December 2015	255,075	186,213	4,106	22,635	468,029
Accumulated depreciation:					
At 1 January 2014	21,139	34,856	1,752	3,358	61,105
Charge for the year	3,580	7,934	554	1,823	13,891
Written back on disposal	—	(37)	—	—	(37)
At 31 December 2014	24,719	42,753	2,306	5,181	74,959
At 1 January 2015	24,719	42,753	2,306	5,181	74,959
Charge for the year	11,307	15,531	514	2,988	30,340
Written back on disposal	—	(1)	—	—	(1)
At 31 December 2015	36,026	58,283	2,820	8,169	105,298
Net book value:					
At 31 December 2014	230,356	134,090	1,569	9,607	375,622
At 31 December 2015	219,049	127,930	1,286	14,466	362,731

11 PROPERTY, PLANT AND EQUIPMENT, NET *(continued)*

The Group's property, plant and equipment are mainly located in the PRC. As at 31 December 2015, property certificates of certain properties of the Group with an aggregate net book value of RMB 19,600,000 (31 December 2014: RMB 181,387,000) are yet to be obtained. Management expects that the related certificates will be obtained within one year.

As at 31 December 2015, property, plant and equipment of the Group of RMB 200,270,000 (31 December 2014: RMB nil) have been pledged as collateral for the issuance of letters of guarantee by a PRC bank (see Note 24).

(a) Buildings and plant leased out under operating leases

The Group leases out part of the buildings and plant to certain related parties (see Note 34(a)) under operating leases. The leases run for a period of one year. None of the leases includes contingent rentals. The Directors consider that these leases are temporary and the Group has the plan to occupy the leased portion of the buildings and plant as factories for the production of HA products or as administrative offices in the short run. Accordingly, the leased portion of the buildings and plant has been accounted for as property, plant and equipment in the consolidated financial statements.

12 CONSTRUCTION IN PROGRESS

	2015	2014
	RMB'000	*RMB'000*
At 1 January	**412**	146,197
Additions	**14,155**	151,657
Transferred to property, plant and equipment (Note 11)	**(9,184)**	(297,442)
At 31 December	**5,383**	412

13 INTANGIBLE ASSETS

	2015 *RMB'000*	2014 *RMB'000*
Cost:		
At 1 January	**2,046**	1,733
Additions	**204,592**	313
Exchange adjustments	**12,533**	—
At 31 December	**219,171**	2,046
Accumulated amortisation:		
At 1 January	**886**	666
Charge for the year	**9,905**	220
Exchange adjustments	**287**	—
At 31 December	**11,078**	886
Net book value:		
At 31 December	**208,093**	1,160

Intangible assets mainly represent the exclusive distribution right acquired for the distribution of Laboratoires Vivacy SAS ("Vivacy")'s products in certain countries in the Asia-Pacific region (see Note 16).

14 LEASE PREPAYMENTS

	2015	2014
	RMB'000	*RMB'000*
Cost:		
At 1 January and 31 December	**65,443**	65,443
Accumulated amortisation:		
At 1 January	**4,973**	3,664
Charge for the year	**1,309**	1,309
At 31 December	**6,282**	4,973
Net book value:		
At 31 December	**59,161**	60,470

Lease prepayments represent cost of land use rights in the PRC and are amortised on a straight-line basis over the lease period of 50 years.

As at 31 December 2015, lease prepayments of the Group of RMB 59,161,000 (31 December 2014: RMB nil) have been pledged as collateral for the issuance of letters of guarantee by a PRC bank (see Note 24).

15 INVESTMENTS IN SUBSIDIARIES

Details of the subsidiaries at 31 December 2015 are set out below:

Name of company	Place of establishment/ incorporation and business	Particulars of issued and paid-up capital	Effective percentage of equity attributable to the Company Direct	Indirect	Principal activities
Valuerank Holdings Limited ("Valuerank")	British Virgin Islands ("BVI")	United States Dollars ("USD")[1]	100%	—	Investment holding
Farstar Enterprises Limited ("Farstar")	BVI	USD 100	100%	—	Investment holding
Tactful World Limited ("Tactful")	Hong Kong	1 share	—	100%	Investment holding
Fumax Investment Limited	Hong Kong	1 share	—	100%	Investment holding
Bloomage Biopharm (Note i)	PRC	RMB 88,800,000	—	100%	Production and sale of bio-chemical products
Plumoon Company Limited	Japan	Japanese Yen ("JPY") 12,000,000	—	91%	Sales of bio-chemical products
Beijing Bloomage Hyinc*	PRC	RMB 20,000,000	—	100%	Sales of bio-chemical products and medical instrument
Shandong Bloomage Hyinc*	PRC	RMB 200,000,000	—	100%	Production and development of bio-chemical products
Bloomage Freda Biopharm USA Inc.	United States	USD 2,000	—	100%	Development, distribution and sales of bio-chemical products and medical instruments
Beijing Bloomage Hengmei Shang Mao Co., Ltd.**	PRC	RMB 1,000,000	—	100%	Sales of beauty products
Bloomage Empery Beauty Holdings Limited ("Empery Beauty (BVI)")	BVI	USD 1	100%	—	Investment holding

15 INVESTMENTS IN SUBSIDIARIES *(continued)*

Name of company	Place of establishment/ incorporation and business	Particulars of issued and paid-up capital	Effective percentage of equity attributable to the Company Direct	Indirect	Principal activities
Bloomage Empery Beauty Investment Limited ("Empery Beauty (HK)")	Hong Kong	1 share	—	100%	Investment holding
Pando Group Limited ("Pando")	BVI	USD 10,000	—	80%	Investment holding
Bloomage Meso Holdings Limited ("Meso (BVI)")	BVI	USD 1	100%	—	Investment holding
Bloomage Meso Investment Limited ("Meso (HK)")	Hong Kong	1 share	—	100%	Investment holding
Bloomage Meso Holdings S.A. ("Meso Holdings")	Luxembourg	EUR 31,000	—	100%	Investment holding

* Wholly foreign owned enterprises established under the PRC law.

** Limited liability company established under the PRC law.

Note i: Bloomage Biopharm was established on 3 January 2000 as a Sino-foreign equity joint venture company. Pursuant to a board resolution dated 30 May 2004, Bloomage Biopharm underwent a restructuring and transformed to a Sino-foreign co-operative joint venture company (the "Transformation"). The Transformation was approved by the Government of Shandong Province on 4 September 2004 and revised business licence was obtained by Bloomage Biopharm on 8 October 2004. In connection with the Transformation, the Group acquired the rights to the 25% equity interest in Bloomage Biopharm from its joint venture partner by issuing a financial instrument that was presented as a liability in the consolidated financial statements (see Note 26), and accordingly, the Group effectively held 100% equity interest in Bloomage Biopharm.

16 INTEREST IN ASSOCIATES

	2015	2014
	RMB'000	*RMB'000*
Interest in a material associate	**222,201**	—
Interest in immaterial associates	**18,748**	—
	240,949	—

(a) Interest in a material associate

The following list contains only the particulars of a material associate whose quoted market price is not available:

				Proportion of ownership interest			
Name of associate	**Form of business structure**	**Place of incorporation and business**	**Particulars of issued and paid up capital**	**Group's effective interest**	**Held by the Company**	**Held by a subsidiary**	**Principal activity**
V Plus S.A.	Incorporated	Luxembourg	1,560,000 ordinary shares of Euro 1 each	37.32%	—	37.32%	Design, development, manufacturing and sales of medical aesthetics devices

On 15 July 2015, the Group acquired 37.32% of the issued shares of V Plus S.A., an investment holding company with no substantial business activities other than its shareholding of its controlling subsidiary Vivacy which is principally engaged in the design, development, manufacturing and sales of medical aesthetics devices including dermal fillers and cosmetics. In conjunction with the acquisition of the equity interest in V Plus S.A., the Group acquired exclusive distribution right for the distribution of Vivacy's products in certain countries in the Asia-Pacific region. The total of consideration paid and transaction costs incurred by the Group is approximately Euro 61 million, among which approximately Euro 31 million was costs of acquisition for the interest in this associate and approximately Euro 30 million was the costs for the exclusive distribution right (see Note 13) based on an independent valuation report.

This material associate is accounted for using the equity method of accounting in the consolidated financial statements.

16 INTEREST IN ASSOCIATES *(continued)*

(a) Interest in a material associate *(continued)*

Summarised financial information of this material associate, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

Gross amounts of this material associate	**2015**
	RMB'000
Current assets	**122,619**
Non-current assets	**330,121**
Current liabilities	**(35,639)**
Non-current liabilities	**(47,868)**
Equity attributable to the shareholders of V Plus S.A.	**330,550**
Equity attributable to non-controlling interests	**38,683**
Revenue	**83,234**
Profit from continuing operations	**7,416**
Attributable to the shareholders of V Plus S.A.	**6,638**
Attributable to non-controlling interests	**778**
Post-tax profit or loss from discontinued operations	**—**
Other comprehensive income	**17,545**
Attributable to the shareholders of V Plus S.A.	**15,705**
Attributable to non-controlling interests	**1,840**
Total comprehensive income	**24,961**
Attributable to the shareholders of V Plus S.A.	**22,343**
Attributable to non-controlling interests	**2,618**
Dividend received from the associate	**—**
Reconciled to the Group's interest in this material associate	
Gross amounts of equity attributable to the shareholders of V Plus S.A.	**330,500**
The Group's effective interest (%)	**37.32%**
The Group's share of equity attributable to the shareholders of V Plus S.A.	**123,343**
Goodwill	**100,532**
Elimination of unrealised profit on V Plus S.A. group's sales to the Group	**(1,674)**
Carrying amount in the consolidated financial statements	**222,201**

16 INTEREST IN ASSOCIATES *(continued)*

(b) Interest in immaterial associates

Aggregate information of associates that are not individually material:

	2015
	RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**18,748**
Aggregate amounts of the Group's share of those associates	
Loss from continuing operations	**(713)**
Post-tax profit or loss from discontinued operations	**—**
Other comprehensive income	**(20)**
Total comprehensive income	**(733)**

17 INTEREST IN A JOINT VENTURE

Details of the Group's interest in the joint venture, which is accounted for using the equity method in the consolidated financial statements, are as follows:

			Proportion of ownership interest			
Name of joint venture	Form of business structure	Place of incorporation and business	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Medybloom China Limited ("Medybloom")	Incorporated	Hong Kong	50%	—	50%	Registration, promotion and sales of medical beauty products

Medybloom, a joint venture of the Group established in 2015, is an unlisted corporate entity whose quoted market price is not available. As at 31 December 2015, the joint venture did not have any material assets or liabilities.

18 OTHER NON-CURRENT ASSETS

Other non-current assets mainly represent deposits made by the Group in relation to the proposed acquisitions ("Proposed Acquisitions") of equity interests in relevant target companies which are independent third parties. These deposits will be used to set off against the purchase considerations at the completion of the Proposed Acquisitions. As at 31 December 2015, the Group has been in the negotiation with these independent third parties for finalization of the terms of the sale and purchase agreements of the Proposed Acquisitions. The directors of the Company are of the opinion that the Group can fully recover these deposits.

19 INVENTORIES

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

	2015	2014
	RMB'000	*RMB'000*
HA products:		
Raw materials and consumables	**17,583**	12,250
Work in progress	**11,389**	8,514
Finished goods	**70,996**	34,318
Cosmetic equipment for trading	**17,624**	—
	117,592	55,082

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

	2015	2014
	RMB'000	*RMB'000*
Carrying amount of inventories sold	**163,629**	105,904

20 TRADE AND OTHER RECEIVABLES

	2015	2014
	RMB'000	*RMB'000*
Trade receivables from:		
– Third parties	**147,964**	85,525
– Related parties	**948**	140
	148,912	85,665
Less: allowance for doubtful debts	**(732)**	—
	148,180	85,665
Bills receivable	**63,598**	72,597
Prepayments and other receivables from:		
– Third parties	**37,843**	17,087
– Related parties	**2,253**	2,323
	251,874	177,672

All of the trade receivables and bills receivable of the Group are expected to be recovered within one year.

20 TRADE AND OTHER RECEIVABLES *(continued)*

(i) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables and bills receivable (which are included in trade and other receivables), based on the invoice date and net of allowance for doubtful debts, is as follow:

	2015	2014
	RMB'000	*RMB'000*
Within 3 months	**190,131**	137,736
3 to 6 months	**9,294**	10,880
6 to 9 months	**7,957**	8,463
9 to 12 months	**195**	1,183
Over 1 year	**4,201**	—
	211,778	158,262

(ii) Impairment of trade receivables and bills receivable

The movement in the allowance for doubtful debts during the year is as follows:

	2015	2014
	RMB'000	*RMB'000*
At 1 January	**—**	—
Impairment loss recognised	**732**	—
At 31 December	**732**	—

At 31 December 2015, the Group's trade receivables of RMB 732,000 (31 December 2014: RMB nil) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed these receivables were not expected to be recovered. Consequently, specific allowances for doubtful debts of RMB 732,000 (31 December 2014: RMB nil) were recognised.

20 TRADE AND OTHER RECEIVABLES *(continued)*

(iii) Trade receivables and bills receivable that are not impaired

The analysis of trade receivables and bills receivable, based on the current and overdue status, that are neither individually nor collectively considered to be impaired are as follows:

	2015	2014
	RMB'000	*RMB'000*
Current	**180,634**	140,562
1 to 3 months overdue	**20,699**	8,054
3 to 6 months overdue	**7,676**	8,463
6 months to 1 year overdue	**2,203**	1,183
More than 1 year overdue	**566**	—
	211,778	158,262

The credit term for trade receivables is generally 30 to 90 days. Bills receivable are generally due within 180 days from the date of billing. Further details on the Group's credit policy are set out in Note 32(a).

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

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Group believes that no impairment allowance is necessary as there has not been any significant change in credit quality and these receivables were considered fully recoverable. The Group has not held any collateral over these balances.

21 AVAILABLE-FOR-SALE FINANCIAL ASSETS

As at 31 December 2014, the available-for-sale financial assets represented the Group's investment in principal-guaranteed banking products which had maturity periods less than 3 months or could be redeemed on demand. These banking products invested in bonds traded in the PRC. As at 31 December 2015, the Group has no available-for-sale financial assets.

22 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

(a) Cash and cash equivalents comprise:

	2015	2014
	RMB'000	*RMB'000*
Cash at bank and in hand	**906,050**	203,643
Less: restricted cash (i)	**255,000**	15,803
Cash and cash equivalents	**651,050**	187,840

(i) At 31 December 2015, restricted cash represents time deposits placed with a PRC bank for issuance of letters of guarantee (see Note 24). At 31 December 2014, restricted cash represented time deposits placed with a bank for issuance of banker's acceptance bills.

All the Group's cash and cash equivalents were placed with banks in the PRC, Hong Kong, Japan and United States. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

22 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH *(continued)*

(b) Reconciliation of profit before taxation to cash generated from operations:

	2015	2014
	RMB'000	*RMB'000*
Profit before taxation	**237,925**	198,121
Adjustments for:		
Amortisation of intangible assets	**9,905**	220
Amortisation of lease prepayments	**1,309**	1,309
Depreciation	**30,340**	13,891
Dividends on preferred shares	**8,525**	8,882
Equity settled share-based payment expenses (Note 28)	**26,538**	26,549
Interest income on cash at bank	**(5,184)**	(848)
Investment income received from available-for-sale financial assets	**(2,494)**	(5,280)
Share of profits less losses of associates	**(91)**	—
Share of loss of a joint venture	**66**	—
Net loss on disposal of property, plant and equipment	**8**	3
Interests on bank loans	**5,304**	735
Interests on convertible bonds	**2,898**	—
Changes in working capital:		
Increase in inventories	**(62,510)**	(12,564)
Increase in trade and other receivables	**(81,642)**	(88,798)
Increase in trade and other payables	**22,348**	38,771
Cash generated from operations	**193,245**	180,991

23 LOAN FACILITIES TO DIRECTORS

No loan to directors has been made during the years ended 31 December 2015 and 2014 and there is no outstanding balance as at 31 December 2015 and 2014.

During the year ended 31 December 2015, the Company has granted loan facilities to the directors as follows:

Name of borrower	**Jin Xuekun**	**Wang Aihua**	**Yau Wai Yan**
Relationship with the Company	Director of the Company	Director of the Company	Director of the Company
Terms of the loan facilities			
Duration and repayment terms	Repayable on demand	Repayable on demand	Repayable on demand
Loan facility amount	HKD 49,406,250.00	HKD 2,470,317.60	HKD 2,470,317.60
Interest rate	2% per annum	2% per annum	2% per annum
Security	None	None	None

24 SECURED BANK LOANS

At 31 December 2015, the secured bank loans represent loans borrowed from a bank in Macau and a bank in Hong Kong mainly for the acquisition of 37.32% issued share capital of V Plus S.A.. These loans have terms of 3 years, however the loan agreements contain clauses which give the banks the rights to demand immediate repayment if the Group fails the banks' annual credit assessment which is determined at the banks' discretion. These bank loans are secured by letters of guarantee issued by a PRC bank. The letters of guarantee issued by the PRC bank are in turn secured by the Group's restricted cash of RMB 255,000,000 (see Note 22), property, plant and equipment of RMB 200,270,000 (see Note 11) and lease prepayments of RMB 59,161,000 (see Note 14).

25 TRADE AND OTHER PAYABLES

	2015	2014
	RMB'000	*RMB'000*
Trade payables	**35,091**	14,913
Bills payables	**—**	15,803
Payables for construction of plant and purchase of equipment	**21,504**	59,707
Receipts in advance	**15,721**	25,358
Value added tax payable	**12,852**	7,872
Other payables due to related parties	**1,563**	570
Accrued expenses and other payables	**31,070**	12,354
	117,801	136,577

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

As of the end of the reporting period, the ageing analysis of trade payables (which are included in trade and other payables), based on the invoice date, is as follows:

	2015	2014
	RMB'000	*RMB'000*
Within 3 months	**24,884**	9,979
3 to 6 months	**9,898**	19,310
6 months to 1 year	**186**	1,427
Over 1 year	**123**	—
	35,091	30,716

The maturity analysis of trade and bills payables is as follows:

	2015	2014
	RMB'000	*RMB'000*
Due within 1 month or on demand	**35,091**	30,716

26 PREFERRED SHARES

	2015	2014
	RMB'000	*RMB'000*
At 1 January	**53,629**	54,639
Dividends during the year (Note 6(a))	**8,525**	8,882
Dividends of preferred shares declared	**(10,683)**	(9,892)
	51,471	53,629
Less: current portion of preferred shares	**(11,538)**	(10,683)
	39,933	42,946

In connection with the Transformation, Valuerank and Farstar acquired the rights to the 25% equity interest in Bloomage Biopharm from Shandong Freda Pharmaceutical Group (山東福瑞達醫藥集團公司, "SFP"), the then non-controlling interests holder of Bloomage Biopharm, by issuing a financial instrument with a preference over the Group in payment of dividends and redemption of the financial instrument upon termination of business in Bloomage Biopharm ("preferred shares") as consideration. Pursuant to the cooperative joint venture agreement signed between the Group and SFP on 30 May 2004 ("CJV"), the preferred shares were redeemable by Valuerank, subject to the consensus of SFP, at RMB 2,694,000 as at 1 January 2005, or at any subsequent date on or before the earlier of the termination of business in Bloomage Biopharm or the expiry date of the CJV (i.e. 2 January 2015) with an annual increment of 8%. Dividends for the preferred shares of RMB 5,344,000 for the year ended 31 December 2005, and thereafter with an annual increment of 8% until the preferred shares are redeemed, are payable by Bloomage Biopharm to SFP annually. The dividend payments are cumulative and not discretionary. The Transformation was approved by the Government of Shandong Province on 4 September 2004 and business licence was obtained by Bloomage Biopharm on 8 October 2004. The preferred shares were initially recognised as a financial liability at its fair value of RMB 38,500,000 as at 8 October 2004, representing 25% of the fair value of Bloomage Biopharm as at 8 October 2004 derived from the present value of the future cash flows expected to be derived from Bloomage Biopharm. The financial liability was measured at amortised cost subsequently. Dividends for the preferred shares are accounted for using the effective interest method and recorded as finance costs in the consolidated statement of profit or loss and other comprehensive income.

Pursuant to a board resolution dated 29 March 2006, with the agreement from SFP, the expiry date of the CJV has been changed. According to the revised arrangement, the preferred shares were redeemable by Valuerank, subject to the consensus of SFP, at any subsequent date on or before the earlier of the termination of business in Bloomage Biopharm or the expiry of the CJV on 2 January 2020, while other terms of the preferred shares remained unchanged. The change of expiry date of the CJV to 2 January 2020 was approved by the Government of Shandong Province on 24 April 2006 and revised business licence was obtained by Bloomage Biopharm on 28 April 2006. There was no significant difference between the carrying amount of preferred shares and the fair value of the preferred shares arising from the change of expiry date to 2 January 2020.

26 PREFERRED SHARES *(continued)*

(a) Amount due to the holder of the preferred shares

The present value of the amount due to the holder of the preferred shares of Bloomage Biopharm is repayable as follows:

	2015 RMB'000	2014 RMB'000
Within 1 year	**11,538**	10,683
After 1 year but within 5 years	**39,933**	33,165
After 5 years	**—**	9,781
	51,471	53,629

The above repayment schedules have been prepared on the basis that the preferred shares would be redeemed on the applicable expiry date of 2 January 2020 of the CJV and included the pre-determined annual dividend payments until the applicable expiry date of the CJV.

27 CONVERTIBLE BONDS

The movement of the carrying amount of the convertible bonds for the year ended 31 December 2015 is set out below:

	Liability component RMB'000	Equity component RMB'000	Total RMB'000
At 1 January 2015	**—**	**—**	**—**
Initial recognition	**320,190**	**59,627**	**379,817**
Interest charged during the year (Note 6(a))	**2,898**	**—**	**2,898**
Interest payable	**(1,699)**	**—**	**(1,699)**
Exchange adjustments	**5,549**	**—**	**5,549**
At 31 December 2015	**326,938**	**59,627**	**386,565**

On 20 November 2015, the Company issued convertible bonds in the aggregate principal amount of HK$465,000,000 to Ora Investment Pte. Ltd.. The convertible bonds bear interest rate at 4% per annum payable semi-annually. The maturity date of the convertible bonds is 20 November 2020. The convertible bonds are convertible into ordinary shares of the Company at the option of the holders of the convertible bonds at any time on or after the date of issue of the convertible bonds and up to the date falling seven days prior to the maturity date at a conversion price of HK$17.2 per share, subject to adjustments.

28 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

(i) Share option scheme

The Company has a share option scheme which was adopted on 3 September 2008 whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options at consideration of HKD 1.0 to subscribe for shares of the Company.

For the options granted in 2012, 50% of the options vest after one year from the date of grant and are then exercisable within a period of four years and the remaining 50% of the options vest after two years from the date of grant and are then exercisable within a period of three years.

For the options granted in 2013, subject to the satisfaction of certain performance conditions, 25% of the options vest after one year from the date of grant and are then exercisable within a period of four years, 25% of the options vest after two years from the date of grant and are then exercisable within a period of three years, 25% of the options vest after three years from the date of grant and are then exercisable within a period of two years and the remaining 25% of the options vest after four years from the date of grant and are then exercisable within a period of one year.

Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

28 EQUITY-SETTLED SHARE-BASED TRANSACTIONS *(continued)*

(i) Share option scheme *(continued)*

(a) The terms and conditions of the grants are as follows:

	Number of instruments	Vesting conditions	Contractual life of options
Options granted to directors:			
– on 24 December 2012	1,940,000	One year from the date of grant	5 years
– on 24 December 2012	1,940,000	Two years from the date of grant	5 years
– on 23 December 2013 (being the date on which the grant of options became unconditional) ("Grant Date")	1,660,000	One year from the Grant Date and revenue of the Group for the year ended 31 December 2013 is not less than 130% of that for the year ended 31 December 2012 ("FY 2012")	5 years
– on 23 December 2013 (Grant Date)	1,660,000	Two years from the Grant Date and revenue of the Group for the year ended 31 December 2014 is not less than 169% of that for FY 2012	5 years
– on 23 December 2013 (Grant Date)	1,660,000	Three years from the Grant Date and revenue of the Group for the year ended 31 December 2015 is not less than 211.25% of that for FY 2012	5 years
– on 23 December 2013 (Grant Date)	1,660,000	Four years from the Grant Date and revenue of the Group for the year ending 31 December 2016 is not less than 264.0625% of that for FY 2012	5 years

28 EQUITY-SETTLED SHARE-BASED TRANSACTIONS *(continued)*

(i) Share option scheme *(continued)*

(a) The terms and conditions of the grants are as follows: *(continued)*

	Number of instruments	Vesting conditions	Contractual life of options
Options granted to employees:			
– on 24 December 2012	4,300,000	One year from the date of grant	5 years
– on 24 December 2012	4,300,000	Two years from the date of grant	5 years
– on 29 October 2013	830,000	One year from the date of grant and revenue of the Group for the year ended 31 December 2013 is not less than 130% of that for FY 2012	5 years
– on 29 October 2013	830,000	Two years from the date of grant and revenue of the Group for the year ended 31 December 2014 is not less than 169% of that for FY 2012	5 years
– on 29 October 2013	830,000	Three years from the date of grant and revenue of the Group for the year ended 31 December 2015 is not less than 211.25% of that for FY 2012	5 years
– on 29 October 2013	830,000	Four years from the date of grant and revenue of the Group for the year ending 31 December 2016 is not less than 264.0625% of that for FY 2012	5 years
Total share options granted	22,440,000		

28 EQUITY-SETTLED SHARE-BASED TRANSACTIONS *(continued)*

(i) Share option scheme *(continued)*

(b) The number and weighted average exercise prices of share options are as follows:

	2015		2014	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
Outstanding at the beginning of the year	**HKD 10.137**	**21,316,000**	HKD 9.85	22,440,000
Exercised during the year	**HKD 4.422**	**(2,050,000)**	HKD 4.422	(1,124,000)
Outstanding at the end of the year	**HKD 10.745**	**19,266,000**	HKD 10.137	21,316,000
Exercisable at the end of the year	**HKD 8.685**	**14,286,000**	HKD 6.621	13,846,000

The options outstanding at 31 December 2015 had an exercise price of HKD 4.422 or HKD 16.652 (2014: HKD 4.422 or HKD 16.652) and a weighted average remaining contractual life of 2.4 years (2014: 3.4 years).

28 EQUITY-SETTLED SHARE-BASED TRANSACTIONS *(continued)*

(i) Share option scheme *(continued)*

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on Dividend Adjusted Black-Scholes Options Pricing model ("Black-Scholes Model"). The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into Black-Scholes Model.

	Share options granted in 2013	**Share options granted in 2012**
Fair value at measurement date	HKD 2.51 to 3.79	HKD 1.30 to 1.37
Share price	HKD 15.80 and 17.22	HKD 4.3
Exercise price	HKD 16.652	HKD 4.422
Expected volatility	32.5%	55%
Option life (expressed as weighted average life used in the modelling under Black-Scholes Model)	3 to 4.5 years	3.25 years
Expected dividends	3%	3%
Risk-free interest rate (based on Government Bonds of Hong Kong)	0.446% to 1.153%	0.108% and 0.156%

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

Share options were granted under service condition and non-market performance condition. These conditions have not been taken into account in the fair value measurement of the services received at the date of grant. There were no market conditions associated with the share option grants.

28 EQUITY-SETTLED SHARE-BASED TRANSACTIONS *(continued)*

(ii) Warrants granted to a director

On 29 October 2013, upon the re-designation of Mr. Jin Xuekun ("Mr. Jin") as an executive director from an independent non-executive director and the appointment of Mr. Jin as chief executive officer of the Company, the Company entered into the warrant subscription agreement (the "Warrant Subscription Agreement") with Wealthy Delight Group Limited (as Subscriber), a company the entire issued share capital of which is legally and beneficially owned by Mr. Jin, and Mr. Jin (as guarantor of the Subscriber to guarantee the performance by the Subscriber of its obligations under the Warrant Subscription Agreement), pursuant to which the Company conditionally agreed to issue and the Subscriber conditionally agreed to subscribe for 16,600,000 warrants (the "Warrants") at the issue price of HK$0.01 per Warrant (the "Warrant Subscription"). Each of the Warrants carries the right to subscribe for one warrant share at the exercise price of HKD 16.652 per warrant share initially (subject to adjustment) during the period from the date of the first anniversary of the completion of the Warrant Subscription to the date before the fifth anniversary of the warrant completion date in four equal installments.

On 23 December 2013, the shareholders of the Company approved the Warrant Subscription in an extraordinary general meeting. As there were no explicit or implicit vesting conditions attached to the Warrants, the Warrants were treated as granted and vested on 23 December 2013 and relevant share-based payment expenses of the Warrants granted of RMB 46,822,000 were charged to profit or loss immediately in 2013.

Relevant details of the Warrants are listed below.

(a) The terms and conditions of the grants are as follows:

Date of grant	Number of instruments	Vesting conditions	Exercisable period	Contractual life of warrants
23 December 2013	4,150,000	None	From 27 December 2014 to 26 December 2018	5 years
23 December 2013	4,150,000	None	From 27 December 2015 to 26 December 2018	5 years
23 December 2013	4,150,000	None	From 27 December 2016 to 26 December 2018	5 years
23 December 2013	4,150,000	None	From 27 December 2017 to 26 December 2018	5 years
	16,600,000			

28 EQUITY-SETTLED SHARE-BASED TRANSACTIONS *(continued)*

(ii) Warrants granted to a director *(continued)*

(b) The number and exercise price of the Warrants are as follows:

	2015		2014	
	Exercise price	**Number of warrants**	Exercise price	Number of warrants
Outstanding at the end of the year	**HKD 16.652**	**16,600,000**	HKD 16.652	16,600,000
Exercisable at the end of the year	**HKD 16.652**	**8,300,000**	HKD 16.652	4,150,000

The Warrants outstanding as at 31 December 2015 had an exercise price of HKD 16.652 (2014: HKD 16.652) and a weighted average remaining contractual life of 3 years (2014: 4 years).

(c) Fair value of Warrants and assumptions

In 2013, the fair value of services received in return for the Warrants granted was measured by reference to the fair value of the Warrants. The estimate of the fair value of the Warrants was measured based on the Black-Scholes Model. The contractual life of the Warrants was used as an input into this model. Expectations of early exercise were incorporated into Black-Scholes Model.

Fair value at measurement date	HKD 3.26 to 3.79
Share price	HKD 17.22
Exercise price	HKD 16.652
Expected volatility	32.5%
Warrant life (expressed as weighted average life used in the modelling under Black-Scholes Model)	3 to 4.5 years
Expected dividends	3%
Risk-free interest rate (based on Government Bonds of Hong Kong)	0.635% to 1.153%

The expected volatility was based on the historical volatility (calculated based on the weighted average remaining life of the Warrants), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends were based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

There were no service or performance conditions associated with the Warrants.

28 EQUITY-SETTLED SHARE-BASED TRANSACTIONS *(continued)*

(iii) Group share-based payment transaction settled by the controlling shareholder

On 22 May 2014, AIM First Investments Limited ("AFI", the controlling shareholder of the Company), Ms. Zhao Yan (as warrantor for AFI), Wealthy Delight Group Limited ("Wealthy Delight") and Mr. Jin (as warrantor for Wealthy Delight) entered into an option agreement (the "Option Agreement"). Pursuant to the Option Agreement, AFI granted a call option (the "AFI Call Option") to Wealthy Delight for the purchase of 9,960,000 shares of the Company (the "Option Shares") held by AFI. The AFI Call Option is exercisable from 22 May 2014 to 22 May 2019 at HK$5.80 per share (the "Transfer Price"). Also, pursuant to the same Option Agreement, Wealthy Delight granted a call option to AFI to require Wealthy Delight to transfer the Option Shares or any part thereof held by Wealthy Delight to AFI at the Transfer Price on the condition that AFI Call Option has been exercised by Wealthy Delight and Mr. Jin resigns as the chief executive officer of the Company due to personal reasons. The call option granted by Wealthy Delight to AFI is exercisable from the completion date of the transfer of the relevant Option Shares under the AFI Call Option to 22 May 2019. The Transfer Price and/or the number of the Option Shares are subject to adjustment upon any consolidation or subdivision of shares of the Company during the term of the Option Agreement. The arrangements under the Option Agreement are to provide incentive to Mr. Jin to remain as the chief executive officer of the Company.

This transaction is accounted for as a group share-based payment transaction settled by the controlling shareholder and AFI Call Option is treated as vesting in a five-year period, i.e. the fair value of this share-based payment transaction of HKD 110,656,000 is amortised over the 5 years using the straight-line method. During the year ended 31 December 2015, expenses related to this group share-based payment transaction of RMB 17,990,000 (2014: RMB 10,642,000) have been recognised in profit or loss.

28 EQUITY-SETTLED SHARE-BASED TRANSACTIONS *(continued)*

(iii) Group share-based payment transaction settled by the controlling shareholder *(continued)*

(a) Fair value of share options and assumptions

The fair value of services received in return for the AFI Call Option is measured by reference to the fair value of share options granted. The estimate of the fair value of the AFI Call Option is measured based on Black-Scholes Model. The contractual life of the AFI Call Option is used as an input into this model.

Fair value at measurement date	HKD 11.11
Share price	HKD 18.96
Exercise price	HKD 5.80
Expected volatility	35.0%
Option life (expressed as weighted average life used in the modelling under Black-Scholes Model)	5 years
Expected dividends	3%
Risk-free interest rate (based on Government Bonds of Hong Kong)	1.195%

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

The AFI Call Option was granted under service condition. The service condition has not been taken into account in the fair value measurement of the services received at the date of grant. There were no market conditions associated with the AFI Call Option.

28 EQUITY-SETTLED SHARE-BASED TRANSACTIONS *(continued)*

(iv) Shares granted to directors and employees at discount

On 4 November 2015, the board of directors of the Company approved the grant of 9,687,500 shares at a subscription price of HKD 12.0 per share to certain directors and employees. The shares were granted with a lockup period of six months during which the shares are not transferable. The relevant directors and employees accepted the grant on the same date. As there were no explicit or implicit vesting conditions attached to the shares, the shares were treated as granted and vested on 4 November 2015 and relevant share-based payment expenses of the shares granted of RMB 1,576,000, which were calculated by deducting the proceeds received from the relevant directors and employees from the fair value of shares adjusted for the effect of share transfer restriction, were charged to profit or loss immediately in 2015.

(a) Fair value of the shares and assumptions

The fair value of services received in return for the shares granted is measured at grant date market price of the shares adjusted for the effect of share transfer restriction (net of the proceeds received from the relevant directors and employees).

Market price of share	HKD 13.86
The effect of share transfer restriction	HKD 1.66
Fair value of share adjusted for the effect of share transfer restriction	HKD 12.20

The effect of share transfer restriction is measured by reference to the fair value of a put option that relevant directors and employees would have purchased in order to hedge the drop in share price during the lockup period. The estimate of its fair value is measured based on Black-Scholes Model. Key assumptions used in the valuation of the fair value are:

Market price of share	HKD 13.86
Exercise price of the put option	HKD 13.86
Expected volatility	40.0%
Option life (expressed as weighted average life used in the modelling under Black-Scholes Model)	0.5 years
Expected dividends	3%
Risk-free interest rate (based on Government Bonds of Hong Kong)	0.084%

The expected volatility is based on the historical volatility, adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

29 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2015	2014
	RMB'000	*RMB'000*
Balance of PRC income tax relating to prior years	**13,394**	18,022
Provision for PRC income tax for the year (Note 7(a))	**47,974**	39,226
(Over)/under-provision in respect of prior year	**(212)**	512
PRC income tax paid	**(39,268)**	(44,366)
	21,888	13,394

(b) Deferred tax assets and liabilities recognised:

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

Deferred tax arising from:	**Government grant**	**Property, plant and equipment**	**Bad debt provision**	**Unrealised profits on intra-group transactions**	**Total**
At 1 January 2014	7,700	—	—	—	7,700
Credited to profit or loss	963	—	—	2,720	3,683
At 31 December 2014	8,663	—	—	2,720	11,383
At 1 January 2015	**8,663**	**—**	**—**	**2,720**	**11,383**
Credited/(charged) to profit or loss	**1,487**	**(1,444)**	**109**	**80**	**232**
At 31 December 2015	**10,150**	**(1,444)**	**109**	**2,800**	**11,615**

29 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

(b) Deferred tax assets and liabilities recognised: *(continued)*

Reconciliation to the consolidated statement of financial position

	2015	2014
	RMB'000	*RMB'000*
Deferred tax assets recognised in the consolidated statement of financial position	**11,615**	11,383

(c) Deferred tax liabilities not recognised:

As at 31 December 2015, temporary differences relating to the undistributed profits of certain PRC subsidiaries amounted to RMB 604,267,000 (31 December 2014: RMB 395,163,000). Deferred tax liabilities of RMB 30,213,000 (31 December 2014: RMB 19,758,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of certain PRC subsidiaries and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

(d) Deferred tax assets not recognised:

In accordance with the accounting policy set out in Note 2(t), the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB 8,466,000 (31 December 2014: RMB 10,069,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdictions and entities. The tax losses will expire on or before 31 December 2020.

30 DEFERRED INCOME

Deferred income represents unrecognised government grants received to compensate the Group's cost of construction in respect of the HA production facilities which will subsequently be deducted from the carrying amount of assets, and unfulfilled conditional government grants received to compensate the Group for expenses incurred which will subsequently be recognised as revenue in profit or loss in the same periods in which the expenses are incurred.

31 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

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

The Company

	Share capital	Share premium	Contributed surplus	Exchange reserve	Other reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	31(c)	31(d)(i)	(i) below	31(d)(iii)	31(d)(iv)		
Balance at 1 January 2014	2,961	92,220	36,966	(10,197)	57,467	(64,096)	115,321
Changes in equity for 2014:							
Loss for the year	—	—	—	—	—	(33,637)	(33,637)
Other comprehensive income	—	—	—	369	—	—	369
Total comprehensive income for the year	—	—	—	369	—	(33,637)	(33,268)
Equity settled share-based transactions	—	—	—	—	26,549	—	26,549
Share issued on the exercise of share options granted under share option scheme	8	5,088	—	—	(1,182)	—	3,914
Dividends for the year ended 31 December 2013	—	—	—	—	—	(4,960)	(4,960)
Balance at 31 December 2014	2,969	97,308	36,966	(9,828)	82,834	(102,693)	107,556

31 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(a) Movements in components of equity *(continued)*

The Company *(continued)*

	Share capital RMB'000 31(c)	Share premium RMB'000 31(d)(i)	Contributed surplus RMB'000 (i) below	Exchange reserve RMB'000 31(d)(iii)	Other reserve RMB'000 31(d)(iv)	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2015	**2,969**	**97,308**	**36,966**	**(9,828)**	**82,834**	**(102,693)**	**107,556**
Changes in equity for 2015:							
Loss for the year	–	–	–	–	–	(56,244)	(56,244)
Other comprehensive income	–	–	–	12,297	–	–	12,297
Total comprehensive income for the year	–	–	–	12,297	–	(56,244)	(43,947)
Equity settled share-based transactions	–	–	–	–	26,538	–	26,538
Share issued on the exercise of share options granted under share option scheme	17	9,581	–	–	(2,226)	–	7,372
Equity component of convertible bonds	–	–	–	–	59,627	–	59,627
Issuance of new shares	131	156,147	–	–	–	–	156,278
Dividends for the year ended 31 December 2014	–	–	–	–	–	(6,578)	(6,578)
Balance at 31 December 2015	**3,117**	**263,036**	**36,966**	**2,469**	**166,773**	**(165,515)**	**306,846**

(i) Contributed surplus represents the excess of fair value of the shares of the Company determined based on the basis of consolidated net assets of Valuerank and Farstar as at 10 April 2008, the date of the acquisition of shares of Valuerank and Farstar by the Company from AFI and Newgrand Holdings Limited ("Newgrand") over the nominal value of the shares issued by the Company in exchange thereof. Under the Companies Law of Cayman Islands, the contributed surplus account of Company is distributable to the equity shareholders of the Company.

31 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(b) Dividends

(i) **Dividends payable to equity shareholders of the Company attributable to the year**

	2015	2014
	RMB'000	*RMB'000*
Final dividends proposed after the end of the reporting period of HKD 2.7 cents per ordinary share (2014: HKD 2.5 cents per ordinary share)	**8,171**	6,578

The final dividends proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) **Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year**

	2015	2014
	RMB'000	*RMB'000*
Final dividends in respect of the previous financial year, approved and paid during the year, of HKD 2.5 cents per ordinary share (2014: HKD 1.9 cents per ordinary share)	**6,578**	4,960

31 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(c) Share capital

(i) Authorised and issued share capital

	2015		2014	
	No. of shares	***HKD'000***	*No. of shares*	*HKD'000*
Authorised:				
Ordinary shares of HKD 0.01 each	**1,000,000,000**	**10,000**	1,000,000,000	10,000

	2015		2014	
	No. of shares	***RMB'000***	*No. of shares*	*RMB'000*
Issued and fully paid:				
At 1 January	**333,124,000**	**2,969**	332,000,000	2,961
New shares issued (note)	**16,145,834**	**131**	—	—
Shares issued on exercise of share options granted under share option scheme	**2,050,000**	**17**	1,124,000	8
At 31 December	**351,319,834**	**3,117**	333,124,000	2,969

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

Notes:

On 20 November 2015, the Company issued 16,145,834 ordinary shares to Ora Investment Pte. Ltd. at HKD12.00 per share with a net proceed of RMB156,278,000.

31 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(c) Share capital *(continued)*

(ii) Terms of unexpired and unexercised share options and warrants at the end of the reporting period:

Exercise period	Exercise price	2015 Number of options/ warrants	2014 Number of options/ warrants
25 December 2013 to 24 December 2017	HKD 4.422	**3,066,000**	5,116,000
25 December 2014 to 24 December 2017	HKD 4.422	**6,240,000**	6,240,000
30 October 2014 to 29 October 2018	HKD 16.652	**830,000**	830,000
30 October 2015 to 29 October 2018	HKD 16.652	**830,000**	830,000
30 October 2016 to 29 October 2018	HKD 16.652	**830,000**	830,000
30 October 2017 to 29 October 2018	HKD 16.652	**830,000**	830,000
23 December 2014 to 22 December 2018	HKD 16.652	**1,660,000**	1,660,000
23 December 2015 to 22 December 2018	HKD 16.652	**1,660,000**	1,660,000
23 December 2016 to 22 December 2018	HKD 16.652	**1,660,000**	1,660,000
23 December 2017 to 22 December 2018	HKD 16.652	**1,660,000**	1,660,000
27 December 2014 to 26 December 2018	HKD 16.652	**4,150,000**	4,150,000
27 December 2015 to 26 December 2018	HKD 16.652	**4,150,000**	4,150,000
27 December 2016 to 26 December 2018	HKD 16.652	**4,150,000**	4,150,000
27 December 2017 to 26 December 2018	HKD 16.652	**4,150,000**	4,150,000
		35,866,000	37,916,000

Each option/warrant entitles the holder to subscribe for one ordinary share in the Company. Further details of these options/warrants are set out in Note 28 to the financial statements.

31 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(d) Nature and purposes of reserves

(i) Share premium

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

(ii) Statutory reserve

In accordance with the articles of association of the PRC subsidiaries of the Group, the PRC subsidiaries are required to set up certain statutory reserves, which are non-distributable. The transfers of these reserves are at discretion of the directors of the PRC subsidiaries. The statutory reserves can only be utilised for predetermined means upon approval by the relevant authority.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(iv) Other reserve

Other reserve as at 31 December 2015 mainly includes:

i) the difference between the historical carrying value of the 25% equity interest right of Bloomage Biopharm then held by SFP and the fair value of financial liability initially recognised (see Note 26);

ii) capitalization of reserve arising from transfer of retained earnings. Pursuant to board resolutions of Bloomage Biopharm passed on 24 August 2005, 23 November 2007 and 12 January 2008, retained earnings/statutory reserve of Bloomage Biopharm in the amount of RMB 3,000,000, RMB 12,000,000 and RMB 38,800,000 was capitalized and transferred to other reserve;

31 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(d) Nature and purposes of reserves *(continued)*

(iv) Other reserve *(continued)*

iii) waiver of amounts due to related parties. On 10 July 2008, AFI and Valuerank entered into an agreement to waive repayment of consideration of acquiring Bloomage Biopharm by Valuerank for an amount of RMB 3,150,000. On 25 July 2008, Freda International Inc. and Farstar entered into an agreement to waive repayment of consideration of acquiring Bloomage Biopharm by Farstar for an amount of RMB 1,575,000. The waiver of amounts due to AFI and Freda International Inc. of RMB 4,725,000 was credited to other reserve of the Group;

iv) reserve on equity-settled share-based transactions is the portion of the grant date fair value of unexercised share options and warrants and unissued shares granted to the directors and the employees of the Company that has been recognised in accordance with the accounting policy adopted for share-based payments in Note 2(s)(ii); and

v) the equity component of the convertible bonds issued in 2015 (see note 27).

(e) Distributability of reserves

At 31 December 2015, the aggregate amount of reserves available for distribution to equity shareholders of the Company was RMB 303,729,000 (31 December 2014: RMB 104,587,000), excluding the share capital as disclosed in Note 31. After the end of the reporting period, the directors proposed a final dividend of HKD 2.7 cents per ordinary share (2014: HKD 2.5 cents per ordinary share), amounting to HKD 9,753,000 (equivalent to RMB 8,171,000) (2014: HKD 8,328,000 (equivalent to RMB 6,578,000)). This dividend has not been recognised as a liability at the end of the reporting period.

31 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(f) Capital management

The Group's objective of managing capital is to optimize the structure of its capital, comprising equity and loans. In order to maintain or adjust the capital structure, the Group may issue new shares and adjust the capital expenditure plan. The Group monitors capital on the basis of debt-to-capital ratio, which is calculated by dividing long term liability by the total equity and long term liability, and liability-to-asset ratio, which is calculated by dividing total liabilities by total assets.

The Group's strategy is to make appropriate adjustments according to the operating and investment needs and the changes of market conditions, and to maintain the debt-to-capital ratio and the liability-to-asset ratio at a range considered reasonable by management. As at 31 December 2015, the debt-to-capital ratio of the Group was 24% (31 December 2014: 6%), and the liability-to-asset ratio of the Group was 46% (31 December 2014: 22%).

There were no changes in the Group's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

32 FINANCIAL RISK MANAGEMENT AND THE FAIR VALUES OF FINANCIAL INSTRUMENTS

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

(a) Credit risk

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

Substantially all of the Group's cash at bank are deposited in the reputable banks, which the management assess the credit risk to be insignificant.

32 FINANCIAL RISK MANAGEMENT AND THE FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(a) Credit risk *(continued)*

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 to 90 days from the date of billing. The Group performs ongoing credit evaluations of its customers' financial condition and generally does not require collateral on trade receivables.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 0% (2014: 3%) and 17% (2014: 7%) of the total trade and other receivables was due from the Group's largest customer and the five largest customers respectively.

The Group does not provide any guarantees which would expose the Group to credit risk.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's management when the borrowings exceed certain predetermined levels of authority.

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

32 FINANCIAL RISK MANAGEMENT AND THE FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(b) Liquidity risk *(continued)*

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates) and the earliest date the Group can be required to pay:

	As at 31 December 2015					
	Carrying amount	**Total contractual undiscounted cash flow**	**Within 1 year or on demand**	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Secured bank loans	**472,873**	**472,873**	**472,873**	**—**	**—**	**—**
Convertible bonds	**326,938**	**467,492**	**15,583**	**15,583**	**436,326**	**—**
Trade and other payables	**117,801**	**117,801**	**117,801**	**—**	**—**	**—**
Preferred shares	**51,471**	**76,238**	**11,538**	**12,461**	**52,239**	**—**
	969,083	**1,134,404**	**617,795**	**28,044**	**488,565**	**—**

	As at 31 December 2014					
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables	136,577	136,577	136,577	—	—	—
Preferred shares	53,629	86,921	10,683	11,538	40,454	24,246
	190,206	223,498	147,260	11,538	40,454	24,246

32 FINANCIAL RISK MANAGEMENT AND THE FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(c) Interest rate risk

The Group's interest rate risk arises primarily from interest-bearing borrowings.

(i) Interest rate profile

The following table details the interest rate profile of the Group's borrowings at the end of the reporting period.

	2015		2014	
	Interest rate	***RMB'000***	Interest rate	*RMB'000*
Fixed rate borrowing				
Convertible bonds	**8%**	**326,938**	N/A	—
Variable rate borrowing				
Secured bank loan	**2.52%-2.60%**	**472,873**	N/A	—
Total borrowings		**799,811**		—
Fixed rate borrowings as a percentage of total borrowings		**40.88%**		—

(ii) Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative financial instruments at the end of the reporting period. For variable-rate borrowings, the analysis is prepared assuming the borrowings outstanding at the end of the reporting period were outstanding for the whole year.

At 31 December 2015, it is estimated that a general increase/decrease of 25 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained earnings by RMB 1,182,000 (2014: RMB nil).

32 FINANCIAL RISK MANAGEMENT AND THE FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(d) Currency risk

RMB is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through The People's Bank of China ("PBOC") or other institutions authorised to buy and sell foreign exchange. The exchange rates adopted for the foreign exchange transactions are the rates of exchange quoted by the PBOC that would be based on market supply and demand with reference to a basket of currencies or subject to a managed float against an unspecified basket of currencies.

Foreign currency payments, including the remittance of earnings outside the PRC, are subject to the availability of foreign currency (which depends on the foreign currency denominated earnings of the Group) or must be arranged through the PBOC with government approval.

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the end of the reporting period. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded. The Group did not hedge its foreign currency exposure during the year.

	2015 Exposure to foreign currencies (expressed in RMB)			
	RMB	**USD**	**JPY**	**Euros**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Cash on hand and at bank	**4**	**546,483**	**4,453**	**4,393**
Trade and other receivables	**—**	**29,639**	**1,013**	**—**
Trade and other payables	**—**	**(966)**	**(1,382)**	**—**
Secured bank loans	**—**	**(229,640)**	**—**	**(243,233)**
Net exposure arising from recognised assets and liabilities	**4**	**345,516**	**4,084**	**(238,840)**

32 FINANCIAL RISK MANAGEMENT AND THE FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(d) Currency risk *(continued)*

(i) Exposure to currency risk *(continued)*

	2014 Exposure to foreign currencies (expressed in RMB)			
	RMB	USD	JPY	Euros
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash on hand and at bank	1,136	6,044	—	3
Trade and other receivables	—	7,558	108	—
Trade and other payables	—	(6)	—	(63)
Net exposure arising from recognised assets and liabilities	1,136	13,596	108	(60)

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained earnings) that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	2015		2014	
	Increase/ (decrease) in foreign exchange rates	**Increase/ (decrease) in profit after tax and retained earnings**	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit after tax and retained earnings
		RMB'000		*RMB'000*
RMB	**5%**	**—**	5%	57
	(5%)	**—**	(5%)	(57)
USD	**5%**	**18,647**	5%	578
	(5%)	**(18,647)**	(5%)	(578)
JPY	**5%**	**174**	5%	5
	(5%)	**(174)**	(5%)	(5)
Euros	**5%**	**(10,007)**	5%	(3)
	(5%)	**10,007**	(5%)	3

32 FINANCIAL RISK MANAGEMENT AND THE FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(d) Currency risk *(continued)*

(ii) Sensitivity analysis *(continued)*

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the group entities' profit after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rate had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including intercompany payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2014.

(e) Fair value measurement

(i) Financial instruments measured at fair value

Fair value hierarchy

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

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

32 FINANCIAL RISK MANAGEMENT AND THE FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(e) Fair value measurement *(continued)*

(i) Financial instruments measured at fair value *(continued)*

		Fair value measurements as at 31 December 2015 categorised into		
	Fair value at 31 December 2015	**Level 1**	**Level 2**	**Level 3**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Recurring fair value measurement				
Financial assets:				
Available-for-sale financial assets	**—**	**—**	**—**	**—**

		Fair value measurements as at 31 December 2014 categorised into		
	Fair value at 31 December 2014	Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement				
Financial assets:				
Available-for-sale financial assets	80,000	—	80,000	—

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

32 FINANCIAL RISK MANAGEMENT AND THE FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(e) Fair value measurement *(continued)*

(ii) Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of available-for-sale financial assets in Level 2 is determined by reference to the prices of similar banking products offered by the banks at the end of the reporting period.

(iii) Fair values of financial instruments carried at other than fair value

All the financial assets and liabilities other than available-for-sale financial assets are carried at amounts not materially different from their fair values as at 31 December 2015.

In respect of cash and cash equivalents, restricted cash, trade and other receivables, secured bank loan, trade and other payables and convertible bonds, the carrying amounts approximate fair value due to the relatively short term or the effective interest rates are approximate to the market interest rates.

Upon initial recognition, the estimated fair value amount of preferred shares has been determined by using market information and valuation methodology considered appropriate by the Group. However, considerable judgement is required to interpret market data to develop the estimate of fair value. Accordingly, the estimate presented herein is not necessarily indicative of the amount that the Group could realise in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amount. Due to the limitation of developing estimates, the fair value amount of preferred shares cannot be measured reliably, and therefore the fair value information of preferred shares as at 31 December 2015 has not been disclosed.

33 COMMITMENTS

(a) As at 31 December 2015, the Group had capital commitments for construction of property, plant and equipment as follows:

	2015	2014
	RMB'000	*RMB'000*
Authorised and contracted for	**8,000**	6,190
Authorised but not contracted for	**—**	—
	8,000	6,190

33 COMMITMENTS *(continued)*

(b) As at 31 December 2015, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2015	2014
	RMB'000	*RMB'000*
Within 1 year	**1,533**	7,392
After 1 year but within 5 years	**2,683**	461
	4,216	7,853

34 MATERIAL RELATED PARTY TRANSACTIONS

During the year, the directors are of the view that related parties of the Group include the following companies:

Name of party	**Relationship**
SFP	The holder of the preferred shares of Bloomage Biopharm
Shandong Biopharmaceuticals Research Institute (山東省生物藥物研究院"SBRI")	Under common control with SFP
Shandong Freda Bioengineering Co., Ltd. (山東福瑞達生物工程有限公司"SFB")	Subsidiary of SFP and effectively managed by key management personnel of Bloomage Biopharm
Shandong Freda Medical Devices Co., Ltd. (山東福瑞達醫療器械有限公司"SFMD")	Subsidiary of SFP and effectively managed by key management personnel of Bloomage Biopharm
Shandong Freda Biotechnology Co., Ltd. (山東福瑞達生物科技有限公司"LFB")	Subsidiary of SFP
Shandong Mingren Freda Pharmaceutical Co., Ltd. (山東明仁福瑞達制藥有限公司)	Subsidiary of SFP
Beijing Bloomage Central Property Management Co., Ltd. (北京華熙中環物業管理有限公司"BBC")	Affiliate of an equity shareholder of the Company
V Plus S.A.	Associate of the Group

34 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(a) Transactions with related parties

Particulars of significant transactions between the Group and the above related parties during the year are as follows:

	2015	2014
	RMB'000	*RMB'000*
Sales of products to related parties	**2,013**	342
Purchase of materials from related parties	**23,416**	13,151
Dividends on preferred shares paid to SFP	**10,683**	9,892
Lease of buildings and plant to related parties	**1,950**	2,160
Rental expense for lease of properties from a related party	**6,252**	6,822

In the opinion of the directors of the Company, the above related party transactions were conducted in the ordinary and usual course of business and on normal commercial terms.

(b) Balances with related parties:

As at the end of the reporting period, the Group had the following balances with related parties:

	2015	2014
	RMB'000	*RMB'000*
Trade and other receivables	**3,201**	2,463
Trade and other payables	**1,563**	570
Preferred shares, including current portion	**51,471**	53,629

(c) Key management personnel remuneration:

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 8 and certain of the highest paid employees as disclosed in Note 9, is as follows:

	2015	2014
	RMB'000	*RMB'000*
Basic salaries, allowances and other emoluments	**9,995**	11,659
Contributions to retirement benefit schemes	**251**	191
Equity compensation benefits (see Note 28)	**24,265**	21,888
	34,511	33,738

Total remuneration is included in "staff costs" (see Note 6(b)).

The Group participates in the defined contribution post-employment benefit plans organised by municipal and provincial governments for its employees. Further details are disclosed in Note 6(b).

35 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2015 *RMB'000*	2014 *RMB'000*
Non-current assets			
Investments in subsidiaries		**34,888**	32,641
Other receivables due from subsidiaries		**531,922**	66,652
Other non-current assets	18	**35,723**	—
Total non-current assets		**602,533**	99,293
Current assets			
Other receivables		**—**	129
Cash and cash equivalents		**530,770**	9,884
Total current assets		**530,770**	10,013
Current liabilities			
Secured bank loans		**472,873**	—
Amounts due to subsidiaries		**7,287**	1,358
Accrued expenses, interest payable and other payables		**19,359**	392
Total current liabilities		**499,519**	1,750
Net current assets		**31,251**	8,263
Total assets less current liabilities		**633,784**	107,556
Convertible bonds		**326,938**	—
Total non-current liabilities		**326,938**	—
NET ASSETS		**306,846**	107,556
CAPITAL AND RESERVES			
Share capital	31(c)	**3,117**	2,969
Reserves	31(d)	**303,729**	104,587
TOTAL EQUITY		**306,846**	107,556

36 NON-ADJUSTING EVENTS AFTER REPORTING PERIOD

Pursuant to a board resolution dated on 22 March 2016, the Company declared dividends of HKD9,753,000 (equivalent to RMB8,171,000) to its equity shareholders. Further details are disclosed in Note 31(b).

37 IMMEDIATE AND ULTIMATE HOLDING COMPANY

The directors consider the immediate and ultimate holding company of the Company at 31 December 2015 to be AFI, which is incorporated in BVI.

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

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

	Effective for accounting period beginning on or after
Annual improvements to IFRSs 2012-2014 cycle	1 January 2016
Amendments to IFRS 10 and IAS 28, Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
Amendments to IFRS 11, Accounting for acquisitions of interests in joint operations	1 January 2016
Amendments to IAS 1, Disclosure initiative	1 January 2016
Amendments to IAS 16 and IAS 38, Clarification of acceptable methods of depreciation and amortisation	1 January 2016
IFRS 15, *Revenue from contracts with customers*	1 January 2018
IFRS 9, *Financial instruments*	1 January 2018

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

Group Financial Highlights

	2015	2014	2013	2012	2011
	RMB'000	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Results					
Revenue	**650,868**	481,301	375,180	274,966	206,064
Profit from the operation	**254,627**	207,738	135,742	120,848	105,907
Finance costs	**(16,727)**	(9,617)	(9,983)	(9,067)	(8,970)
Profit before taxation	**237,925**	198,121	125,759	111,781	96,937
Income tax	**(47,530)**	(36,055)	(31,362)	(22,511)	(24,312)
Profit for the year	**190,395**	162,066	94,397	89,270	72,625
Basic earnings per share (RMB)	**0.565**	0.488	0.294	0.286	0.233
Diluted earnings per share (RMB)	**0.553**	0.473	0.282	0.285	0.233
Assets and liabilities					
Non-current assets	**923,655**	449,047	336,322	214,966	127,326
Current assets	**1,275,516**	516,397	431,984	259,290	254,870
Current liabilities	**(624,100)**	(160,654)	(122,644)	(48,669)	(43,983)
Total assets less current liabilities	**1,575,071**	804,790	645,662	425,587	338,213
Non-current liabilities	**(383,114)**	(52,283)	(81,317)	(48,617)	(47,983)
Net assets	**1,191,957**	752,507	564,345	376,970	290,230
Capital and reserves					
Share capital	**3,117**	2,969	2,961	2,801	2,801
Reserves	**1,188,787**	749,487	561,325	374,091	287,341
Total equity attributable to equity shareholders of the Company	**1,191,904**	752,456	564,286	376,892	290,142
Non-controlling interests	**53**	51	59	78	88
Total equity	**1,191,957**	752,507	564,345	376,970	290,230