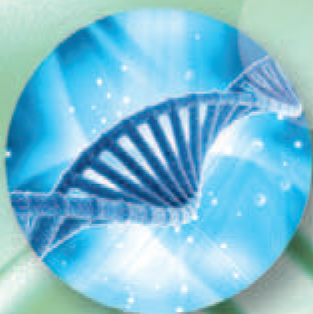
上海昊海生物科技股份有限公司
Shanghai Haohai Biological Technology Co.,Ltd.

(a joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code : 6826



ANNUAL
REPORT
2015

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:
Dr. Hou Yongtai *(Chairman)*
Mr. Wu Jianying *(General Manager)*
Mr. Ling Xihua *(Chief Financial Officer)*
(passed away on 12 January 2016)
Mr. Huang Ping *(Secretary of the Board)*
Ms. Chen Yiyi

Non-executive Directors:
Ms. You Jie
Mr. Gan Renbao

Independent Non-executive Directors:
Mr. Chen Huabin
Mr. Shen Hongbo
Mr. Li Yuanxu
Mr. Zhu Qin
Mr. Wong Kwan Kit

SUPERVISORS

Mr. Liu Yuanzhong
Ms. Yang Qing
Mr. Tang Yuejun
Mr. Wei Changzheng
Mr. Yang Linfeng

AUTHORIZED REPRESENTATIVES

Mr. Huang Ping
Mr. Chiu Ming King

JOINT COMPANY SECRETARIES

Mr. Huang Ping
Mr. Chiu Ming King *(a fellow member of the Hong Kong Institute of Chartered Secretaries)*

COMPLIANCE ADVISER

Guotai Junan Capital Limited
27th Floor, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

AUDIT COMMITTEE

Mr. Shen Hongbo *(Chairman)*
Ms. You Jie
Mr. Chen Huabin
Mr. Li Yuanxu
Mr. Zhu Qin

REMUNERATION COMMITTEE

Mr. Zhu Qin *(Chairman)*
Mr. Wu Jianying
Mr. Ling Xihua *(passed away on 12 January 2016)*
Mr. Huang Ping *(appointed on 19 February 2016)*
Mr. Shen Hongbo
Mr. Li Yuanxu

NOMINATION COMMITTEE

Mr. Li Yuanxu *(Chairman)*
Dr. Hou Yongtai
Ms. You Jie
Mr. Chen Huabin
Mr. Zhu Qin

STRATEGY COMMITTEE

Ms. You Jie *(Chairlady)*
Dr. Hou Yongtai
Mr. Wu Jianying
Mr. Huang Ping
Mr. Li Yuanxu

LEGAL ADVISERS

O'Melveny & Myers
31st Floor, AIA Central
1 Connaught Road Central
Hong Kong

AUDITORS

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

4/F, Block 2, Alley 139
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Shanghai, China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 5501, 55th Floor
Central Plaza
18 Harbour Road
Wanchai, Hong Kong

H SHARE REGISTRAR

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

INFORMATION OF H SHARES

Place of listing:	The Main Board of The Stock Exchange of Hong Kong Limited
Stock code:	6826
Number of H shares issued:	40,045,300 H shares
Nominal value:	RMB1.00 per H share
Stock short name:	HAOHAI BIOTEC

REGISTERED OFFICE

No. 5 Dongjing Road
Songjiang Industrial Zone
Shanghai, China

PRINCIPAL BANKERS

Industrial and Commercial Bank of China Ltd.
(Xinhua Road Sub-branch, Shanghai)
No. 506 Xinhua Road
Changning District
Shanghai, China

Bank of Shanghai, Co., Ltd
(Changning Branch, Shanghai)
No. 320 Xianxia Road
Changning District
Shanghai, China

INVESTOR ENQUIRIES

Investors' Service Line: (86) 021-62800674
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Website: www.3healthcare.com

FINANCIAL HIGHLIGHTS

	31 December 2015 RMB'000	31 December 2014 RMB'000	31 December 2013 RMB'000	31 December 2012 RMB'000
Results of operation				
Revenue	663,917	515,940	401,088	303,065
Gross Profit	558,844	450,057	346,252	252,752
Profit before tax	320,647	215,616	166,467	133,432
Net profit attributable to shareholders of the parent	273,474	183,582	141,521	113,942
Profitability				
Gross profit margin	84.2%	87.2%	86.3%	83.4%
Net profit margin	41.2%	35.6%	35.3%	37.6%
Earnings per share (RMB)				
Basic earnings per share*	1.86	1.53	1.18	0.95
Assets				
Total assets	2,821,910	751,903	621,178	448,037
Total liabilities	156,476	157,743	90,600	58,980
Total equity attributable to shareholders of the parent	2,661,911	594,160	530,578	389,057
Gearing ratio	5.5%	21.0%	14.6%	13.2%

* Diluted earnings per share is the same as basic earnings per share as the Group had no potential dilutive ordinary shares in issue during the periods.

Dear Shareholders,

I herein represent the Group to present the annual performance of the Company for the year ended 31 December 2015 and the outlook summary for the work of the Group in 2016.

We are a leading company in the PRC focusing on the research and development, manufacturing and sales of absorbable biomedical materials. The Group currently manufactures and sells 14 biomedical products. According to the report of SME Research, the Group has become the largest manufacturer of intra-articular viscosupplement products in the PRC, the second largest manufacturer of rhEGF in the PRC, the largest OVD product manufacturer in the PRC and the largest manufacturer of anti-adhesion products in the PRC as measured by revenue in 2014.

During the Reporting Period, leveraging on its own strengths and the team's effort, the Group realized a good growth in the results of the Company. Realized revenue was approximately RMB663.92 million, representing an increase of approximately 28.7% as compared to the previous year; the overall gross profit margin of the Group slightly decreased from the 87.2% for the corresponding period in 2014 to 84.2%; earnings per share increased to RMB1.86 from RMB1.53 for the corresponding period in 2014.

During the Reporting Period, renewals for the drug registration certificate of sodium hyaluronate/sodium hyaluronate injection and rhEGF products as well as the product registration certificates of Class III medical devices for medical sodium hyaluronate gel (anti-adhesion and hemostasis) and medical devices for collagen sponge owned by the Group were granted. The terms of all of the registration certificates are for five years, out of which three additional specifications were granted for the renewed registration certificate of medical sodium hyaluronate gel (hemostasis and anti-adhesion). The aforesaid renewal of the products ensures sustainable development for the existing products of the Group.

As of 31 December 2015, the Group owns 18 product pipelines in different stages of R&D. In 2015, the Company was awarded as "2015 Shanghai Pilot Enterprises in Patent Operation" and "Superior Enterprise with Intellectual Property in Shanghai". In addition, the establishment of "postdoctoral science research workstation" and "the Shanghai Academician and Expert Workstation" were approved. We believe that the Group's proven strong competence in R&D will become one of the long-standing core competitive edges of the Group and serves as a promise of the burgeoning growth of our core business in the future.

During the Reporting Period, the Group set up a wholly-owned subsidiary, Haohai Holdings, which would benefit the Group in leveraging on the regional advantages of Hong Kong, to further expand into international markets and build the foreign financing platform in order to facilitate the successful development of the oversea business and foreign investment of the Group. Meanwhile, during the Reporting Period, the Group firstly expanded the ophthalmology business among the Group's four therapeutic segments through mergers and acquisitions. In August 2015, Haohai Holdings acquired approximately 38% equity interest of Henan Universe. The Group and Henan Universe will take advantage of the resources and the strengths of both parties, develop the huge market potential for IOL Products and provide mutual benefits for long-term development by jointly promoting the localization of IOL Products and the substitution of imported products, in order to create a new important growth driver to the Group's business.

CHAIRMAN'S STATEMENT

In 2016, the domestic and foreign economic conditions will remain rigorous. The Group will continue to strictly follow the operation philosophy and the development plan of the Group. In order to enhance the initiative of all staff, the Group will further improve the long term training and incentive system. To realize a rapid and sustainable development, the Group will also further integrate the resources of the Company and optimize the R&D, manufacture and sales functions. Moreover, in order to achieve the strategic objective of the Group's international development, the Group will further promote external expansion and integrated development, as well as actively seek for strategic domestic and overseas merger and acquisition targets with reasonable valuation. The Group is dedicated to achieving better results in the coming year in order to better secure the interest of the Shareholders.

In conclusion, on behalf of the Board, I would like to express my sincere gratitude to the shareholders of the Company, for their trust, support and understanding and to every staff member of the Group, for their dedicated effort.

Hou Yongtai
Executive Director and Chairman of the Board

18 March 2016

BUSINESS OVERVIEW

We are a leading company in the PRC focusing on the research and development, manufacturing and sales of absorbable biomedical materials. Absorbable biomedical materials are natural, non-toxic, biodegradable in the human body and can be used for a variety of indications primarily in various general and specialty surgeries. We strategically target the fast-growing therapeutic areas in the absorbable biomedical material market in China, including orthopedics, medical aesthetics, ophthalmology, surgical hemostasis, post-surgery anti-adhesion and wound care.

KEY PRODUCTS AND THEIR MARKET POSITIONS

The Group currently manufactures and sells 14 biomedical products, among which three are classified by the China Food and Drug Administration (the "**CFDA**") as pharmaceutical products (including two chemical drugs and one biological product) and 11 are classified by the CFDA as Class III medical devices. The products of the Group mainly include medical sodium hyaluronate, medical chitosan and medical collagen from natural raw materials.

- Sodium hyaluronate has been extensively used in the fields of clinical medicine, medical cosmetics and beauty products, and is expected to have broad prospects and market potential. Our sodium hyaluronate-based products can be applied in each of our four target therapeutic areas: orthopedics, surgical anti-adhesion and hemostasis, ophthalmology and medical aesthetics and wound care. Our sodium hyaluronate-based products are used to treat degenerative osteoarthritis and are also used in cataract surgeries, plastic surgeries (including facial shaping and wrinkle reduction) and other types of general and specialty surgical operations.

- We own the proprietary interests in our medical chitosan series of products. Similar to sodium hyaluronate, our chitosan products are also applicable for, among other indications, the treatment of osteoarthritis and anti-adhesion. Chitosan has a longer in vivo retention time than sodium hyaluronate and possesses anti-microbial and hemostatic functions which are not found in sodium hyaluronate. In addition, our modified chitosan is water soluble. The technology of dissolvable medical chitosan becomes the exclusive patent of the Group. These properties make chitosan attractive in pharmaceutical formulations for hemostasis, anti-adhesion and sustained-release materials.

- Medical collagen has good hemostatic effects. It has become an unique biomedical material used in the gynecological, otolaryngological, cerebral and general surgeries to shorten the operation time and improve the post-operative healing of wound and tissue.

We also manufacture innovative biological drugs such as recombinant human epidermal growth factor ("**rhEGF**") products which utilize genetic engineering technology and are used for wound care. Our patented rhEGF products feature the same amino acid sequence as natural human epidermal growth factor, which have been proven safe and effective in treating burns and wound care. Our rhEGF products are registered with the CFDA as Class I new drug and were the first approved rhEGF products in the world.

Our products fall into following four categories by therapeutic areas:

Orthopedics Products

We currently manufacture and sell two orthopedics products used for intra-articular viscosupplement, one made of medical sodium hyaluronate and the other made of medical chitosan. Intra-articular viscosupplementation has been proven to be an effective and safe treatment for degenerative osteoarthritis.

According to the SME Research, we were the largest manufacturer of intra-articular viscosupplement products in China as measured by revenue in 2014 with a market share of approximately 31.7%.

Medical aesthetics and wound care products

We manufacture and sell two products used for medical aesthetics and wound care, including rhEGF and tissue-filling cross-linked sodium hyaluronate ("**Matrifill**") products. rhEGF products can safely and substantially expedite the repair of skin wounds on epidermis and mucosa. They are applicable for various acute or chronic wounds, and can be used for epidermis wound repair and care subsequent to laser cosmetology surgery. Our dermal filler products can correct moderate to severe facial wrinkles and folds.

According to the report of SME Research, the Group has become the second largest manufacturer in the rhEGF market as measured by revenue in 2014 with a market share of approximately 15.3%.

Ophthalmology Products

We manufacture and sell four ophthalmology products, including three ophthalmic viscoelastic devices, commonly known as "OVD" products, and one lubricant eye drops product. OVD products are the necessary devices for cataract surgery and can be used for other ophthalmic operations.

According to the report of SME Research, the market share of our OVD products was approximately 41.8% in 2014 as measured by the annual revenue, making the Group the largest OVD product manufacturer in the PRC.

Anti-Adhesion and Hemostasis Products

We currently manufacture and sell five post-operative products used for anti-adhesion and hemostasis, including hyaluronate and chitosan based products, as well as medical collagen sponge for hemostasis. Anti-adhesion and hemostasis products are widely used in various surgeries to shorten the operation time and prevent a wide range of tissue and organ adhesion resulted from trauma and injuries in surgical operations.

According to the report of SME Research, we were the largest manufacturer of anti-adhesion products in China as measured by revenue in 2014 with a market share of approximately 48.0%.

BUSINESS REVIEW AND PROSPECT

For the pharmaceutical industry in the PRC, 2015 was undoubtedly a significant year characterised by policy changes. Under the challenging circumstances of an incomplete recovery from the global economic downturn, the slowdown in the growth rate of the domestic economy, the continuing reforms of the medical system in the PRC as well as the gradual introduction of policies on facilitating reduction in drug prices and control on total medical costs have brought challenges of varying degrees to PRC pharmaceutical companies engaging in manufacturing and sales.

In February 2015, the State Council promulgated the Guiding Opinions of the General Office of the State Council on Enhancing Centralised Procurement of Pharmaceutical Products by Public Hospitals (《國務院辦公廳關於完善公立醫院藥品集中採購工作的指導意見》) (the "**Circular No. 7**"). In order to further facilitate the implementation of the Circular No. 7, the NHFPC thereafter issued the Circular on Enhancing Centralised Procurement of Pharmaceutical Products by Public Hospitals (《關於落實完善公立醫院藥品集中採購工作指導意見的通知》) (the "**Circular No. 70**"), whereby the provincial and local governments introduced local policies one after another according to the rationale of the central government. Under the further downward pressure on drug procurement price and the full implementation of control measures on medical and insurance, the profit of pharmaceutical companies was compressed. As at the end of 2015, pharmaceutical tenders were still in progress among most of the provinces, which, from an objective perspective, hampered drug dealers' willingness to purchase.

In 2015, the regulation on the industry has also become increasingly stringent. In order to ensure public health and safety, the PRC government continued to improve the system for quality standard of pharmaceutical products. The GMP raised the market entry barriers. The delegation of the licensing for GMP certification to Food and Drug Administration at provincial level has effectively uplifted the ordinary supervision and inspection efforts on manufacturing companies. While the production process and quality control have become more normalised and professionalised, manufacturing companies have to conduct more effective management to cope with the increasing operating costs.

As of 31 December 2015, the Group operated three production facilities in Shanghai, with nine production lines in total. There is another new production base under construction. All of the Group's production facilities under operation passed the new GMP certification or medical device good manufacturing practice inspection. The Company has developed a comprehensive and systemised quality control system for raw materials, production process and finished products for the purposes of meeting the increasingly stringent policy requirements of the PRC government and the industry, which is consistent with the Group's high standard.

During the Reporting Period, the Group recorded a turnover of approximately RMB663.92 million, representing an increase of RMB147.98 million or approximately 28.7% from approximately RMB515.94 million for the year ended 31 December 2014. This was mainly attributable to increase in sales volume of products in all of the four therapeutic areas of the Group.

During the Reporting Period, the Group's sales revenue from orthopedics products, cosmetic and wound care products, ophthalmology products and anti-adhesion and hemostasis products increased by 19.9%, 115.3%, 8.1%, 15.3%, respectively to RMB284.05 million, RMB122.34 million, RMB72.40 million and RMB179.00 million in the year of 2014. Further, the Group recorded additional sales revenue of approximately RMB6.12 million from the sales of medical equipment and machinery by Shanghai Baiyue, a newly acquired subsidiary of the Company.

During the Reporting Period, the Group's revenue breakdown by therapeutic area was as follows (by amount and as a percentage of the total revenue of the Group):

	2015		2014	
	RMB'000	%	RMB'000	%
Orthopedics products	284,049	42.8%	236,838	45.9%
Medical aesthetics and wound care products	122,343	18.4%	56,819	11.1%
Ophthalmology products	72,403	10.9%	66,980	13.0%
Anti-adhesion and hemostasis products	178,999	27.0%	155,303	30.0%
Other products	6,123	0.9%	–	–
Total	663,917	100.0%	515,940	100.0%

During the Reporting Period, the profit attributable to the equity holders of the Group amounted to approximately RMB273.47 million, which has increased by RMB89.89 million or approximately 49.0% from RMB183.58 million for the year ended 31 December 2014, and after deducting the exchange gains of approximately RMB24.43 million (after tax) in relation to the foreign currency settlement from the Global Offering, there is an increase of approximately 35.7%. The basic earnings per share were RMB1.86 (2014: RMB1.53).

During the Reporting Period, the increase in revenue and cost of the Group was driven by the growth of sales. While the revenue from sales of the Group's original main products continued to grow steadily, the newly launched products, including the Matrifill-branded products and medical chitosan used for intra-articular viscosupplement (骨關節腔注射), have won extensive recognition in the industry for their quality and clinical efficacy, are gaining their popularity rapidly, and have become a new important growth driver to the Group's revenue.

Moreover, the overall gross profit margin of the Group decreased slightly from 87.2% for the year ended 31 December 2014 to 84.2% for the year ended 31 December 2015, primarily due to the upgrading and industrialization reform in the second half of year 2014 which led to a significant addition of fixed assets and facilities at the Company and Shanghai Qisheng for production purposes, resulting in a substantial increase of approximately RMB12 million in depreciation and long-term amortization expenses included in the costs as compared to the year ended 31 December 2014. In addition, the selling price of some of the Group's products were adjusted in order to better capture the fast-changing environment of tender policy, which resulted in a slight decrease in gross profit margin. The management believes that through the upgrading and industrialization reform, the Group's research and development capacity and product quality will be further enhanced while the insufficient production capacity will also be improved with emerging economies of scale, which enables the Group to actively respond to the downward pressure on the selling price of certain products brought by the changing political environment and is conducive to a relatively high gross profit margin to ensure the stable growth of the Group's long-term results and profit.

Orthopedics Products

During the Reporting Period, the breakdown of revenue from orthopedics products by specific products was as follows (by amount and as a percentage of the total revenue of the Group):

	2015		2014	
	RMB'000	%	RMB'000	%
Sodium hyaluronate injection	227,785	34.3%	206,624	40.0%
Medical chitosan	56,264	8.5%	26,630	5.2%
Medical sodium hyaluronate gel	–	–	3,584	0.7%
Total	284,049	42.8%	236,838	45.9%

During the Reporting Period, the Group's revenue from the sales of orthopedics products was approximately RMB 284.05 million, representing an increase of RMB 47.21 million or approximately 19.9% from the RMB 236.84 million for the year ended 31 December 2014. Among the orthopedics products, the sales of sodium hyaluronate injection and medical chitosan recorded an increase of RMB 21.16 million and RMB 29.63 million respectively.

Sodium hyaluronate injection

Sodium hyaluronate injection (for orthopedics), which is a traditional core product that has a longer history and enjoys higher acceptance, continued to achieve a steady growth during the Reporting Period and contributed RMB 227.79 million to our revenue, representing an increase of 10.2% as compared to the year ended 31 December 2014. On the other hand, the proportion of revenue contribution by sodium hyaluronate products to the Group's total revenue decreased as compared to the year ended 31 December 2014. The decrease was mainly due to the fast growth of new products developed by the Group during the Reporting Period.

During the Reporting Period, sodium hyaluronate/sodium hyaluronate injection of the Group was granted renewal of drug registration certificate for a term of five years.

Medical chitosan

Revenue from the sales of the medical chitosan used for intra-articular viscosupplement, which was launched in the market in 2014, amounted to RMB 56.26 million during the Reporting Period, representing an increase of 111.3% as compared to that for the year ended 31 December 2014. The product, which is used for intra-articular viscosupplement, is the only Class III medical device which has obtained the registration certificate in the PRC. It can be used for treating degenerative osteoarthritis; help minimizing joint pains; improve joint mobility and reduce functional impairment. It is characterized by the Group's exclusive water-soluble technology which significantly reduces infection rate and thus enhancing product safety, has antimicrobial and hemostatic functions, a longer in vivo retention time and long-lasting therapeutic effect. After a year of market development, its significant efficacy and stable quality are now well-recognized by doctors and patients, and the sales revenue from this product grew substantially. The management has established a professional marketing team for the product and will further strengthen the professional promotion, raise product awareness and expand the market coverage to ensure a rapid growth for this exclusive product.

The management has set out clear positioning for the two different orthopedics products. To achieve mutual growth, the management strives to push the sales of medical chitosan products through differentiation of positioning among clinical application, pricing and target market while maintaining the growth momentum of sodium hyaluronate injection as the original core product of the Group.

Medical aesthetics and wound care products

During the Reporting Period, the breakdown of revenue from medical aesthetics and wound care products by specific products was as follows (by amount and as a percentage of the total revenue of the Group):

	2015		2014	
	RMB'000	%	RMB'000	%
Cross-linked sodium hyaluronate gel	87,255	13.1%	25,571	5.0%
rhEGF	35,088	5.3%	31,248	6.1%
Total	122,343	18.4%	56,819	11.1%

The Group manufactures and sells products used for medical aesthetics and wound care, including the Matrifill-branded medical cross-linked sodium hyaluronate gel and the Healin-branded rhEGF product ("**Healin**"). During the Reporting Period, the Group's revenue from the sales of plastic surgery and wound care products was RMB 122.34 million, representing an increase of 115.3%, or RMB 65.52 million as compared to RMB 56.82 million for the year ended 31 December 2014.

Matrifill

Matrifill, the innovative product launched in the market by the Group in 2014, is the first monoface cross-linked sodium hyaluronate gel for injection approved by the CFDA. It can, through injection into dermis layer, fill facial defect and folded portion to achieve wrinkle removal and facial shaping. This product is confirmed to have a good shaping effect and excellent performance in duration by a large-sample randomized controlled clinical trial. The product was developed by the Group.

Currently, on one hand, along with the growth of people's wealth and the new consumption pattern evolving with beauty-conscious individuals, their consumption power is enhanced. Further, under the aforesaid strong demand in the profit-driven market, the speed of technology upgrade of products is accelerating and in turn, boosts the growth of technology in medical beauty. Not only does the innovative technology fulfil consumer demand, but it also attracts more consumers along with further reasonable prices and improving clinical efficacy. Accordingly, the medical beauty market in the PRC is experiencing rapid growth. On the other hand, more competitors are attracted by high profit margin from the medical beauty industry to share the market growth. However, due to many inconsistent practices in the industry, the industry regulation is getting more stringent to enhance industry compliance. As such, the industry will undergo a market selection process under the principle of "survival of the fittest". This could be a challenge to the industry peers with higher demand in terms of strength in research and development ("**R&D**"), technology innovation, product quality and marketing innovation.

Leveraging on its highly competitive R&D in biomedical materials, manufacturing and marketing platforms and the technology in the production and quality control of biomedical materials, the Group pushed forward the R&D and production of cross-linked sodium hyaluronate gel for injections professionally and pragmatically, fostering the high-end quality and market recognition of domestic Matrifill products. During the Reporting Period, the sales revenue of Matrifill products increased to RMB 87.26 million, representing an increase of approximately 241.2% as compared to the year ended 31 December 2014.

The Group established a professional sales and marketing team for the Matrifill brand. With the integrated mode of direct sales and marketing through distributors, the Group achieved a gradual growth of end-users and market penetration as well as rapid expansion and coverage of sales channels. Our management believes that the traditional and single marketing approach will no longer satisfy the increasingly personalized demands. Therefore, the Group strived to enhance the consumer experience through multi-dimensional services for medical practitioners and consumers; build brand concepts and dominate the life-style of consumer groups so as to improve the product adhesiveness and life span.

As of the date of this annual report, clinical trial for the Group's second generation of cross-linked sodium hyaluronate gel was completed, and the application for registration for medical device was accepted. In terms of product characteristics and efficacy, the product will have differentiated positioning from the Group's Matrifill-branded product, which has been launched to market. Moreover, clinical trial for the third generation of cross-linked sodium hyaluronate gel ("**QST gel**") has been started. The Group can accordingly sustain its leading marketing position in terms of R&D, production and sales, and will achieve the combined effects of serialization and differentiation for products in the medical aesthetic and wound care sector, so as to satisfy clinical application needs which are being increasingly segmental and diversified.

The Group will leverage on the increasingly intensive merger and acquisition and integration in the industry, continuous innovation in R&D, stable product quality, sound clinical efficacy and effective market management to build a professional leading domestic brand in the area of non-invasive medical aesthetic in the PRC.

Healin

The Group's Healin-branded rhEGF products is the only product in China that has the same amino acid structure as the natural epidermal growth factors in human bodies, and is the first registered rhEGF product in the world. It was approved as Class I new drug by the CFDA in 2001 and was awarded the Second Prize of National Science and Technology Progress Award in 2002. Our exclusive patented technology is adopted in the production of Healin, which is relatively more active biologically with significant efficacy in the treatment of wound care. The sales volume of Healin products in recent years showed a constantly increasing trend with outstanding market performance.

According to the research report of SME Research, the Group's market share of Healin products in 2014 was 15.3%, and the Group has become the second largest manufacturer of rhEGF products.

During the Reporting Period, the drug registration certificate of rhEGF products of the Group was granted renewal with a term of five years.

Ophthalmology Products

During the Reporting Period, the breakdown of revenue from ophthalmology products by specific products was as follows (by amount and as a percentage of the total revenue of the Group):

	2015		2014	
	RMB'000	%	RMB'000	%
Ophthalmic viscoelastic device	71,032	10.7%	66,963	13.0%
Lubricant eye drops	1,371	0.2%	17	0.0%
Total	72,403	10.9%	66,980	13.0%

The Group manufactures and sells ophthalmology products, including three ophthalmic viscoelastic devices, commonly known as "OVD" products, and one lubricant eye drops product. During the Reporting Period, the Group's revenue from the sales of ophthalmology products was RMB 72.40 million, representing an increase of approximately 8.1% or RMB 5.42 million from the RMB 66.98 million for the corresponding period in 2014.

Among the main brands of OVD products in the PRC, our products have significant advantages such as advanced technology, high quality, high price-performance ratio and diversified specifications and densities. According to the report of SME Research, the market share of our OVD products was 41.8% in the year of 2014, with a market share of over 40% for the past eight consecutive years, making the Group as the largest OVD product manufacturer in the PRC.

During the Reporting Period, clinical trial for our new high concentration OVD product was completed and we have submitted application information for CFDA registration. The launch of such products will alleviate related product shortage in the PRC; upgrade our existing range of ophthalmology products; further extend the comparative advantage against the imported overseas brands of the same type of products and improve our market share.

Anti-Adhesion and Hemostasis Products

During the Reporting Period, the breakdown of revenue from our anti-adhesion and hemostasis products by specific products was as follows (by amount and as a percentage of the total revenue of the Group):

	2015		2014	
	RMB'000	%	RMB'000	%
Medical chitosan	108,914	16.4%	93,780	18.1%
Medical sodium hyaluronate gel	60,303	9.1%	52,194	10.1%
Medical collagen sponge	9,782	1.5%	9,328	1.8%
Total	178,999	27.0%	155,302	30.0%

The Group manufactures and sells anti-adhesion and hemostasis products, including anti-adhesion products, as well as medical collagen sponge made of sodium hyaluronate and chitosan.

According to the report of SME Research, the Group's market share of its anti-adhesion products amounted to 48.0% in the year of 2014, consolidating its position as the largest manufacturer of anti-adhesion products in the PRC for seven consecutive years.

During the Reporting Period, the Group's revenue from the sales of anti-adhesion and hemostasis products was RMB179.00 million, representing an increase of RMB23.70 million or approximately 15.3% as compared to RMB155.30 million in the year of 2014.

During the Reporting Period, renewals for the product registration certificates of Class III medical devices for medical sodium hyaluronate gel (anti-adhesion and hemostasis) owned by the Company were granted. The terms of all of the registration certificates are for five years, and three additional specifications were granted for the renewed registration certificate owned by the Company. The launch of products with new specifications will provide doctors and end-users with more flexible alternatives in their clinical uses. Also, renewals for the product registration certificates of Class III medical devices for collagen sponge owned by the Group were granted with a renewed term of five years.

On 30 June 2015, the Society of Gynecology and Obstetrics of the Chinese Medical Association (中華醫學會婦產科學分會) published the "Consensus of Chinese Experts on the Prevention of Abdominal Adhesions after Gynecologic Surgery (2015)" (預防婦產科手術後盆腹腔粘連的中國專家共識(2015)) (the "**Consensus**"). The Consensus indicated that adhesion is a common complication following abdominal surgery with extremely high risks. The prevention of post-operative adhesions not only raises the success rate of surgeries, but also eliminates pain for patients; improves their quality of living, enhances pregnancy rate and reduces medical costs. In addition, the Consensus commented on the effectiveness of various anti-adhesion materials and medicines based on medical evidence, among which, anti-adhesion materials recommended as the ones with B grading or more (being the materials with sufficient and reasonable evidence that clinical prevention measures are recommended) were medical sodium hyaluronate gel and the Group's exclusively-owned carboxyl-methylated chitosan (medical chitosan) respectively.

The management believes that with the issuance of the above Consensus, adhesion will be increasingly emphasized by both doctors and patients. The issuance of the Consensus will help implement the provincial and national cost catalog and medical insurance, and further facilitate the abdominal and oncology on usage of post-operative anti-adhesion products, hence radically increasing clinical usage and further promoting the growth of sales in post-operative anti-adhesion and hemostasis product of the Group.

R&D

The Group owns three R&D bases which are named as Shanghai municipal R&D institutions. As of 31 December 2015, the Group's in-house R&D team comprised 114 staff members, of which 95 were degree holders or above, 7 were doctorate degree holders and 30 were master's degree holders. All core products of the Group were primarily developed by its in-house team, and subsequent research is conducted with the support of various colleges and universities, research institutes and sizable Grade III hospitals.

In November 2015, postdoctoral science research workstation was set up with the approval of Ministry of Human Resources and Social Security of the People's Republic of China (中華人民共和國人力資源和社會保障部) and National Post-Doctorate Committee (全國博士後管理委員會) while the academician and expert workstation was set up in Shanghai with the approval of Shanghai Academician and Expert Workstation Guidance Office (上海市院士專家工作站指導辦公室). The establishment of the postdoctoral science research workstation and the academician and expert workstation represents an important move which aims to foster innovation of corporate technologies, speed up exchange of information about technology, cooperation among industry, schools and research institutes, nurturing innovative talents and building up sizable teams comprising innovative technological talents. This is not only the recognition of the PRC government to the Group's technological innovation and R&D capabilities, but it also serves as an impetus to the cooperation with colleges and universities and research institutes by the Group. This will attract high-caliber talents to the Group and create conditions to strengthen talents and technological innovation capabilities in the furtherance of the Group's independent innovation capabilities, core competitiveness and sustainable development.

The Group's market-driven R&D efforts focus on products that address rapidly growing clinical needs within the absorbable biomedical materials market, particularly those products that have potential for future commercialization in the global market. As at 31 December 2015, the Group owns 18 product pipelines in different stages of R&D. The Group intends to lodge application for approval of production for 1 product; clincial trials for 2 products have been completed and are now at the stage of product registration; 4 products are undergoing different stages of clinical trials or type inspection; and 11 products are undergoing the stages of preclinical study and technology study.

In short term, we focus on the development of the second generation of hyaluronate gel ophthalmology products, dermal filler product series (the second generation of cross-linked sodium hyaluronate gel and third generation of QST gel), fibrin sealant products, second generation of thermal-sensitive chitosan products and add different specifications to our existing products. As at the date of this annual report, the Group expects the following key product pipelines to be launched in the market in the near future:

Product series	Therapeutic area	Development status	Indications	Classificiation	Funded project	Date
Medical sodium hyaluronate gel (High concentrations OVD product)	Ophthalmology	Clinical trial completed, at the stage of product registration	Ophthalmic surgery fillers, cavity filling and cushioning	Class III medical device	—	2016
Cross-linked sodium hyaluronate gel II	Medical aeshetics and wound care	Clinical trial completed, at the stage of product registration	Wrinkle correction and face shaping	Class III medical device	Shanghai Production, Academic and Research Project of Shanghai Science and Technology Commission	2016

Product series	Therapeutic area	Development status	Indications	Classificiation	Funded project	Date
QST gel	Plastic surgery, wound care and ophthalmology	At the stage of clinical trial	Wrinkle correction and face shaping, ophthalmic viscoelastic device	Class III medical device	Shanghai Production, Academic and Research Project of Shanghai Science and Technology Commission	2017
Fibrin sealant (powder)	Anti-adhesion and hemostasis	Preparing for manufacturing permit application	Hemostasis used in regular surgery when hemorrhage is not satisfactory under control, alleviate local hemorrhage and fluid leakage, hemostasis and seal of wound tissues	Medicine	Strategically Emerging Industrial Project in Shanghai	2017
Thermal-sensitive chitosan gel	Orthopedics, general surgery	Beginning clinical trial	Cerebrospinal fluid leakage plugging during orthopedic surgery or neurosurgery	Class III medical device	National High-Tech R&D Program (863 Program); The Shanghai Youth Science and Technology Project Phospherus; Shanghai Selected Support Project; Shanghai Production, Academic and Research Project of Shanghai Science and Technology Commission	2018

In the long term, we intend to expand our R&D capabilities to develop the chitosan technology platform, which is elected and supported by the National High-Tech R&D Program (863 Program) and the Major Project of National Science and Technology under the Twelfth Five-Year Plan, as well as the electrospinning technology platform, which is elected and supported by the Major Project of National Science and Technology, to further expand our product offerings to sustained-release preparations, anti-adhesion and hemostasis membrane products and other proprietary Class I new drugs.

In addition, we also actively participate in industry organizations and partner with leading research institutions such as Shanghai Strategic Alliance for Innovation of Medical Absorbable Biomaterials, which was established and led by the Group to strengthen our R&D efforts. With agglomerate technology, the alliance, comprising 4 colleges and universities in Shanghai, 9 top hospitals and Chinese Academy of Sciences Shanghai Institute of Ceramics, aims to promote sound and healthy development of absorbable and biodegradable material industry in China.

During the Reporting Period, the Group adhered to its innovation strategy as the Group's sustainable growth driver in the future and was given recognition and firm support from related authorities of the PRC government:

- In June 2015, Company was recognized and ranked as "2015 Shanghai Pilot Enterprises in Patent Operation" by Shanghai Intellectual Property Administration (上海市知識產權局);
- In August 2015, two projects undertaken by Shanghai Likangrui and Shanghai Jianhua, the subsidiaries of the Group were granted subsidies from the Shanghai Zhang Jiang National Independent Innovation Demonstration Zone Project Development Fund (上海張江國家自主創新示範區專項發展資金) in 2015;
- In September 2015, the Company was approved as the "Superior Enterprise with Intellectual Property in Shanghai" from Shanghai Municipal of Economy and Information Technology (上海市經濟和信息化委員會) ("**SMEIT**");
- In September 2015, the establishment of "postdoctoral science research workstation" was approved by Ministry of Human Resources and Social Security of the People's Republic of China (中華人民共和國人力資源和社會保障部) and the National Post-Doctor Regulatory Commission (全國博士後管理委員會);
- In October 2015, Shanghai Qisheng, subsidiary of the Group was granted a project in Shanghai by www.cqkjxir.com (科技小巨人) with the approval of Shanghai Science and Technology Commission (上海市科委) and SMEIT which aims to further promote independent innovation of small to medium size technology enterprises and heighten core competitiveness in order to support a satisfactory number of construction projects undertaken by leading corporates in terms of science and technology with competitive strengths in the industry home and abroad, which is in line with the goal of the National Conferences of Science and Technology (全國科技大會) and Science Conferences of Science and Technology (上海科技大會); and
- In November 2015, the establishment of Shanghai Academician and Expert Workstation was consented to and approved by Shanghai Academician and Expert Workstation Guidance Office (上海市院士專家工作站指導辦公室).

The management believes that the Group's proven strong competence in R&D will become one of the long-standing core competitive edges of the Group and serves as a promise of the burgeoning growth of our core business in the future.

DISTRIBUTION AND DIRECT SALES

The Group consistently operates the marketing model of combining distribution and direct sales and it owns extensive and effective sales network in the PRC.

As at 31 December 2015, the Group's distribution network comprised over 1,300 distributors. With such distribution network, products of the Group were sold across provinces, municipals and autonomous regions.

In addition to the distribution network, the Group also had 3 professional teams, namely, specific markets, commercial and sales teams who are responsible for an array of marketing and distribution network management such as formulation of standardized marketing and sales policies, providing training to, selecting and managing distributors in the market as well as maintaining direct sales to certain high-end hospitals and core regions to keep up the Group's profile and keep abreast with market changes. The three teams work independently yet complementing each other, proving the focused beneficial resources of the Group which assist the Group's product to occupy markets fast and effectively.

During the Reporting Period, we derived revenue of approximately RMB 518.26 million from sales of our products through distributors, which accounted for 78.1% of the Group's sales revenue and approximately RMB 145.66 million from direct sales, which accounted for 21.9% of the Group's sales revenue.

The management believes that the Group's broad coverage of hospitals and other medical institutions and its capabilities of identifying and monitoring distributors are serving as the major competitive strengths to shorten the length of newly developed products entering the market. As a result, this lays a solid foundation for continuously enhancing the reputation of the Group's offerings and brand.

DEVELOPMENT TREND AND COMPETITION OF THE PHARMACEUTICAL AND HEALTHCARE INDUSTRY

Recently, the continual growth of the pharmaceutical and healthcare industry in the PRC is driven by a combination of favorable socioeconomic factors including the growth of people's disposable income and spending on healthcare, the size of the overall population and proportion of aging population, the size of the PRC's economy and the active support from the PRC government on healthcare spending and reforms. However, following announcement and implementation of various policies in 2015, the reform of pharmaceutical and healthcare industry system in the PRC has started. Industry integration, change of operation and steep competition are inevitable. The management believes that 2016 is marked by opportunities and challenges for pharmaceutical and healthcare industry.

As the Group serves as a part of the large-scale and fast-growing biopharmaceutical industry in the PRC while the overall industry witnesses a fast growth in recent years, sustainability in the future becomes an important topic for biopharmaceutical companies.

With regard to the announcement of implementation of policies in 2015, on pharmaceutical level, removal of price markups on medicine and centralized procurement of medicines subject the sales of medicine to sterner price adjustment while the control on the proportion of medicine will drive the hospitals to keep a closer watch on medicine management and comprehensive assessment medicinal effect and cost. On medical equipment level, the trend of localization of medical equipment is coming. In the Notice of the General Office of the State Council on the Conclusion of the Tasks of Deepening Pharmaceutical and Healthcare System Reform and 2015 Highlighted Tasks (Guo Ban Fa [2015] No.34)《國務院辦公廳關於印發深化醫藥衛生體制改革2014年工作總結和2015年重點工作任務的通知》(國辦發【2015】34號) issued in May 2015, priority of the use of homegrown medical equipment and machines in the state-owned hospitals is mentioned. This policy favors the fast development of homegrown medical equipment. Subsequently, in the Notice of the Issues on Accelerating the Project Approval of the Pricing of New

Medical Services (Fa Gao Jia Ge [2015] No.3095)《關於加快新增醫療服務價格項目受理審核工作有關問題的通知》(發改價格[2015]3095號), the approval of the pricing of the new medical services are not subject to the requirements set out in the National Standards on the Pricing of Medical Services Programs (2012 Edition)《全國醫療服務價格項目規範 (2012年版)》("**2012 Edition of Pricing Standards**"). Once granted approval for production from related authorities and become ready to enter into the market, the medical product projects of reagents, consumables and equipment should be included in the area of pricing of new medical service projects. This notice intends to spur innovation in medical technology and is favorable to the Group's pharmaceutical products and their timely clinical use. However, as seen in the recent tenders conducted in certain provinces, the prices of certain consumable products are gradually subject to the control by the government. Changes of policies and environment exert pressures on the price of products, no matter for medicine and medical equipment spheres. As a result, corporates must strike a balance between sales volume and prices. In addition, innovation and merger and acquisition are the growth drivers for biopharmaceutical corporate in the future.

During the course of burgeoning development of biopharmaceutical industry in China, the industry layout is undergoing change from the old form, in which differentiation among corporates at all levels is becoming more obvious. Central Committee's Proposal for Formulating the 13th Five-Year Plan for National Economic and Social Development (中共中央關於制定國民經濟和社會發展第十三個五年規劃的建議) (the "**Proposal**") was issued in October 2015. In the Proposal, upgrade and optimization of structures of strategic emerging industries are clearly encouraged in support of the development of the innovation-driven biopharmaceutical industry. The development of core technology of biopharmaceutical industry and high-performance medical devices, and the formation of a new industry structure will be the focus of the policies of 13th Five Year Plan. The reform will weed out obsolete capacities and the biopharmaceutical corporates in possession of economy of scales, advanced technologies, well-established brand and excellent marketing will stand out in the opportunities given.

Regarding the industry competition, all the products of the Group have attained the leading market position and the related differentiated segments have high market concentration. In addition, the market barriers are relatively high for external competitors. The management believes that, with our safe and effective innovative products and highly effective services provided with due care, the Group will continue to maintain the leading position for its four major segments of therapeutic products and capitalize on the reform of pharmaceutical and healthcare systems.

PRINCIPAL RISKS AND UNCERTAINTIES ASSOCIATED WITH THE COMPANY

The pharmaceutical industry is highly regulated. We are governed by various local, regional and national regulations in different aspects of our operations, including licensing and certification requirements and procedures for manufacturers of pharmaceutical or medical device products, operating and safety standards, as well as environmental protection regulations. Any change in the applicable laws, regulations or standards may prevent or restrict us from conducting certain aspects of our current business.

All of our products sold to public hospitals and medical institutions in the PRC, whether directly or through distributors, are required to go through a centralized tender process. We may fail to win bids in a centralized tender process due to various factors. If our products are not selected in the centralized tender processes in certain regions, we will be unable to sell the relevant products to the public hospitals and other medical institutions in such regions, and our market share, revenues and profitability could be materially and adversely affected.

Our competitiveness and future prospects depend on our ability to successfully develop new products. As the development process may be lengthy, we are unable to determine whether a marketable result will be achieved in the early development phase, and the market for the products we develop may differ significantly from what we had expected. We may also fail to successfully develop marketing strategies for our new products to respond to changing customer demand and preference. In the event that we fail to successfully develop and commercialize new pharmaceutical and medical device products, our business and growth prospects could be adversely affected.

We intend to selectively pursue strategic acquisitions of companies, products and technologies that will complement our efforts to grow our business. We may fail to identify or secure suitable acquisition or investment opportunities, or our competitors may capitalize on such opportunities before we do. Moreover, identifying such opportunities could demand substantial management time and resources, and negotiating and financing such acquisitions or investments could involve significant costs and uncertainties. If we fail to successfully source and integrate acquisitions or investments, our overall growth could be adversely affected.

DEVELOPMENT STRATEGY AND OPERATING PLAN OF THE GROUP

In 2016, the Group will focus on the organic growth of the four major segments of therapeutic products through the following measures:

- pushing forward the upgrade of existing products, expanding investment in research and development of innovative products to fulfil market demands and promoting the clinical applications of products;
- enhancing capacity utilization and using advanced production equipment to raise production efficiency; of products, and promoting clinical application of products;
- focusing on and strengthening the information management of bidding and tender as well as distributors' network;
- in terms of sales and marketing, the Group will take a series of measures to intensify market penetration of original competitive products and through a refined multi-dimensional marketing strategy, expand the coverage of our new products on high-end hospitals and related areas.

The Group will also continue to leverage on its intensive knowledge of the medical biochemical materials industry to actively seek suitable domestic and overseas acquisition targets with high synergy for the purpose of vertical and horizontal integration within the industry. For details on the mergers and acquisitions activities of the Group during the Reporting Period, please refer to the section headed "Mergers and Acquisitions" in this annual report.

With the diversified innovative products, continued efforts put into the product lines under research and R&D, the strong competitive edge arising from the sales and marketing network of the Group and the outstanding ability of the management team in strategic acquisition and integration, the management is confident that a strong foundation will be laid for the rapid and sustainable growth for the Group in the future.

FINANCIAL REVIEW

Revenue, cost and gross profit margin

During the Reporting Period, the Group recorded aggregate operating revenue of approximately RMB663.92 million, representing an increase of RMB147.98 million or approximately 28.7% as compared to approximately RMB515.94 million for the year ended 31 December 2014, which was primarily attributable to the increased sales volumes of the products across all four therapeutic areas of the Group.

Following the growth in revenue, the cost of sales of the Group increased from RMB65.88 million in 2014 to RMB 105.07 million in 2015, representing an increase of RMB39.19 million.

The overall gross profit margin of the Group slightly decreased from the 87.2% for the year ended 31 December 2014 to 84.2% for the Reporting Period, primarily due to the completion of upgrading and industrialization reform of the Group in the second half of 2014 which led to a significant addition of fixed assets and facilities for production purposes, resulting in an increase in depreciation and long-term amortization expenses which are included in the costs. In addition, selling prices of certain products of the Group were adjusted in order to adapt to the fast changing policy environment and the highly competing market, which led to a slightly decrease in gross profit margin. In general, the gross profit margin of the Group was still at a relatively high level.

Selling and Distribution Expenses

The selling and distribution expenses of the Group increased from RMB 187.19 million for the year ended 31 December 2014 to RMB242.10 million for the year ended 31 December 2015, representing an increase of RMB54.91 million, primarily due to the increase in marketing expenses of the medical chitosan products used for intra-articular viscosupplement and new products such as Matrilfill-branded products. The proportion of selling and distribution expenses to the Group's total revenue slightly increased from approximately 36.3% recorded in the year ended 31 December 2014 to approximately 36.5% in the year ended 31 December 2015, which basically remained stable.

Administrative Expenses

The administrative expenses of the Group increased from RMB48.96 million recorded for the year ended 31 December 2014 to RMB58.88 million for the year ended 31 December 2015, representing an increase of RMB 9.92 million, primarily due to the increase of number of administrative staffs since business expansion and the increase in service fees of professional institutions upon listing. The proportion of administrative expenses to the Group's total revenue slightly decreased from approximately 9.5% recorded in for the year ended 31 December 2014 to approximately 8.9% in for the year ended 31 December 2015.

R&D Expenses

The R&D expenses of the Group increased from RMB26.46 million recorded for the year ended 31 December 2014 to RMB35.25 million for the year ended 31 December 2015, representing an increase of RMB8.79 million. During the Reporting Period, the proportion of R&D expenses accounted for 5.3% (2014: 5.1%) of the total revenue of the Group. With our deep product pipeline reserve and our continued investment in R&D activities, we believe that we have built a solid foundation for the sustainable growth of the Group in the future.

Income Tax Expense

The income tax expense of the Group increased from RMB 32.03 million recorded for the year ended 31 December 2014 to RMB 47.34 million for the year ended 31 December 2015, representing an increase of RMB 15.31 million.

In the year of 2015, the effective rate of income tax for the Group was approximately 14.8% (2014: 14.9%), primarily due to the applicable preferential income tax rate for high and new-tech enterprises entitled to by the Company and its subsidiaries, Shanghai Qisheng and Shanghai Jianhua.

RESULTS OF THE YEAR

Profit of the Group attributable to the equity holders of the Company increased from RMB 183.58 million for the year ended 31 December 2014 to RMB 273.47 million for the year ended 31 December 2015, representing an increase of RMB 89.89 million or approximately 49.0%. After deducting the after-tax exchange gains of approximately RMB 24.43 million (after tax) in relation to the foreign currency settlement from the Global Offering proceeds, there was an increase of 35.7%. The basic earnings per share were RMB 1.86 (2014: RMB 1.53). The results of the year realized a rapid and steady growth, primarily attributable to the growth of revenue from sales and the enhanced profitability of the Group.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2015, the total current assets of the Group was approximately RMB 2,372.05 million, representing an increase of RMB 2,024.69 million as compared to the amount as at 31 December 2014, and the total current liabilities was approximately RMB 140.99 million, representing an increase of RMB 1.75 million as compared to the amount as at 31 December 2014. As at 31 December 2015, the Group's current assets to liabilities ratio was approximately 16.82 as compared to 2.49 as at 31 December 2014, the increase in current assets to liabilities ratio was primarily attributable to the increase in deposits of the proceeds from the Global Offering of the Company which was completed in April 2015.

During the Reporting Period, the net cash inflow from operating activities of the Group was RMB 268.51 million, representing an increase of RMB 126.52 million as compared to RMB 141.99 million for the year ended 31 December 2014. The net cash outflow from the investment activities of the Group was RMB 149.25 million, representing an increase of RMB 61.10 million as compared to RMB 88.15 million for the year ended 31 December 2014. The net cash inflow from the investment activities of the Group was RMB 1,754.57 million, representing an increase of RMB 1,824.89 million as compared to net cash outflow of RMB 70.32 million for the year ended 31 December 2014, which is primarily due to the receipt of proceeds from the Global Offering of the Group.

The Company issued an aggregate of 40,045,300 H shares of RMB1.00 each at a price of HK$59.00 per H share, raising a total amount of HK$2,362.67 million. Netting of the listing expenses amounting to RMB69.42 million, the effective net proceeds were RMB1,794.28 million, in which the increase of share capital and capital reserve were RMB40.05 million and RMB1,754.23 million, respectively.

MERGERS AND ACQUISITIONS

Apart from the internal growth of business, the Group actively sought opportunities of external growth through mergers and acquisitions. The Group has been recognized to certain degree throughout the industry, and had brilliant track record in selecting suitable target companies for cooperation or mergers and acquisitions. The proceeds raised from the Global Offering provided a strong support to the Group for mergers and acquisitions, detailed initiatives of which are as follows:

- Pilot integration of sales channel through mergers and acquisitions

  In February 2015, the Company made capital contribution of RMB6 million to Shanghai Baiyue in cash to acquire 60% of its equity interest. Through the investment, the Group will absorb and integrate the sales team of Shanghai Baiyue in the Shanghai region and the distribution team of medical devices so as to effectively enhance the efficiency of the Group's sales force in Shanghai region and accordingly, expand the Group's market share in the region and to reduce the average cost of sales.

- Established subsidiary in Hong Kong to build financing platform

  In July 2015, the Group set up a wholly-owned subsidiary Haohai Holdings in Hong Kong. The establishment of Haohai Holdings would benefit the Group in leveraging the regional advantage of Hong Kong region to further expand into international markets and build the foreign financing platform in order to facilitate the successful development of the oversea business and foreign investment of the Group.

- To firstly expand the ophthalmology business among the Group's four therapeutic segments through mergers and acquisitions

  In August 2015, Haohai Holdings has acquired approximately 38% equity interest of Henan Universe. For details of the transaction, please refer to the announcement of the Company dated 11 September 2015. Through the transaction, the management believed that the Group and Henan Universe will take advantage of the resources and the strengths of both parties, develop the huge market potential for intraocular lens product ("**IOL Products**") and provide mutual benefits for long-term development by jointly promoting the localization of IOL Products and the substitution of imported products. Meanwhile, intraocular lens will be integrated with the Group's existing ophthalmic viscoelastic device and Eyesucom (product of lubricant eye drops) to form an ophthalmology product mix. With the synergy created through sharing the extensive and effective sales network of the Group, the overall competitive advantage of the Group will be enhanced through the increased strategic competitiveness in the ophthalmic market.

In 2016, the Group will continue to actively seek suitable domestic and overseas targets and business opportunities for the purpose of vertical and horizontal industry investment within the upstream and downstream of the industry and related industry with higher synergy at reasonable considerations while closely monitoring the trend of industry development. The Group will make early planning in those strategic businesses with substantial development potential in order to enhance the core competitiveness and sustainable development potential of the Group.

EMPLOYEES AND REMUNERATION POLICY

The Group had 549 employees as of 31 December 2015. The breakdown of our total number of employees by function was as follows:

Production	222
Research and Development	114
Sales and Marketing	140
Supply	10
Administration	63
Total	549

The Group's remuneration policy for its employees is based on their working experience, daily performance, sales performance of the Company and external market competition. The Group provided various and thematic training programs for its employees regularly, such as training in relation to the knowledge of the product and sales of the Group, the applicable laws and regulations for operations, the requirements of GMP certificate, quality control, workplace safety and corporate culture. During the Reporting Period, the remuneration policy and training programs had no material changes and the total remuneration of the Group's employees amounted to approximately RMB 85.31 million. The management will continue to combine the human resources management and enterprise strategies to recruit professionals according to the changes of the external conditions so as to realize the Group's strategic goal through its strong and reasonable human resources structure.

ASSET PLEDGE

As of 31 December 2015, the Group did not have any asset pledge.

GEARING

As of 31 December 2015, the Group had total liabilities of approximately RMB 156.48 million and gearing ratio ((Total Liabilities/Total Assets) × 100%) of 5.55% as compared to 20.98% as at 31 December 2014. The decrease in gearing ratio from 2014 was mainly attributable to the substantial increase in total assets of the Group arising from the net proceeds of approximately RMB 1,794.28 million raised from the Global Offering in April 2015.

BANK BORROWING

As at 31 December 2015, the Group did not have any outstanding bank borrowing.

FOREIGN EXCHANGE RISK

The sales of the Group were principally and mostly denominated in RMB. Despite the fact that the Group might be exposed to foreign exchange risk, the Board expects that exchange rate fluctuation of the foreign currencies held by the Group will not have any material adverse impact on the Group. As at 31 December 2015, the Group did not enter into any hedging transactions.

CONTINGENT LIABILITIES

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

MATERIAL EVENTS AFTER THE END OF THE REPORTING PERIOD

(a) On 26 February 2016, Haohai Holdings entered into a cornerstone investment agreement with Union Healthcare Limited (02138.HK) and agreed to subscribe at the offer price for such number of shares that may be purchased with an aggregate amount of USD10,000,000 which was settled on 10 March 2016. Union Healthcare Limited was listed on Stock Exchange on 11 March 2016.

(b) Pursuant to a resolution of the Board of Directors dated 18 March 2016, the directors of the Company proposed to declare a final dividend of RMB0.40 (inclusive of tax) per share for the year ended 31 December 2015, totally amounting to RMB64,018,120. The proposed dividend is subject to be approved at the annual general meeting on 3 June 2016.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor its subsidiaries have purchased, sold or redeemed any of the Company's listed securities for the period since the listing of the H shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited on 30 April 2015 (the "**Listing Date**"), up to 31 December 2015.

The Board of Directors (the "**Board**") presents their report and the audited consolidated financial statements of the Group for the Reporting Period.

GLOBAL OFFERING

The Company is a joint stock company incorporated in the PRC with limited liability. Its H shares were listed and traded on the Main Board of the Stock Exchange on 30 April 2015. The prospectus of the Company dated 20 April 2015 (the "**Prospectus**") has been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.3healthcare.com).

PRINCIPAL BUSINESS

We focus on the research and development, manufacturing and sales of absorbable biomedical materials. We strategically target the fast-growing therapeutic areas in the absorbable biomedical material market in China, including orthopedics, medical aesthetics, ophthalmology, surgical hemostasis, post-surgery anti-adhesion and wound care.

BUSINESS REVIEW

A fair review of the Group's business during the Reporting Period is provided in the Chairman's Statement on pages 5 to 6 and the Management Discussion & Analysis on pages 7 to 26 of this annual report. Description of the risks and uncertainties that the Group may face can be found in the Management Discussion & Analysis on pages 7 to 26 in this annual report. The objectives and policies on financial risk management of the Group are also set out in the note 34 to the consolidated financial statements. Particulars of important events affecting the Group that have occurred since the end of the year ended 31 December 2015 are set out in note 35 to the consolidated financial statements. Financial Highlights of the Group are set out on page 4 in this annual report, in which the Group's performance during the Reporting Period is analyzed with financial key performance indicators. In addition, an account of the Group's environmental policies, the Company's relationships with its stakeholders and compliance with relevant laws and regulations that exerts material impact on the Group are included in the Corporate Social Responsibility Report on pages 58 to 59 in this annual report. The probable future business development of the Company is discussed in "Development Strategy and Operating Plan of the Group" on page 21 of this annual report.

RESULTS

The Company's results for the Reporting Period and the financial position of the Company as at 31 December 2015 are set out in the audited consolidated financial statements on pages 68 to 121 of this annual report.

A discussion and analysis of the Company's performance during the year and the material factors underlying its results and financial position are set out in the Management Discussion and Analysis on pages 7 to 26 of this annual report.

DIVIDENDS

On 18 March 2016, the Board recommends to declare a final dividend of RMB0.40 (inclusive of tax) per share for the year ended 31 December 2015, totaling RMB64,018,120.

Pursuant to the Corporate Income Tax Law of the People's Republic of China and its implementing regulations (hereinafter collectively referred to as the "**CIT Law**") which took effect on 1 January 2008 and the Notice on Issues relating to the Recognition of Overseas Registered PRC-invested Enterprises as Resident Enterprises based on Actual Management Organisation Standards issued by the State Administration of Taxation on 22 April 2009, the tax rate of the corporate income tax applicable to the income derived from the PRC of a non-resident enterprise is 10%. For this purpose, any H shares registered under the name of a non-individual enterprise, including those registered under the name of HKSCC Nominees Limited, other nominees or trustees such as securities firms and banks, or other organizations or entities, shall be deemed as shares held by non-resident enterprise shareholders (shall have the same meaning as defined under the CIT Law). The Company will distribute the final dividend to the non-resident enterprise shareholders subject to a deduction of 10% corporate income tax withheld and paid by the Company on their behalf.

The 10% corporate income tax will not be withheld from the final dividend payable to any natural person shareholders.

The proposed final dividend is subject to approval by shareholders of the Company at the forthcoming annual general meeting. Upon approval by shareholders of the Company at the forthcoming annual general meeting, the payment of final dividend is expected to be made on or before Friday, 29 July 2016.

For details of the resolutions to be considered and approved at the forthcoming annual general meeting, the book closure period of H share register, and the date of annual general meeting, please refer to the notice of 2016 annual general meeting to be issued by the Company in due course.

The Board is not aware of any shareholders who have waived or agreed to waive any dividends.

FOUR-YEAR FINANCIAL SUMMARY

A summary of the Group's operating results, assets and liabilities for the past four financial years is set out on page 4 of this annual report. This summary does not form part of the audited consolidated financial statements.

PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries of the Company are set out on pages 74 to 75 of this annual report.

USE OF NET PROCEEDS FROM THE LISTING

The Company issued an aggregate of 40,045,300 H shares of RMB1.00 each at a price of HK$59.00 per H share, raising a total amount of HK$2,362.67 million in its Global Offering on 30 April 2015. Netting of the paid and accrued listing expenses amounting to RMB69.42 million, the net proceeds raised was RMB1,794.28 million. As at 31 December 2015, the applications of the net proceeds from the IPO by the Company were consistent with the manners as stated in the section headed "Future Plans and Use of Proceeds" in the Prospectus. The Board has resolved at its meeting held on 18 March 2016 to propose to reallocate and change the use of the remaining balance of unutilized net proceeds of approximately RMB1,424.64 million. The aforesaid proposal will be proposed at the upcoming annual general meeting. For relevant details, please refer to the announcement of the Company dated 18 March 2016. With reference to the announcement of the company dated 18 March 2016, as at 29 February 2016, the net proceeds were applied as follows:

	Proposed allocation on the use of net proceeds *(approximately RMB million)*	Utilized net proceeds up to 29 February 2016 *(approximately RMB million)*	Remaining balance of unutilized net proceeds *(approximately RMB million)*
Constructing new production lines at Shanghai Likangrui, including the new production facilities for animal origin fibrin sealant products and biomedical materials	448.57	12.93	435.64
Selectively acquiring suitable biopharmaceutical or biomedical materials companies or assets with a focus on products that have high growth potentials within our target therapeutical areas and products complementary to our existing product portfolio	448.57	214.45	234.12
Purchasing new production equipment, as well as to renovate and upgrade our Haohai Biological facility	322.97	5.96	317.01
Funding research and development activities and clinical applications for our pipeline products	233.26	3.84	229.42
Expanding our sales and marketing network by hiring additional marketing and sales personnel, commercialize those pipeline products we have successfully developed, and increase the level of our marketing and promotional activities	161.49	—	161.49
For working capital and general corporate purposes	179.42	132.46	46.96
Total	1,794.28	369.64	1,424.64

SHARE CAPITAL

Share capital of the Company as at 31 December 2015 was as follows:

	Number of shares	Percentage of total issued share capital
Domestic shares	120,000,000	74.98%
H shares	40,045,300	25.02%

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 period from the Listing Date to 31 December 2015.

PRE-EMPTIVE RIGHTS AND ARRANGEMENTS ON OPTIONS OF SHARES

There are no provisions for pre-emptive rights for the shareholders of the Company under the PRC laws and the articles of association of the company (the "**Articles**"). During the Reporting Period, the Company does not have any arrangement on options of shares.

MAJOR SUPPLIERS AND CUSTOMERS

During the Reporting Period, the aggregate purchases attributable to the Group's five largest suppliers comprised 82.23 % of the Group's total purchases for the year ended 31 December 2015, among which, the purchases attributable to the Group's largest supplier during the Reporting Period was 59.83 %.

During the Reporting Period, the aggregate sales attributable to the Group's five largest distributors comprised 9.71 % of the Group's total sales for the year ended 31 December 2015, among which, the sales attributable to the Group's largest distributor during the Reporting Period was 2.14 %. During the Reporting Period, none of the distributors was our supplier and vice versa.

During the Reporting Period, the aggregate sales attributable to the Group's five largest customers comprised 9.71 % of the Group's total sales for the year ended 31 December 2015, among which, the sales attributable to the Group's largest customer during the Reporting Period was 2.14 %.

During the Reporting Period, none of the Directors or their close associates or shareholders which, to the knowledge of the Directors, owned more than 5% of the Company's registered capital had any beneficial interest in the five largest suppliers, distributors or customers of the Group.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Company and its subsidiaries during Reporting Period are set out in note 12 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company during the Reporting Period are set out in note 37 to the consolidated statement and details of the reserve distributable to shareholders are set out in note 37 to the consolidated statement.

TAX RELIEF AND EXEMPTION

The Company is not aware that any holders of securities of the Company are entitled to any tax relief or exemption by reason of their holding of such securities.

BANK LOANS AND OTHER BORROWINGS

As of 31 December 2015, the Group did have no bank loans or other borrowings.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The following table sets forth the particulars of the Directors, supervisors of supervisory committee (the "**Supervisors**") and senior management during the Reporting Period and as at the date of this annual report:

Name	Age	Capacity	Date of appointment
Dr. Hou Yongtai	54	Chairman and Executive Director	23 July 2010
Mr. Wu Jianying	52	Executive Director and General Manager	23 July 2010
Mr. Ling Xihua *(passed away on 12 January 2016)*	61	Executive director and Chief Financial Officer	23 July 2010
Mr. Huang Ping	40	Executive Director, Secretary of the Board and one of our joint company secretaries	23 July 2010
Ms. Chen Yiyi	34	Executive Director	23 July 2010
Ms. You Jie	53	Non-executive director	23 July 2010
Mr. Gan Renbao	76	Non-executive director	23 July 2010
Mr. Chen Huabin	48	Independent Non-executive director	16 October 2014
Mr. Shen Hongbo	36	Independent Non-executive director	16 October 2014
Mr. Li Yuanxu	49	Independent Non-executive director	16 December 2010
Mr. Zhu Qin	52	Independent Non-executive director	16 October 2014
Mr. Wong Kwan Kit	46	Independent Non-executive director	6 April 2015
Mr. Liu Yuanzhong	47	Chairman of the Supervisory Committee and shareholder Supervisor	23 July 2010
Ms. Yang Qing	44	Independent Supervisor	16 October 2014
Mr. Tang Yuejun	37	Independent Supervisor	16 October 2014
Mr. Wei Changzheng	36	Employee representative Supervisor	23 July 2010
Mr. Yang Linfeng	34	Employee representative Supervisor	30 September 2014
Ms. Ren Caixia	58	Deputy general manager	23 July 2010
Mr. Wang Wenbin	49	Deputy general manager	30 September 2014
Mr. Zhang Jundong	42	Deputy general manager	30 September 2014
Ms. Wei Xin	44	Deputy general manager	19 February 2016

CONFIRMATION OF INDEPENDENCE BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from all independent non-executive Directors, namely Mr. Chen Huabin, Mr. Shen Hongbo, Mr. Li Yuanxu, Mr. Zhu Qin and Mr. Wong Kwan Kit the confirmation letters of their independence pursuant to Rule 3.13 of the Listing Rules. Based on their confirmations, the Company considers that all independent non-executive Directors are independent.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The particulars of the profiles of the Directors, Supervisors and senior management are set out on pages 60 to 65 in this annual report.

CHANGES OF INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

1. Mr. Wu Jianying served as the director of Haohai Healthcare since July 2015 and the vice chairman of Henan Universe since August 2015.

2. Mr. Ling Xihua, executive Director, chief financial officer and member of the remuneration committee of the Company, passed away on 12 January 2016;

3. Mr. Huang Ping served as the director of Haohai Healthcare since July 2015 and the director of Henan Universe since August 2015.

4. Mr. Yang Linfeng has been a Performance & Development manager of Human Resource since November 2015.

5. Ms. Wei Xin has been appointed as the deputy general manager of the Company since 19 February 2016.

Apart from above, there is no change in information of the Directors, Supervisors or chief executive which shall be disclosed pursuant to 13.51(2) of the Listing Rules.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of our Directors has entered into a service contract with our Company for a term of three years subject to termination in accordance with their respective terms. Each of the Supervisors has entered into a service contract with our Company for a term of three years and in respect of, among others, compliance with relevant laws and regulations, observation of the Articles and provision on arbitration.

None of the Directors or Supervisors has or is proposed to have a service contract with any member of our Group which is not determinable by the relevant employer within one year without the payment of compensation (other than statutory compensation).

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Except as disclosed in this annual report, no Director or Supervisor had a material interest, directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Company or its subsidiaries, to which the Company or any of its subsidiaries and controlling companies or any of its subsidiaries entered into during or at the end of the Reporting Period.

CONTRACT OF SIGNIFICANCE

Except as disclosed in this annual report, during the Reporting Period, no contracts of significance in respect of provision of services or otherwise were entered into between the Company or its subsidiaries and the controlling shareholders.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

In order to restrict competition activities with the Company, our controlling shareholders, Ms. You Jie (who is also a non-executive Director of the Company) and Mr. Jiang Wei (collectively, the "**Covenantors**") have entered into a deed of non-competition in favour of the Company dated 8 December 2014 (the "**Deed of Non-Competition**"). The undertakings and covenants stipulated under the Deed of Non-Competition cover any business which is or may be in competition with the Core Operations (as defined therein) or the business of any member of our Group from time to time within the territories of Hong Kong and the PRC and such other parts of the world where such businesses are carried on by any member of our Group.

In determining whether the Covenantors had fully complied with the non-competition undertakings during the year ended 31 December 2015, the Company noted that (a) the Covenantors declared that they had fully complied with the non-competition undertakings in the Non-Competition Deed as at 31 December 2015, (b) no new competing business was reported by the Covenantors as at 31 December 2015, (c) there was no particular situation rendering the full compliance of the non-competition undertakings being questionable, and (d) the independent non-executive Directors had reviewed the compliance of non-competition undertakings by the Covenantors as part of the annual review process stipulated in the Deed of Non-Competition.

During the year ended 31 December 2015 and save as disclosed in the Prospectus, the Directors were not aware of any business or interest of the Directors or any substantial shareholder (as defined in the Listing Rules) of the Company and their respective associates that had competed or might compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The remuneration of Directors and Supervisors of the Company are set out in note 7 to the consolidated financial statements. During the Reporting Period, there was no arrangement under which any Directors or Supervisors of the Company waived their remuneration.

Remuneration of senior management members of the Company set out in this annual report, other than Directors and Supervisors, falls within the following bands:

Band	Number
RMB0 - 600,000	1
RMB600,001 - 1,000,000	2

REMUNERATION OF EMPLOYEES AND POLICIES

As of 31 December 2015, the Group had 549 employees in total. The remuneration package for our employees generally includes salary, allowances and bonuses. Employees also receive benefits such as housing allowance and social insurance. The particulars of the employees of the Company are set out in note 6 to the consolidated financial statements.

PENSION SCHEME

Pursuant to the provisions of the relevant laws and regulations of the PRC, the Group is required to participate in contribution to retirement benefit schemes established by the relevant provincial and municipal government authorities. The Group and its employees are required to make contributions, at certain percentages of employees' total salaries, to the retirement benefit scheme in accordance with such scheme. Upon retirement, employees will receive the pension issued by the provincial and municipal government authorities on a monthly basis.

Details of the Company's pension scheme are set out in note 6 to the consolidated financial statements.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2015, to the knowledge of the Directors of the Company, the interests or short positions of persons other than Directors, chief executives or supervisors of the Company in the shares and underlying shares of the Company as recorded in the register which were required to be notified to the Company and Stock Exchange under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**") or recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

SUBSTANTIAL SHAREHOLDERS HOLDING DOMESTIC SHARES OF THE COMPANY

Name	Number of domestic shares (shares)	Approximate percentage of total issued domestic share capital (%)	Approximate percentage of total issued share capital(%)	Capacity in which interests are held
Jiang Wei [(1)]	46,800,000 (L)	39.00	29.24	Beneficial owner
	28,800,000 (L)	24.00	17.99	Interest of spouse
Lou Guoliang	10,000,000 (L)	8.33	6.25	Beneficial owner

Note: L denotes long position

1. Mr. Jiang Wei directly holds 46,800,000 shares in the Company. He is the spouse of Ms. You Jie, our non-executive Director, and therefore he is deemed under the SFO to be interested in the 28,800,000 shares held by Ms. You Jie in the Company.

SUBSTANTIAL SHAREHOLDERS HOLDING H SHARES OF THE COMPANY

Name	Number of H shares (shares)	Approximate percentage of total issued H share capital (%)	Approximate percentage of total issued share capital (%)	Capacity in which interests are held
Schroders Plc(1) (2)	6,748,100(L)	16.85	4.22	Investment Manager
Prime Capital Management Company Limited(1)	6,044,578 (L)	15.09	3.78	Investment Manager
Prudence Investment Management (Hong Kong) Limited(1)	4,102,300 (L)	10.24	2.56	Investment Manager
UBS AG(1) (3)	3,511,122 (L)	8.77	2.19	Person having a security interest in shares
	491,300 (L)	1.23	0.31	Interest of corporation controlled by the substantial
UBS Group AG(1) (4)	3,511,122 (L)	8.77	2.19	Person having a security interest in shares
	491,300 (L)	1.23	0.31	Interest of corporation controlled by the substantial shareholder
Morgan Stanley(1) (5)	3,991,753 (L)	9.97	2.49	Interest of corporation controlled by the substantial shareholder
	2,164,727 (S)	5.40	1.35	Interest of corporation controlled by the substantial shareholder

Notes: L denotes long position and S denotes short position

1. The disclosure is based on the information available on the website of the Stock Exchange (www.hkexnews.com.hk).

2. Long position of these 6,748,100 H shares are held by Schroders Plc through its interest in a series of controlled corporations and in its capacity as an investment manager.

3. Among the long position of these 4,002,422 H shares, UBS AG was deemed to hold long position of 3,511,122 H shares through its security interest in those shares. In addition, UBS AG was deemed to have interest in long position of 491,300 H shares (UBS Global Asset Management (Hong Kong) Limited and UBS Fund Services (Luxembourg) S.A. were all wholly-owned by UBS AG, and were beneficially holding long position of 122,800 H shares and long position of 368,500 H shares in the Company, respectively).

4. UBS Group AG held 98.02% equity interest in UBS Global Asset Management (Hong Kong) Limited and UBS Fund Services (Luxembourg) S.A. respectively. For further details, please refer to Note 3 above.

5. Long position of these 3,991,753 H shares and short position of these 2,164,727 H shares are held by Morgan Stanley through its interest in a series of controlled corporations and in its capacity as interest of corporation controlled by the substantial shareholder.

Saved as disclosed above, as at 31 December 2015, to the best knowledge of the Directors, there were no other persons who had interests or short positions in the shares or underlying shares of the Company, which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2015, the interests or short positions of the Directors, supervisors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or otherwise 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**") set out in Appendix 10 of the Listing Rules were as follows:

Name	Number of domestic shares of the Company (shares)	Approximate percentage of total issued domestic share capital (%)	Approximate percentage of total issued share capital (%)	Capacity in which interests are held
You Jie[(1)]	28,800,000 (L)	24.00	17.99	Beneficial owner
	46,800,000 (L)	39.00	29.24	Interest of spouse
Hou Yongtai	6,000,000 (L)	5.00	3.75	Beneficial owner
Wu Jianying	6,000,000 (L)	5.00	3.75	Beneficial owner
Ling Xihua[(2)]	6,000,000 (L)	5.00	3.75	Beneficial owner
Huang Ping	2,000,000 (L)	1.67	1.25	Beneficial owner
Gan Renbao	500,000 (L)	0.42	0.31	Beneficial owner
Chen Yiyi	400,000 (L)	0.33	0.25	Beneficial owner
Liu Yuanzhong	2,000,000 (L)	1.67	1.25	Beneficial owner

Note: L denotes long position

1. Ms. You Jie directly holds 28,800,000 shares in the Company. She is the spouse of Mr. Jiang Wei and therefore she is deemed under the SFO to be interested in the 46,800,000 shares held by Mr. Jiang Wei in the Company.

2. Mr. Ling Xihua passed away on 12 January 2016.

Save as disclosed above, to the best knowledge of the Directors, as at 31 December 2015, none of the other Directors, Supervisors or any of their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations which are required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code.

CONNECTED TRANSACTIONS

The independent non-executive Directors of the Company have reviewed and confirmed that the continuing connected transactions set out below have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and

(iii) in accordance with the terms of the agreements governing the relevant transactions, and on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Details of the Group's continuing connected transactions are as follows:

Exempted continuing connected transactions

The following transactions constituted continuing connected transactions under Chapter 14A of the Listing Rules and thus are fully exempted from the reporting, announcement and independent shareholders' approval requirements (including independent financial advice).

*Lease agreement with Shanghai Haohai Chemical Company Limited ("**Haohai Chemical**")*

Our Company has entered into a lease agreement dated 7 December 2014, with Haohai Chemical ("**Lease Agreement 1**"), pursuant to which our Company leased from Haohai Chemical the premises at Rooms 501 and 502, Block 2, Alley 139, Anshun Road, Changning District, Shanghai, China for use as our office premises. The lease is for a term of 3 years commencing from 1 January 2015 to 31 December 2017 and the rental payment is RMB25,000 per month (excluding utilities and management fees). The rental rate was determined after arm's length negotiations between our Company and Haohai Chemical and on normal commercial terms with reference to the prevailing market rent of office premises of a similar grade in the vicinity.

Haohai Chemical is owned as to 80% by our Controlling Shareholder, Mr. Jiang Wei who is the spouse of Ms. You Jie, another Controlling Shareholder and Director of the Company. Accordingly, Haohai Chemical is a connected person of the Company and the transaction under Lease Agreement 1 constitute a continuing connected transaction of the Company under the Listing Rules.

Lease agreement with Ms. You Jie

Our Company has entered into a lease agreement dated 7 December 2014, with Ms. You Jie ("**Lease Agreement 2**") pursuant to which our Company leased from Ms. You Jie the premises at Rooms 503 and 504, Block 2, Alley 139, Anshun Road, Changning District, Shanghai, China for use as our office premises. The lease is for a term of 3 years commencing from 1 January 2015 to 31 December 2017 and the rental payment is RMB25,000 per month (excluding utilities and management fees). The rental rate was determined after arm's length negotiations between our Company and Ms. You Jie and on normal commercial terms with reference of the prevailing market rent of office premises of a similar grade in the vicinity

Ms. You Jie is our Controlling Shareholder and Director and therefore is a connected person of the Company and the transaction under Lease Agreement 2 constitute a continuing connected transaction of the Company under the Listing Rules.

Under Rules 14A.81 and 14A.82(1) of the Listing Rules, as Lease Agreement 1 and Lease Agreement 2 (the "**Lease Agreements**") were entered into within a 12-month period, and Haohai Chemical and Ms. You Jie, as the lessors under the Lease Agreements, are related since Haohai Chemical is held as to 80% by Mr. Jiang Wei, our Controlling Shareholder who is the spouse of Ms. You Jie, the continuing connected transactions under the Lease Agreements shall be aggregated as if they were one transaction. For each of the three years ending 31 December 2017, the annual cap for the Lease Agreements is expected to be no more than RMB600,000. Under Rule 14A.76(1) of the Listing Rules, the maximum applicable percentage ratio for the transactions contemplated under the Lease Agreements when aggregated is less than 5% and the total annual consideration is less than HK$3,000,000. As such, the Lease Agreements constitute de minimis transactions and are fully exempted from the reporting, annual review, announcement and independent shareholders' approval requirements (including independent financial advice) under Chapter 14A of the Listing Rules.

Save as aforesaid, the Directors have confirmed that the Group does not have other connected transactions and continuing connected transactions as defined under the Listing Rules and have therefore complied with the disclosure requirement in accordance with Chapter 14A of the Listing Rules.

The related party transactions of the Company are set out in note 31 to the consolidated financial statements. Apart from the continuing connected transactions disclosed above, all the other related party transactions did not fall under the scope of "Connected Transactions" or "Continuing Connected Transactions" under Chapter 14A of the Listing Rules which are required to comply with any of the relevant reporting, announcement or independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

CORPORATE GOVERNANCE CODE

The Company has complied with all applicable code provisions under the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Listing Rules throughout the period from the Listing Date to 31 December 2015. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors and supervisors of the Company. Having made specific enquiries to all Directors and supervisors of the Company, all of them confirmed that they have complied with the required standard set out in the Model Code during the period from the Listing Date to 31 December 2015.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

None of the Directors or Supervisors of the Company or their respective associates (as defined in the Listing Rules) was granted by the Company or its subsidiaries any rights or options to acquire any shares in or debentures of the Company or had exercised any such rights during the period from the Listing Date to 31 December 2015.

DONATIONS

During the Reporting Period, the Group did not make any donations.

INDEMNITY OF THE DIRECTORS

Pursuant to the provisions of Articles, the Company may insure against the various possible legal risks faced by the directors, supervisors, general manager and other senior management in the ordinary course of performing their duties and the Company has arranged appropriate liability insurance for the Directors and senior management of the Group.

PUBLIC SHAREHOLDINGS

Based on the public information available to the Company and so far as the Directors are aware, up to the date of this annual report, at least 25% of the issued share capital of the Company is held by the public.

MATERIAL LITIGATION

Save as disclosed in the section headed "Business — Legal Proceedings" in the Prospectus, the Company was not involved in any material litigation or arbitration during the Reporting Period. So far as the Directors are aware, there is no material litigation or claims which are pending or threatened against the Company.

AUDIT COMMITTEE

The Company has established an audit committee, which is comprised of five Directors, namely Mr. Shen Hongbo (chairman), Ms. You Jie, Mr. Chen Huabin, Mr. Li Yuanxu and Mr. Zhu Qin. The primary duties of the audit committee of the Company (the "**Audit Committee**") are to review and supervise the Company's financial reporting procedures and internal control system. The 2015 annual results and financial statements of the Group for the year ended 31 December 2015 prepared in accordance with International Financial Reporting Standards have been reviewed by the Audit Committee.

AUDITORS

Ernst & Young has been appointed as Auditors in respect of the financial statements for the year ended 31 December 2015 prepared in accordance with International Financial Reporting Standards. These financial statements have been audited by Ernst & Young. Since the date of preparation for the listing, the Company has been engaging Ernst & Young for their services. Ernst & Young will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

By order of the Board
Hou Yongtai
Executive Director and Chairman of the Board

18 March 2016

The Company and its subsidiaries are committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability.

SUMMARY OF CORPORATE GOVERNANCE

The Company has established a corporate governance structure comprising general meeting, the Board, supervisory committee and the management in accordance with Company Law of the People's Republic of China, the Securities Law of the People's Republic of China and the Listing Rules. Such structure gives a clear division of authority and responsibilities among the authority, decision-making and regulatory bodies and the management, and creates a balanced mechanism and mutual coordination for standard operation.

CORPORATE GOVERNANCE CODE

The Company's H shares have been listed on the Stock Exchange since 30 April 2015. During the period from the Listing Date to 31 December 2015, the Company has complied with all the code provisions set out in Corporate Governance Code in Appendix 14 of the Listing Rules and adopted substantially all the recommended best practices therein.

THE BOARD

The Board exercises its authority in accordance with the provisions set out in the Articles. It reports its work at general meetings, implements the resolutions passed at general meetings and is accountable to the general meetings.

Composition and Term of Office of the Board

As at the date of this annual report, the Board comprises eleven members, consisting of four executive Directors, two non-executive Directors and five independent non-executive Directors. Listed below are incumbent Directors of the Company:

Name	Position
Dr. Hou Yongtai	Chairman and Executive Director
Mr. Wu Jianying	Executive Director and General Manager
Mr. Huang Ping	Executive Director, Secretary of the Board and one of the Joint Company Secretaries
Ms. Chen Yiyi	Executive Director
Ms. You Jie	Non-executive Director
Mr. Gan Renbao	Non-executive Director
Mr. Chen Huabin	Independent Non-executive Director
Mr. Shen Hongbo	Independent Non-executive Director
Mr. Li Yuanxu	Independent Non-executive Director
Mr. Zhu Qin	Independent Non-executive Director
Mr. Wong Kwan Kit	Independent Non-executive Director

During the Reporting Period, the Board has complied with the requirements of the Listing Rules on appointment of at least three independent non-executive Directors, representing at least one-third of members of the Board and at least one of whom shall have appropriate professional qualifications, or accounting or relevant financial management expertise. The qualifications of the five independent non-executive Directors of the Company fully comply with the requirements of Rules 3.10(1) and (2) of the Listing Rules.

None of the independent non-executive Directors of the Company has any business or financial interests in the Company and its subsidiaries, nor do they hold any executive positions in the Company, which effectively guaranteed their independence. The Company has received from each of the independent non-executive Directors an annual confirmation of their independence under Rule 3.13 of the Listing Rules. Accordingly, the Company is of the opinion that all the independent non-executive Directors are independent under Rule 3.13 of the Listing Rules.

The detailed biographies of the Directors are set out on pages 60 to 63 of this annual report. Members of the Board do not have any relationships between each other (including financial, business, family or other material or related relations). The Board is well-balanced in structure and each of its members possesses extensive knowledge, experience and talent in relation to the business operation and development of the Company. All the Directors are well aware of their joint and several responsibilities towards the shareholders of the Company.

Meetings of the Board

According to the Articles, meetings of the Board shall be held at least four times a year. Meetings shall be convened by the chairman of the Board. Notice of the meetings shall be sent to all directors and supervisors before the meeting is held under the relevant provisions.

A meeting of the Board shall be attended by more than half of all the Directors. Meetings of the Board shall be attended by the Directors in person. If a Director cannot attend a meeting for any reason, he may appoint in writing another Director as his proxy to attend the meeting on his behalf. The instrument of proxy shall specify the scope of authority.

During the Reporting Period, the Board held ten meetings in total, with details of the attendance of Directors specified as follows:

Name	Position	Meetings attended/ Meetings eligible to attend
Dr. Hou Yongtai	Chairman and Executive Director	10/10
Mr. Wu Jianying	Executive Director and General Manager	10/10
Mr. Ling Xihua (1)	Executive Director and Chief Financial Officer	10/10
Mr. Huang Ping	Executive Director, Secretary of the Board and one of the Joint Company Secretaries	10/10
Ms. Chen Yiyi	Executive Director	10/10
Ms. You Jie	Non-executive Director	10/10
Mr. Gan Renbao	Non-executive Director	10/10
Mr. Chen Huabin	Independent Non-executive Director	10/10
Mr. Shen Hongbo	Independent Non-executive Director	10/10
Mr. Li Yuanxu	Independent Non-executive Director	10/10
Mr. Zhu Qin	Independent Non-executive Director	10/10
Mr. Wong Kwan Kit (2)	Independent Non-executive Director	8/8

Note:

1. Mr. Ling Xihua passed away on 12 January 2016.

2. Mr. Wong Kwan Kit was appointed on 6 April 2015. Subsequent to his appointment, only 8 meetings of the Board were convened during the Reporting Period.

Authority Exercised by the Board and the Management

The functions and powers of the Board and the management are well defined in the Articles, aiming to provide an adequate balance and restriction mechanism for the purpose of sound corporate governance and internal control.

The management of the Company is accountable to the Board. Under the leadership of the general manager, the management is responsible for implementing the resolutions duly approved by the Board, formulating specific regulations of the Company and supervising the daily operation and management of the Company.

Directors' Continuous Training and Development

Pursuant to code provision A.6.5 of the Corporate Governance Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

During the period from the Listing Date to 31 December 2015, the Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. All Directors have participated in continuous professional development by reading training materials and attending training courses on the topics related to corporate governance and regulations.

According to the records maintained by the Company, all Directors and Supervisors of the Company received trainings focusing on the roles and duties and operating mechanism of the Board organized by Mr. Chiu Ming King, the joint company secretary during the period from the Listing Date to 31 December 2015, in order to comply with the requirements of the Corporate Governance Code in relation to continuous professional development. Mr. Chiu Ming King reports from time to time the latest changes and development of the Listing Rules, corporate governance practices and other regulatory regime to all the Directors of the Company with relevant written materials, in order to enable the Directors to keep abreast of the latest developments in a timely and accurate manner and to perform their duties in accordance with relevant laws and regulatory requirements.

Chairman and General Manager

Pursuant to code provision A.2.1 of the Corporate Governance Code, the roles of the Chairman and the chief executive officer (our general manager) should be segregated and should not be performed by the same individual. During the Reporting Period, Dr. Hou Yongtai acted as the Chairman and Mr. Wu Jianying acted as the General Manager. The Chairman and the General Manager do not have any relationships (including financial, business, family or other material or connected relationship). The Articles have defined the division of roles and duties between the Chairman and the General Manager.

Appointment and Re-election of Directors

Pursuant to the requirements of the Articles, Directors (including non-executive Directors) shall be elected at the general meeting with a term of three years. A Director shall be eligible for re-election on the expiry of each term. The Company has implemented a set of effective procedures for appointment of new Directors. The nomination of new Directors shall be first deliberated by the nomination committee of the Board (the "**Nomination Committee**") and then submitted to the Board, subject to approval by election at the general meeting.

Emoluments of Directors, Supervisors and Senior Management and Five Highest Paid Individuals

Emoluments of Directors and Supervisors shall be proposed by the remuneration committee (the "**Remuneration Committee**") based on their educational background and working experience. Emoluments of Directors shall be determined by the Board with reference to Directors' experience, working performance and position as well as the market conditions and shall be subject to approval by the general meeting.

Emoluments of senior management shall be determined by the Board.

Details of emoluments of Directors, Supervisors, senior management and five highest paid individuals of the Company are set out in notes 7 and 8 to the consolidated financial statements.

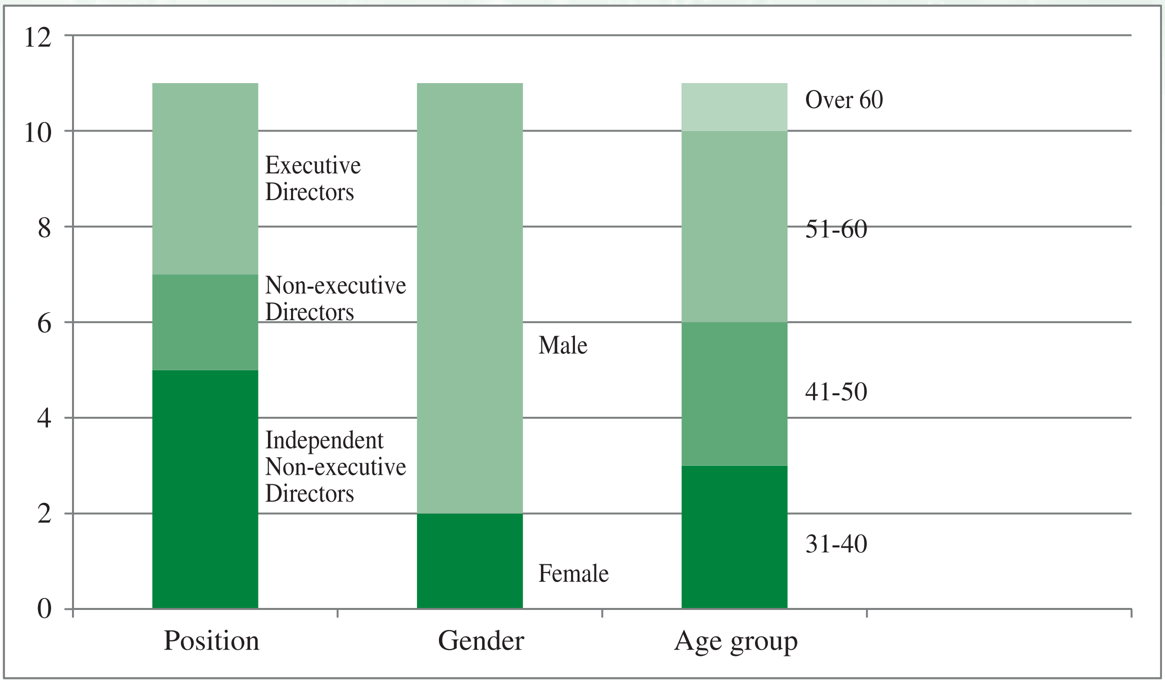
Board Diversity Policy

In accordance with the latest amendment and requirements of Corporate Governance Code and Corporate Governance Report in Appendix 14 of the Listing Rules by the Stock Exchange, the Company has adopted a board diversity policy and submitted to the Board for approval. The policy is summarized as below:

The Board has adopted a policy on board diversity (the "**Policy**"). The Policy specifies that in designing the composition the Board, Board diversity shall be considered from a number of aspects, including but not limited to age, cultural and educational background, professional experience, skills and knowledge. The appointment of Directors will be based on meritocracy, and candidates will be evaluated against objective criteria, having due regard for the benefits of diversity of the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, culture, ethnicity and educational background, professional experience, knowledge and skills.

The Nomination Committee will disclose the composition of the Board in Corporate Governance Report every year and supervise the implementation of this Policy. The Nomination Committee will review the effectiveness of this Policy, as appropriate discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

As at the date of this annual report, the diversity of the Board is illustrated as below. Further details on the biographies and experience of the Directors are set out on page 60 to page 63 of this annual report.



The Nomination Committee has reviewed the membership, structure and composition of the Board, and is of the opinion that the structure of the Board is reasonable, and the experiences and skills of the Directors in various aspects and fields can enable the Company to maintain high standard of operation.

Directors' and Senior Management's Liability Insurance

The Company has entered into Directors' and senior management's liability insurance policy to cover any possible legal action against them.

Corporate Governance Function

The Board is collectively responsible for the duties relating to corporate governance. From the Listing Date to the end of the Reporting Period, the Board has performed the following duties:

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

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

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

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

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

BOARD COMMITTEES

There are four committees under the Board, namely, Audit Committee, Remuneration Committee, Nomination Committee and Strategy Committee.

Audit Committee

The Company has established the Audit Committee with written terms of reference in compliance with the Listing Rules. The primary duties of the Audit Committee are to maintain an appropriate relationship with the Company's auditors, review the Company's financial information, and oversee the Company's financial reporting system, risk control and internal control system. The terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

The Audit Committee consists of five Directors, namely Mr. Chen Huabin (independent non-executive director), Mr. Shen Hongbo (independent non-executive Director), Mr. Li Yuanxu (independent non-executive director), Mr. Zhu Qin (independent non-executive Director) and Ms. You Jie (Non-executive Director), and one of them is an independent non-executive Director who possesses appropriate accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules. Mr. Shen Hongbo is the chairman of the Audit Committee.

During the Reporting Period, the Audit Committee held three meetings in total. The table below sets out the details of attendance of each member at meetings of the Audit Committee held during the Reporting Period:

Name	Position	Meetings attended/ Meetings held
Mr. Chen Huabin	Independent Non-executive Director	3/3
Mr. Shen Hongbo	Independent Non-executive Director	3/3
Mr. Li Yuanxu	Independent Non-executive Director	3/3
Mr. Zhu Qin	Independent Non-executive Director	3/3
Ms. You Jie	Non-executive Director	3/3

During the Reporting Period, the Audit Committee, through its meetings held on 26 March 2015, 27 August 2015 and 9 December 2015 respectively, has performed, among others, the following:

- review and approval of the 2014 Work Report of the Audit Committee; and
- review and discussion of the financial statements and interim report and results announcement for the six months ended 30 June 2015; and
- consideration and discussion on the revised terms of reference of the Audit Committee and revised internal audit system for the Company.

Remuneration Committee

The Company has established the Remuneration Committee with written terms of reference in compliance with the Listing Rules. The primary duties of the Remuneration Committee include: formulating job description, performance evaluation system and target, remuneration system and standards for the Company's members of the senior management; formulating share incentive scheme for the Company's Directors, supervisors and members of the senior management pursuant to relevant laws, regulations or normative documents; making recommendations to the Board on remuneration policy and structure for the Company's Directors and members of the senior management and on the establishment of a formal and transparent procedure for developing remuneration policy, and making recommendations to the Board, from time to time, on total remuneration and/or interests that have been granted to Directors and members of the senior management; making recommendations to the Board on the remuneration of non-executive Directors; and such other matters authorized by the Board. The terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

During the Reporting Period, the Remuneration Committee was comprised of five Directors, namely Mr. Wu Jianying (executive Director), Mr. Ling Xihua (executive Director), Mr. Shen Hongbo (independent non-executive Director), Mr. Li Yuanxu (independent non-executive Director) and Mr. Zhu Qin (independent non-executive Director). Mr. Zhu Qin is the chairman of the Remuneration Committee.

During the Reporting Period, the Remuneration Committee held a meeting on 26 March 2015 to review and pass the work report of the Remuneration Committee for the year 2014 and to fulfil duties as required aforesaid. All members of the Remuneration Committee, namely Mr. Wu Jianying, Mr. Ling Xihua, Mr. Shen Hongbo, Mr. Li Yuanxu and Mr. Zhu Qin, attended the meeting.

Mr. Li Xihua passed away on 12 January 2016. Mr. Huang Ping, an executive Director, the Board secretary and the joint company secretary of the Company, has been appointed as a replacement member of the Remuneration Committee with effect from 19 February 2016 until the end of the term of current session of the Board. For details, please refer to the announcement of the Company dated 17 January 2016 and 19 February 2016 respectively.

Nomination Committee

The Company has established the Nomination Committee with written terms of reference in compliance with the Listing Rules. The primary duties of the Nomination Committee include: making recommendations to the Board on the size and composition of the Board and the management based on the Company's business operation, asset scale and shareholding structure, and reviewing the structure, size and composition of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, and taking diverse factors into account when reviewing the composition of the Board; making recommendations to the Board on the appointment, re-election and succession planning of directors; assessing the independence of Independent Non-executive Directors and formulating policies relating to the diversity of members of the Board. The terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

The Nomination Committee consists of five Directors, namely Dr. Hou Yongtai (executive director), Ms. You Jie (non-executive Director), Mr. Chen Huabin (independent non-executive Director), Mr. Li Yuanxu (independent non-executive Director) and Mr. Zhu Qin (independent non-executive Director). Mr. Li Yuanxu is the chairman of the Nomination Committee.

During the Reporting Period, the Nomination Committee held a meeting on 26 March 2015 to review and pass the work report of the Nomination Committee for the year 2014 and to fulfil duties as required aforesaid. All members of the Nomination Committee, namely Dr. Hou Yongtai, Ms. You Jie, Mr. Chen Huabin, Mr. Li Yuanxu and Mr. Zhu Qin, attended the meeting.

Strategy Committee

The primary duties of the Strategy Committee are to study and provide advice on the long-term development strategy plan of the Company; study and provide advice on material matters such as external investment, acquisition and disposal of assets, assets pledge, provision of external guarantee, entrusted financial management, connected transactions, financing plan and development strategies which shall be submitted to the Board for approval in accordance with the provisions of the Articles, the Listing Rules and relevant laws and regulations; study and provide advice on other material matters affecting the development of the Company; review the implementation of above matters and other matters authorized by the Board.

The Strategy Committee consists of five Directors, namely Dr. Hou Yongtai (executive Director), Mr. Wu Jianying (executive Director), Mr. Huang Ping (executive Director), Ms. You Jie (Non-executive Director) and Mr. Li Yuanxu (independent non-executive Director). Ms. You Jie is the chairman of the Strategy Committee.

During the Reporting Period, the Strategy Committee held a meeting on 26 March 2015 to review and pass the work report of the Strategy Committee for the year 2014. All members of the Strategy Committee, namely Dr. Hou Yongtai, Mr. Wu Jianying, Mr. Huang Ping, Ms. You Jie and Mr. Li Yuanxu, attended the meeting.

SUPERVISORY COMMITTEE

The Supervisory Committee is a supervisory agency of the Company which is responsible for the supervision of the Board and its members and senior management such as the general manager and deputy general manager so as to prevent them from the misuse of authority and infringement upon lawful rights of the shareholders, the Company and the Company's employees. The number of members and the composition of the Supervisory Committee are in line with the provisions and requirements of the laws, regulations and the Articles. During the Reporting Period, the Supervisory Committee was comprised of five supervisors, of whom two were employee representative supervisors democratically elected by our employees. The background and biographical details of the supervisors are set out in the section headed "Profiles of Directors, Supervisors and Senior Management" in this annual report.

AUDITORS AND THEIR REMUNERATIONS

At the 2014 annual general meeting convened on 30 June 2015, the Company approved the appointment of Ernst & Young Hua Ming LLP and Ernst & Young as the Company's domestic and international auditors for 2015, respectively, and authorized the Board to fix their respective remunerations. The total fee in respect of the consolidated financial statement audit service provided by Ernst & Young Hua Ming LLP and Ernst & Young to the Company for the Reporting Period was RMB1.8 million. No remuneration was paid to Ernst & Young Hua Ming LLP and Ernst & Young for the provision of non-audit related services.

In respect of the matters relating to the selection, appointment, resignation or dismissal of the external auditors, the Board concurs with the view of the Audit Committee.

RESPONSIBILITY OF THE DIRECTORS AND AUDITORS FOR THE FINANCIAL STATEMENTS

The Directors has acknowledged their responsibility for preparing the financial statements for the year ended 31 December 2015 which give a true and fair view of the state of affairs of the Group as at 31 December 2015 as well as its profit and cash flows during the Reporting period. The accounts of the Company were prepared in accordance with all relevant regulations and applicable accounting principles. In preparing these consolidated financial statements, the Directors selected and applied suitable accounting policies and made accounting estimates that are reasonable in the circumstances. Moreover, the consolidated financial statement has been prepared assuming that the Company will continue as a going concern. The Directors are responsible for keeping proper financial records which disclose with reasonable accuracy the financial position of the Group at any time. The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment on the Group's financial information and status, which are submitted to the Board for approval.

Ernst & Young, the auditors of the Company, have set out their responsibility in the independent auditors' report as set out on pages 66 to 67.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as the code of conduct regarding securities transactions by the Directors and supervisors of the Company. Having made specific enquiries to all Directors and supervisors, all of them confirmed that they have complied with the required standard set out in the Model Code during the period from the Listing Date to 31 December 2015.

INTERNAL CONTROL, AUDIT AND RISK MANAGEMENT

The Company has established a comprehensive and cautious internal control system, which covers a variety of systems and procedures, including the structures of corporate governance, internal financial control, and management on budgeting, information disclosure and confidentiality, connected transactions and discloseable transactions, risk assessment, procurement, business and integrity sales, research and development, intellectual property rights. The above systems, policies and procedures effectively cover all the decision-making and operational activities of the Company. Managerial employees in respective levels can effectively manage the risk level of their respective business activities. The Company reviews and updates the above systems, policies and procedures on a regular basis.

In addition, the Company arranges reasonable budgets to provide regular trainings for the staff of the Company and its subsidiaries performing functions such as finance, risk management and internal audit so as to ensure that they receives sufficient trainings and are fully experienced.

The Audit Committee reviewed the effectiveness of the internal control system of the Company. The Board reviewed the internal control systems of the Company with respect to financial, operational and compliance controls and risk management and was not aware of any material deficiencies or any material defaults. The Board believes that during the Reporting Period, the monitoring system of the Company is effective and considers that the resources, qualifications and experience of the staff of the Company's accounting, internal reporting and financial reporting functions, its training programs and budget thereof are adequate.

MAIN DUTIES OF INTERNAL AUDIT

The Company has established an audit department as its dedicated internal audit function, which is also the executive body for the work of the Audit Committee under the Board. The roles and duties of the internal audit are designated to facilitate the effective operation and management of the Company and provide support to the Board and the Audit Committee in discharging their duties.

ARTICLES OF ASSOCIATION

The Articles of the Company has taken effect since the Listing Date. During the Reporting Period, there is no material change in the Company's Articles.

The Articles of the Company is available on the websites of the Stock Exchange and of the Company.

JOINT COMPANY SECRETARIES

Mr. Chiu Ming King, a director of corporate services of Vistra Corporate Services (HK) Limited (an external service provider), has been appointed as a joint company secretary of the Company, effective from 17 November 2014. Mr. Huang Ping, secretary of the Board and Executive Director, is another joint company secretary of the Company, who acts as the main contact person of Mr. Chiu Ming King and the internal departments of the Company.

In compliance with Rule 3.29 of the Listing Rules, Mr. Huang Ping and Mr. Chiu Ming King both undertook not less than 15 hours of relevant professional training to update their skills and knowledge during the year ended 31 December 2015.

SHAREHOLDERS' RIGHTS

Shareholders' general meetings are divided into annual general meetings and extraordinary general meetings. A general meeting shall be convened by the Board. Annual general meeting shall be convened once a year and shall be held within six (6) months from the end of the preceding accouting year.

According to the provisions of the Articles, whenever the Company convenes a general meeting, written notice of the meeting shall be given forty-five (45) days before the date of the meeting to notify all shareholders whose names appear in the share register of the matters to be considered and the date and venue of the meeting. A shareholder who intends to attend the meeting shall deliver to the Company his written reply concerning his attendance at such meeting twenty (20) days before the date of the meeting.

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

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

Procedures for Shareholders to Convene an Extraordinary General Meeting

According to the provisions of the Articles, the Board shall convene an extraordinary general meeting within two (2) months upon written request of shareholders who hold more than 10% of the outstanding shares with voting rights of the Company for an extraordinary general meeting to be convened.

Shareholders requesting the convening of an extraordinary general meeting or a meeting of shareholders of different classes ("**class meeting**") shall proceed in accordance with the procedures set forth below:

Two or more shareholders holding a total of 10% or more of the shares carrying the right to vote at the meeting sought to be held may sign one or more written requests of identical form and substance requesting the Board to convene an extraordinary general meeting or a class meeting and stating the subject of the meeting. The Board shall convene the extraordinary general meeting or the class meeting as soon as possible upon receipt of the above-mentioned written request. The shareholding referred to above shall be calculated as of the date on which the written request is made by shareholders.

If the Board fails to issue a notice of such meeting within 30 days upon receipt of the above-mentioned written notice, the shareholders who made such request may convene the meeting by themselves within four (4) months after the Board received the request. The procedures according to which they convene such meeting shall, to the extent possible, be identical to the procedures according to which general meetings are to be convened by the Board.

Any reasonable expenses incurred by shareholders' convening and presiding over a meeting by reason of failure of the Board to duly convene a meeting as requested above shall be borne by the Company and shall be set off against sums owed by the Company to the Directors in default.

Procedures for Directing Shareholders' Enquiries to the Board

Shareholders are welcomed to make enquiries directly to the Board at the Company's principal place of business in Shanghai at 4/F, Block 2, Alley 139 Anshun Road, Changning District, Shanghai, China or via email (info@3healthcare.com). The Company will respond to all enquiries in a timely and appropriate manner.

Procedures to Propose Motions at General Meetings

According to the provisions of the Articles, whenever the Company convenes a general meeting, the Board, the Supervisory Committee and shareholder(s) individually or together holding more than 3% of the Company's shares shall have the right to propose motions in writing to the Company. The Company shall include such proposed motions in the agenda of such meeting if they are matters falling within the functions and powers of general meetings.

Shareholder(s) individually or together holding more than 3% of the Company's shares shall have the right to propose an extempore motion ten (10) days prior to the general meeting by submitting the same to the convener in writing. The convener shall serve a supplemental notice of general meeting to other shareholders within two (2) days upon receipt of the proposed motion, and shall include such proposed motions in the agenda of such general meeting if they are matters falling within the functions and powers of general meetings and submit to the general meeting for consideration. Where required otherwise by the listing rules of the stock exchange where the Company's shares are listed, such requirements shall be satisfied. Shareholders shall propose motions which meet the following requirements:

(1) The content does not infringe the law, regulations and falls within the scope of the Company's business and the functions and powers of general meetings;

(2) With definite issues to discuss and specific matters to resolve; and

(3) Is made in writing submitted or delivered to the Board.

For matters in relation to nominating a person for election as a Director, please refer to the relevant procedures published on the Company's website.

GENERAL MEETINGS

For the year ended 31 December 2015, one extraordinary general meeting, one domestic shareholders' class meeting, one H shareholders' class meeting and one annual general meeting of the Company were held. Details are as follows:

Date	Venue	Meeting
6 April 2015	(Telephone conference)	2015 First Extraordinary General Meeting
30 June 2015	Jiaqing Hall, Rainbow Hotel, 2000 Yan'an West Road, Shanghai, PRC	2015 First Domestic Shareholders' Class Meeting
30 June 2015	Jiaqing Hall, Rainbow Hotel, 2000 Yan'an West Road, Shanghai, PRC	2015 First H Shareholders' Class Meeting
30 June 2015	Jiaqing Hall, Rainbow Hotel, 2000 Yan'an West Road, Shanghai, PRC	2014 Annual General Meeting

Statistics on Directors' attendance at meetings:

Name	Position	Meetings attended/ Meetings held
Dr. Hou Yongtai	Chairman and Executive Director	4/4
Mr. Wu Jianying	Executive Director and General Manager	4/4
Mr. Ling Xihua	Executive Director and Chief Financial Officer	4/4
Mr. Huang Ping	Executive Director, Secretary of the Board and one of the Joint Company Secretaries	4/4
Ms. Chen Yiyi	Executive Director	4/4
Ms. You Jie	Non-executive Director	4/4
Mr. Gan Renbao	Non-executive Director	4/4
Mr. Chen Huabin	Independent Non-executive Director	4/4
Mr. Shen Hongbo	Independent Non-executive Director	4/4
Mr. Li Yuanxu	Independent Non-executive Director	4/4
Mr. Zhu Qin	Independent Non-executive Director	4/4
Mr. Wong Kwan Kit (1)	Independent Non-executive Director	3/3

Note:

1. The date of appointment of Mr. Wong Kwan Kit was 6 April 2015. Since his appointment, only 3 general meetings were convened during the Reporting Period.

COMMUNICATIONS WITH SHAREHOLDERS

The Company continuously attaches great importance to maintaining and developing investor relations for a long time, enhances transparency of the corporate information by promptly and effectively releasing the corporate information to the public, which has established effective channels for the Company to communicate with investors.

The Company publishes its announcements, financial information and other relevant information on the website at www.3healthcare.com, as a channel to facilitate effective communication.

The Board welcomes shareholders' views and encourages them to attend general meetings to convey any concerns they might have to the Board or the management. Chairman of the Board and the chairmen of all committees (or their proxy) will attend the annual general meeting and other general meetings. At the general meeting, all shareholders attending the meeting may make enquires to the Directors and other management in respect of matters relevant to the resolutions. The Company has published detailed contact methods through its website, notices of the general meeting, circulars to the shareholders and annual reports for shareholders to express their views or make enquiries.

INVESTOR RELATIONS

The Company considers it crucial to provide investors with accurate information in a timely manner and maintains communication with investors through effective communication channels, with an aim to enhance mutual understanding between investors and the Company and to improve the transparency of the Company's information disclosure.

In accordance with the Listing Rules, the Company shall duly disseminate its corporate information via various channels, including regular reports, announcements and company website.

PRODUCTION SAFETY

As a leading enterprise in the absorbable biomedical materials field, the Group is committed to ensuring that all products are manufactured in a responsible manner. The Group strives to conduct sufficient social and environmental assessment for its production and manufacturing, as well as to comply with the requirements under relevant laws, regulations and industry standards. Meanwhile, the Company has established and maintained a systematic quality management system and strict standard operating procedures for the quality control and assurance functions. It has also established a systematic documentation system on quality management. The Group believes that these measures help the Group minimize risks of potential quality issues and maintain the provision of high-quality products to end-users with utmost effort.

ENVIRONMENTAL POLICY

Social responsibility is an important element in the Group's strategic development, while environmental protection is also managed as an important business of the Group. The Group actively promotes clean production to control the generation of pollutants at the source and ensure stable and regular emission of pollutants in compliance with the relevant standards.

The main pollutants generated during the Group's production process include waste water, waste gas and solid waste. The Group has established a pollution control system in order to comply with GMP, CE, ISO9001:2008 and ISO13485:2003 certification requirements as well as other applicable laws and regulations. The Group has constructed green facilities that can satisfy the current demand on production capacity. The Group seeks to reduce, treat and recycle the waste generated in the production process and improve the production technique to reduce the pollutants discharged to the environment. For solid waste, we generally contract with qualified sanitation companies or recycling companies for special treatment.

During 2015, the Group has fully complied with all applicable laws and regulations relating to production safety and environmental requirements in all material aspects. The cost of compliance with environmental rules and regulations was RMB313,000, which do not include historical capital expenditure on property, plant and equipment that may be attributable to environmental compliance.

RELATIONSHIP WITH STAKEHOLDERS

The Company recognises that employees, customers, distributors and suppliers are the keys to our sustainability.

The Group places great emphasis on the health and safety of its employees, and has been upholding the development principle to safeguard the health and safety of its employees. The Group also implemented a comprehensive occupational health and safety system, and provides systematic safety trainings to all employees. The Group endeavors to repair and maintain in good condition all its production facilities and equipment on a regular basis. Further, the Group strictly complies with PRC laws and regulations regarding labor, safety and work-related incidents, which help us ensure employee health and safety as the Group continues to expand its operations. The Group is also committed to our employees' continuing education and development. It regularly provides various and targeted training programs to our employees and seeks to motivate our employees by maintaining a merit-based incentive system.

The Group highly values customer services and has its in-house sales force which is responsible for after-sales services, including, among others, receiving feedback from hospitals, other medical institutions and end-users and handling any complaints with regard to the quality of our products. The Group has dedicated personnel who take complaint calls and regularly review and analyze the feedback received. The Group treats such feedback and complaints seriously. Quality complaints, both verbal and written, are documented and investigated pursuant to standard procedures to ensure that necessary measures are taken. The Group provides product warranty in accordance with applicable PRC laws and regulations and has established product recall procedures and prescribed recall guidelines and processes, which specify the responsible person to notify upon a recall and the procedure for handling recalled products.

The Group primarily sells its products through the nationwide distribution networks across all provinces, municipalities and autonomous regions in China. The Group's business department screens and selects distributors based on a number of criteria, including their coverage of hospitals and other medical institutions, industry track record, reputation, experience, delivery capabilities, cash flow conditions and creditworthiness. The Group manages cannibalization risk among distributors and sub-distributors through the agreements with its distributors, which specify the relevant products to be distributed and the geographic regions for which the distributor is responsible. The Group also provides its distributors with technical support, including training in the basic technologies of our products, participating in presentations to potential end-customers, and assisting in preparing documents for contracts awarded through competitive bidding and tenders. Distribution agreements of the Group require distributors to comply with all applicable laws and regulations, including, among other things, anti-bribery laws and regulations.

Supplier management plays an important role in the Group's quality management system. The selection of supplier has direct impact on the quality and safety of products, so the Group purchases raw materials only from approved suppliers. The Group's quality assurance division is responsible for the selection of suppliers. It conducts background checks on supplier candidates. Upon receiving satisfactory results of the checks, the Group orders samples from the potential supplier for inspection. The Group has established a supply chain traceability system. Incoming raw materials are required to have certificates of analysis from its manufacturers, as well as delivery sheets and purchase orders. The Group also assesses its suppliers by carrying out on-site audits or off-site information assessment to ensure that they comply with the relevant GMP requirements.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

During the Reporting Period, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Dr. Hou Yongtai (侯永泰), aged 54, is the chairman and executive Director of the Company. Dr. Hou engaged in postdoctoral research at the pharmacology department of University of Pennsylvania in the U.S. from July 1992 to October 1995. Thereafter, he served as a research investigator at the department of cell and developmental biology of the University of Michigan in the U.S. from 1998 to 2000. From August 2000 to August 2003, he served as a researcher and doctoral degree supervisor at Shanghai Institute of Materia Medica, Chinese Academy of Sciences (中國科學院上海藥物研究所), where he was mainly responsible for establishing screening models for cancer drugs and the application of new biotechnologies (such as RNA interference) on new drugs development. He also served as the overseas manager of the strategy and investment committee at Shanghai Pharmaceutical (Group) Co., Ltd, a company principally engaged in investments, research in pharmaceutical products, medical devices, as well as manufacturing and sale of medical devices from July 2003 to June 2004 and was mainly responsible for assisting its formulation of overseas strategies and implementing its external relations and coordination. During July 2000 to June 2004 and April 2005 to March 2008 at Shanghai Huayuan Life Sciences Research and Development Company Limited (上海華源生命科學研究開發有限公司), he served various positions such as the deputy general manager and the director of the research and development division. He was mainly responsible for formulating product development strategies, establishing its development team and development base as well as implementing its product research and development plans. He has also served as the chairman of Shanghai Qisheng from December 2007 to August 2010. He served as the chairman of Haohai Limited, the predecessor of the Company, from September 2009 to July 2010, the date of conversion of the Company. He has been appointed as the chairman and Director of the Company since July 2010, and was redesignated as an executive Director on 7 December 2014. Dr. Hou obtained a master's degree and a Ph.D. degree from Ohio University in the U.S. in March 1987 and August 1992, respectively.

Mr. Wu Jianying (吳劍英), aged 52, is an executive Director and general manager of the Company. Mr. Wu worked as a surgeon at the General Surgery Department of the Second Affiliated Hospital of the Second Military Medical University (第二軍醫大學第二附屬醫院普外科) from 1991 to 1999. He thereafter worked at Shanghai Huayuan Life Sciences Research and Development Company Limited (上海華源生命科學研究開發有限公司) ("**Shanghai Huayuan**") from March 2003 to February 2004, at the Shanghai branch of China Huayuan Life Industry Limited (中國華源生命產業有限公司上海分公司) from February 2004 to May 2005 and at Cinkate Pharmaceutical and Chemical Intermediates (Shanghai) Company Limited (欣凱醫藥化工中間體(上海)有限公司), a company principally engaged in development and production of pharmaceutical and chemical intermediates, as well as selling its own products and providing relevant technical advisory services from May 2005 to July 2007. He served as the general manager at Haohai Limited from July 2007 to June 2010. He has been acting as the general manager at Shanghai Qisheng since August 2010, the general manager and executive director at Shanghai Likangrui since December 2010, and also the chairman of Shanghai Baiyue since January 2015. He served as the director of Haohai Healthcare since July 2015 and the vice chairman of Henan Universe since August 2015. He has been appointed as the Director and general manager since July 2010, and was redesignated as an executive Director on 7 December 2014. Mr. Wu obtained a master's degree in clinical medicine from the Second Military Medical University in June 1997 and the practicing doctor qualification in the PRC in May 1999.

Mr. Huang Ping (黃 平), aged 40, is an executive Director, Secretary of the Board and one of the joint company secretaries of the Company. He worked as a manager in Haoyang Investments from September 2008 to June 2010, a director of Haohai Changxing Company Limited, a company principally engaged in the sale of agricultural by-products since September 2010 and an executive director of Changxing Haoersi Biotechnology Company Limited (長興昊爾斯生物科技有限公司), a company principally engaged in the research and development of biological and plant products from May 2011 to December 2011. He has been serving as a supervisor of Shanghai Jianhua since November 2007, a supervisor of Shanghai Qisheng since December 2007, a supervisor of Shanghai Likangrui since December 2010, and a supervisor of Shanghai Baiyue since December 2014. He served as the director of Haohai Healthcare since July 2015 and the director of Henan Universe since August 2015. He has been appointed as the Director and Secretary of the Board since July 2010 and October 2010 respectively, and has been appointed as one of our joint company secretaries since November 17, 2014. He was redesignated as an executive Director on December 7, 2014. Mr. Huang obtained a bachelor of laws in July 1998 and a master of laws in June 2005 from East China University of Political Science and Law (華東政法大學), and a doctoral degree in corporate management from Fudan University in June 2011. He obtained his lawyer qualification in May 1999.

Ms. Chen Yiyi (陳奕奕), aged 34, is an executive Director of the Company. Ms. Chen joined the marketing department of Haohai Chemical, a company principally engaged in the production and sale of polyurethane composite duct in July 2006 and worked as the marketing manager and assistant to general manager from January 2007 to December 2009. She has been appointed as the Director since July 2010, and was redesignated as an executive Director on 7 December 2014. Ms. Chen obtained a bachelor of arts in June 2004 and a Master of Arts (communications) in June 2006 from Huazhong University of Science and Technology (華中科技大學) respectively.

NON-EXECUTIVE DIRECTORS

Ms. You Jie (游 捷), aged 53, is a non-executive Director of the Company. Ms. You worked as a clinician at the Department of Oncology, Longhua Hospital, Shanghai University of Traditional Chinese Medicine (上海中醫藥大學附屬龍華醫院腫瘤科) from July 2004 to February 2011. She has been appointed as the Director since July 2010, and was redesignated as a non-executive Director on 7 December 2014. Ms. You obtained a clinical doctorate degree from Shanghai University of Traditional Chinese Medicine (上海中醫藥大學) in July 2004 and the practicing doctor qualification in the PRC in May 1999. Ms. You is the spouse of Mr. Jiang Wei.

Mr. Gan Renbao (甘人寶), aged 76, is a non-executive Director of the Company. Mr. Gan has engaged in molecular biology and genetic engineering research for many years. He worked at Shanghai Institute for Biological Sciences, Chinese Academy of Sciences (中國科學院上海生命科學研究院生物化學與細胞生物學研究) since October 1960 as a researcher and an officer and retired in June 2004. He was our deputy general manager from July 2010 to September 2014. He has been appointed as the Director since July 2010, and was redesignated as a non-executive Director on 7 December 2014.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chen Huabin (陳華彬), aged 48, is an independent non-executive Director of the Company. He has been working as a researcher and professor of the School of Law, the Central University of Finance and Economics (中央財經大學法學院) from September 2008 until present. He has been appointed as our independent Director since October 2014 and was designated as an independent non-executive director on 7 December 2014. Mr. Chen obtained a master's degree in law from the Southwest University of Political Science and Law (西南政法大學) in March 1991 and a doctor's degree in law from the graduate school, the Chinese Academy of Social Sciences in June 1994.

Mr. Shen Hongbo (沈紅波), aged 36, is an independent non-executive Director of the Company. He engaged in post-doctoral research at the Department of Finance of Tsinghua University from March 2007 to March 2009 and worked as a visiting scholar at Harvard Business School from January 2009 to February 2009. He also acted as an independent director of China Executive Education Corp., a company formerly trading on the Over-the-Counter Bulletin Board in the U.S., from October 2010 to December 2012. He has been working as an independent director in Zhejiang Xinguang Pharmaceutical Co., Ltd (浙江新光藥業股份有限公司) from September 2012 until present, an investment consultant in China Science & Merchants Capital Management Limited (中科招商集團投資管理集團有限公司) from July 2013 to June 2014 during which he was responsible for execution of its district network, setting up of funds and making referrals of equity investment projects. He has also served as an independent director at InfoTM Micro-Electronics Co., Ltd (盈方微電子股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000670), from November 2014 until present. He is currently an associate professor at the Institute of Finance, School of Economics, Fudan University. He has been appointed as our independent Director since October 2014 and was designated as an independent non-executive director on 7 December 2014. Mr. Shen obtained a doctor's degree in accounting from Shanghai University of Finance and Economics in January 2007 and he has been a member of the Association of Chartered Certified Accountants (ACCA) since January 2015.

Mr. Li Yuanxu (李元旭), aged 49, is an independent non-executive Director of the Company. Mr. Li is a professor at the School of Management, Fudan University. He has been appointed as our independent Director since December 2010 and was designated as independent non-executive Director on 7 December 2014. He obtained a doctorate degree in economics from Fudan University in July 1995.

Mr. Zhu Qin (朱勤), aged 52, is an independent non-executive Director of the Company. During his time working at Shanghai Huatuo Pharmaceutical Technology Development Company Limited (上海華拓醫藥科技發展股份有限公司), he served as a deputy general manager from 2000 to 2003, the general manager and director from 2003 to 2010 and the chairman of its science and technology committee of the board, chief scientist and director from 2011 to 2014. He has been a deputy general manager in Shanghai Liuhe Capital (上海六禾投資) from March 2014 until present, where he is mainly responsible for the area of pharmaceutical and healthcare. He has been appointed as our independent Director since October 2014 and was designated as an independent non-executive Director on 7 December 2014. He obtained a bachelor's degree in medicine from the Second Military Medical University in July 1984 and a master's degree in medicine in December 1990. Thereafter, he obtained a doctor of science degree from Chinese Academy of Sciences in October 2000.

Mr. Wong Kwan Kit (王君傑), aged 46, is an independent non-executive Director of the Company. He joined Prudential Hong Kong Limited as an insurance agent in July 1991 and was promoted to be a regional director since May 2006. He was elected as the president of the General Agents and Managers Association of Hong Kong from 2003 to 2004 and the president of the Life Underwriters Association of Hong Kong in 2013. He has been a member of the insurance agents registration board of the Hong Kong Federation of Insurers since 2010 until present and a member of the Mandatory Provident Fund Schemes Appeal Board since 2012 until present. He has been appointed as our independent non-executive Director since April 2015. Mr. Wong obtained a bachelor's degree in business administration from the Chinese University of Hong Kong in December 1991 and a master's degree in business administration from the Macau University of Science and Technology in August 2010.

SUPERVISORS

Mr. Liu Yuanzhong (劉遠中), aged 47, is the chairman of the Supervisory Committee of the Company and a shareholder Supervisor. Mr. Liu joined Liming Research Institute of Chemical Industry (黎明化工研究院) in 1992 and served as an engineer from November 1997 to October 2001. He has been working as an engineer and was responsible for research and development of insulation and car high polymer material at Haohai Chemical from December 2001 until now. He has been appointed as the Supervisor since July 2010. Mr. Liu obtained a bachelor's degree in industrial analysis from the Department of Applied Chemistry, Beijing Institute of Chemical Technology (北京化工學院) in July 1992 and a master's degree in engineering from East China University of Science and Technology (華東理工大學) in June 2009.

Ms. Yang Qing (楊青), aged 44, is an independent Supervisor of the Company. Ms. Yang engaged in post-doctoral research at the Department of Economics of the University of Vienna in Austria from March 2005 to August 2005 and acted as a visiting scholar at the School of Economics, University of Cambridge in England from September 2006 to September 2007, and participated in the Freeman Fellows Program of the University of Illinois at Urbana-Champaign in the U.S. from August 2011 to May 2012. She joined Fudan University since July 2001 and was responsible for research and teaching work, and she is currently a professor in the School of Economics. She has been appointed as the Supervisor since October 2014. Ms. Yang obtained a bachelor's degree in management information system from Kunming University of Science and Technology (昆明理工大學) in July 1995 and a doctor's degree in management from Fudan University in July 2001.

Mr. Tang Yuejun (唐躍軍), aged 37, is an independent Supervisor of the Company. He has been an associate professor at the School of Management, Fudan University from September 2011 until present. He has also been acting as a master's degree supervisor of MBA and EMBA from January 2011 until present, a master's degree supervisor of corporate management from September 2012 until present. He has been appointed as our Supervisor since October 2014. Mr. Tang obtained a bachelor's degree in economics from Nankai University (南開大學) in June 2001, and a doctor's degree in management at the School of Business, Nankai University in June 2006.

Mr. Wei Changzheng (魏長徵), aged 36, is the employee representative Supervisor of the Company. Mr. Wei has been acting as the deputy manager of the research and development department at Haohai Limited, the predecessor of the Company since October 2009, and he has continued to serve this position after the conversion of Haohai Limited into the Company. He has been working as the manager at the department of research and development in Shanghai Qisheng from October 2009 until present. He has been appointed as the Supervisor since July 2010. Mr. Wei obtained a doctor of science from Ocean University of China (中國海洋大學) in June 2007.

Mr. Yang Linfeng (楊林鋒), aged 34, is an employee representative Supervisor of the Company. He has been an associate of the chief human resource officer of the Company from July 2011 to November 2015, and he has been a Performance & Development manager of Human Resource since November 2015. He has been appointed as the Supervisor since September 2014. Mr. Yang obtained a doctor's degree in management at Fudan University in June 2011.

SENIOR MANAGEMENT

Ms. Ren Caixia (任彩霞), aged 58, is the deputy general manager of the Company. She served various positions at Shanghai Huayuan from April 2002 to May 2007. She served as the deputy general manager of Haohai Limited from July 2007 to August 2010. She acted as the general manager of Shanghai Jianhua since November 2007 and thereafter an executive director since November 2010. She has been appointed as our deputy general manager since July 2010. Ms. Ren obtained a bachelor's degree in inorganic chemicals from the Department of Chemicals, Hefei University of Technology (合肥工業大學) in September 1982.

Mr. Wang Wenbin (王文斌), aged 49, is a deputy general manager of the Company. He has served as the executive deputy general manager in Shanghai Qisheng from May 1995 until present. He has been appointed as the deputy general manager of the Company since September 2014. Mr. Wang obtained a bachelor's degree in medicine from the Second Military Medical University in July 1991 and the practicing doctor qualification in the PRC in May 1999.

Mr. Zhang Jundong (張軍東), aged 42, is a deputy general manager of the Company. He engaged in postdoctoral research in clinical medicine at the Second Military Medical University from November 2006 to October 2010. Between June 2009 to December 2013, he served at the prescription medicine business division of Xinyi Institute of Materia Medica in Shanghai Pharmaceuticals (Group) Co. Ltd. (上海醫藥(集團)有限公司處方藥事業部信誼藥物研究所) as a director of the institute, and he served as the research and development director of Shanghai Xinyi Pharmaceutical Co., Ltd. (上海信誼藥廠有限公司). He has been appointed as our deputy general manager since September 2014. Mr. Zhang obtained a bachelor's degree in pharmacy in July 1994 and a doctor's degree in medicine in June 2006 from the Second Military Medical University.

Ms. Wei Xin **(魏　欣)**, aged 44, is a deputy general manager of the Company. She joined the Company in March 2008 as the manager of the medical marketing department. She was promoted to act as the director of the medical marketing department of the Company since January 2011 and the assistant to the general manager of the Company since March 2012. Prior to joining the Company, she was an obstetrician-gynecologist in Shanghai Sixth Renmin Hospital* (上海第六人民醫院) from July 1995 to November 2002. From December 2002 to January 2007, she was the manager of the medical marketing department at Cinkate Pharmaceutical and Chemical Intermediates (Shanghai) Company Limited* (欣凱醫藥化工中間體(上海)有限公司), a company principally engaged in the development and production of pharmaceutical and chemical intermediates. Ms. Wei obtained a bachelor degree in clinical medicine from the then Shanghai Tiedao University* (上海鐵道大學) in June 1995, the practising doctor qualification in the People's Republic of China in May 1999 and the attending physician qualification in December 2001.

JOINT COMPANY SECRETARIES

Mr. Huang Ping (黃平), aged 40, was appointed as a joint company secretary of the Company on 17 November 2014. He is also the secretary of the Board of the Company. Please refer to "Executive Directors" above for the biography of Mr. Huang.

Mr. Chiu Ming King (趙明璟), aged 38, was appointed as a joint company secretary of the Company on 17 November 2014. He also serves as a director of corporate services of Vistra Corporate Services (HK) Limited since June 2012. Prior to joining Vistra Corporate Services (HK) Limited, he was an associate director of corporate services of TMF Hong Kong Limited from October 2009 to May 2012. Mr. Chiu has over 11 years of experience in the company secretarial field. He is currently (1) the company secretary of Christine International Holdings Limited, a company listed on the main board in Hong Kong (stock code: 1210); (2) the company secretary of Nan Hai Corporation Limited, a company listed on the main board in Hong Kong (stock code: 680); (3) the company secretary of Sino-i Technology Limited, a company listed on the main board in Hong Kong (stock code: 250); and (4) the company secretary of Hosa International Limited, a company listed on the main board in Hong Kong (stock code: 2200).

Mr. Chiu has been an associate member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries ("**HKICS**") since 2003, and a fellow member of HKICS since September 2015. He is currently a member of the Membership Committee and Professional Services Panel of HKICS. He has also been the HKICS' representative in the Young Coalition Professional Group of The Hong Kong Coalition of Professional Services since 2013.

Mr. Chiu obtained a bachelor of arts from University of Toronto in Canada in June 1999 and received a master of arts in professional accounting and information systems from City University of Hong Kong in November 2003.

INDEPENDENT AUDITORS' REPORT

To the shareholders of Shanghai Haohai Biological Technology Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Shanghai Haohai Biological Technology Co., Ltd. (the "Company") and its subsidiaries set out on pages 68 to 121, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

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

OPINION

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

Ernst & Young
Certified Public Accountants
Hong Kong
21 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
REVENUE	5	**663,917**	515,940
Cost of sales		**(105,073)**	(65,883)
Gross profit		**558,844**	450,057
Other income and gains	5	**98,744**	30,764
Selling and distribution expenses		**(242,100)**	(187,191)
Administrative expenses		**(58,878)**	(48,960)
Research and development costs		**(35,254)**	(26,460)
Other expenses		**(979)**	(2,594)
Share of profits and losses of:			
An associate		**270**	—
PROFIT BEFORE TAX	6	**320,647**	215,616
Income tax expense	9	**(47,341)**	(32,034)
PROFIT FOR THE YEAR		**273,306**	183,582
Attributable to:			
Owners of the parent		**273,474**	183,582
Non-controlling interests		**(168)**	—
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**273,306**	183,582
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)			
– For profit for the year	11	**1.86**	1.53

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**396,595**	352,003
Prepaid land lease payments	13	**31,626**	32,364
Other intangible assets	14	**3,262**	4,050
Investment in an associate	16	**11,202**	—
Deferred tax assets	24	**4,359**	5,453
Other non-current assets	17	**2,812**	10,678
Total non-current assets		**449,856**	404,548
CURRENT ASSETS			
Inventories	18	**78,063**	76,364
Trade and bills receivables	19	**91,287**	62,443
Tax recoverable		**—**	2,752
Prepayments, deposits and other receivables	20	**24,917**	18,609
Pledged deposits	21	**—**	5,846
Cash and bank balances	21	**2,177,787**	181,341
Total current assets		**2,372,054**	347,355
CURRENT LIABILITIES			
Trade and bills payables	22	**4,794**	8,790
Other payables and accruals	23	**112,272**	125,483
Tax payable		**23,927**	4,966
Total current liabilities		**140,993**	139,239
NET CURRENT ASSETS		**2,231,061**	208,116
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,680,917**	612,664
NON-CURRENT LIABILITIES			
Deferred tax liabilities	24	**620**	761
Deferred income	25	**14,863**	17,743
Total non-current liabilities		**15,483**	18,504
NET ASSETS		**2,665,434**	594,160

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
EQUITY			
Equity attributable to owners of the parent			
Share capital	26	160,045	120,000
Reserves	27	2,501,866	474,160
		2,661,911	594,160
Non-controlling interests		3,523	—
Total equity		2,665,434	594,160

Hou Yongtai
Director

Huang Ping
Director

For the year ended 31 December 2015

	Attributable to owners of the parent				
	Share capital RMB'000	Share premium account* RMB'000	Statutory reserve funds* RMB'000	Retained profits* RMB'000	Total RMB'000
As at 31 December 2013 and 1 January 2014	120,000	16,154	26,277	368,147	530,578
Total comprehensive income for the year	—	—	—	183,582	183,582
Dividend distribution	—	—	—	(120,000)	(120,000)
Transfer from retained profits	—	—	13,920	(13,920)	—
As at 31 December 2014	120,000	16,154	40,197	417,809	594,160

	Attributable to owners of the parent						
	Share capital RMB'000	Share premium account* RMB'000	Statutory reserve funds* RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 31 December 2014 and 1 January 2015	120,000	16,154	40,197	417,809	594,160	—	594,160
Total comprehensive income for the year	—	—	—	273,474	273,474	(168)	273,306
Issue of shares	40,045	1,754,232	—	—	1,794,277	—	1,794,277
Acquisition of a subsidiary	—	—	—	—	—	3,691	3,691
Transfer from retained profits	—	—	19,782	(19,782)	—	—	—
As at 31 December 2015	160,045	1,770,386	59,979	671,501	2,661,911	3,523	2,665,434

* These reserve accounts comprise the consolidated reserves of RMB2,501,866,000 (2014: RMB474,160,000) as at 31 December 2015 in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		320,647	215,616
Adjustments for:			
Share of profits and losses of an associate		(270)	—
Interest income	5	(38,319)	(3,703)
Net loss/(gain) on disposal of items of property, plant and equipment	6	93	(13)
Depreciation	6	32,521	20,917
Amortisation of prepaid land lease payments	6	738	738
Amortisation of other intangible assets	6	788	1,186
Impairment of trade and other receivables	6	268	2,150
Impairment of goodwill	14	463	—
Recognition of government grants related to assets	25	(2,880)	(2,929)
Unrealised gains from changes in foreign currency exchange		(3,959)	—
		310,090	233,962
Increase in inventories		(1,699)	(33,760)
Increase in trade and bills receivables		(30,288)	(19,779)
(Increase)/decrease in pledged deposits		5,846	(4,198)
Increase in prepayments, deposits and other receivables		(15,016)	(8,366)
Increase/(decrease) in trade and bills payables		(3,996)	1,886
Increase in other payables and accruals		28,249	10,284
Cash generated from operations		293,186	180,029
Income tax paid		(24,675)	(38,036)
Net cash flows generated from operating activities		268,511	141,993

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		38,319	3,703
Purchases of items of property, plant and equipment		(70,107)	(93,544)
Proceeds from disposal of items of property, plant and equipment		—	366
Receipt of government grants		8,936	2,100
Additions to other intangible assets		—	(94)
Acquisition of a subsidiary		3,191	—
Purchase of a shareholding in an associate		(10,932)	—
Increase in time deposits with original maturity of more than three months		(118,658)	(682)
Net cash flows used in investing activities		(149,251)	(88,151)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		1,863,701	—
Share issue expenses		(59,452)	—
Dividends paid		(49,680)	(70,320)
Net cash flows from/(used in) financing activities		1,754,569	(70,320)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1,873,829	(16,478)
Cash and cash equivalents at beginning of year		159,999	176,477
Effect of foreign exchange rate changes, net		3,959	—
CASH AND CASH EQUIVALENTS AT END OF YEAR	21	2,037,787	159,999
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances as stated in the statement of financial position	21	2,177,787	181,341
Time deposits with original maturity of more than three months when acquired	21	(140,000)	(21,342)
Cash and cash equivalents as stated in the statement of cash flows		2,037,787	159,999

1. CORPORATE AND GROUP INFORMATION

The Company was established as a limited liability company on 24 January 2007 in the PRC, and the Company was transformed into a joint stock company with limited liability on 2 August 2010. The registered office of the Company is located at No. 5 Tongjing Road, Songjiang Industrial Zone, Shanghai, PRC. The Company issued 40,000,000 H shares and 45,300 H shares on 30 April 2015 and 28 May 2015, respectively. And the H shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 30 April 2015.

During the year, the Group was principally engaged in the manufacture and sale of biologicals, medical hyaluronate, research and development of biological engineering and pharmaceutical products and the provision of related services.

In the opinion of the Directors, the ultimate controlling shareholders of the Company are Mr. Jiang Wei and his spouse, Ms. You Jie.

As at the date of these financial statements, the Company has direct interests in the following subsidiaries, all of which are limited liability companies established in the PRC except for Haohai Healthcare Holdings Co., Ltd., which is a limited liability company established in Hong Kong. The particulars of the Company's subsidiaries are set out below:

Company name	Place and date of incorporation/ registration and place of business	Paid-up capital/ registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
			%	%	
上海其勝生物製劑有限公司 Shanghai Qisheng Biologicals Co., Ltd.* ("**Shanghai Qisheng**")	PRC 27 May 1992	RMB160,000,000	100	—	Manufacture and sale of biological reagents, biologicals and biological materials
上海建華精細生物製品有限公司 Shanghai Jianhua Fine Biological Products Co., Ltd.* ("**Shanghai Jianhua**")	PRC 20 October 1993	RMB15,000,000	100	—	Manufacture and sale of medical sodium hyaluronate, biologicals, biochemical and HA series skin care products

1. CORPORATE AND GROUP INFORMATION (Continued)

Company name	Place and date of incorporation/ registration and place of business	Paid-up capital/ registered share capital	Percentage of equity interest attributable to the Company Direct %	Indirect %	Principal activities
上海利康瑞生物工程有限公司 Shanghai Likangrui Bioengineering Co., Ltd.* ("**Shanghai Likangrui**")	PRC 3 September 2001	RMB150,000,000	100	—	Research and development of biological engineering and pharmaceutical products and related technology transfer, consultation and services
上海柏越醫療設備有限公司 Shanghai Baiyue Medical Equipment Co., Ltd.*(1) ("**Shanghai Baiyue**")	PRC 25 September 2014	RMB10,000,000	60	—	Sale of medical equipment
Haohai Healthcare Holdings Co., Ltd. (2) ("**Haohai Holdings**")	Hong Kong 17 July 2015	HKD100	100	—	Investment holding

* English translations of names for identification purposes only.

Notes:

(1) During the year, the Company acquired a total 60% of equity shares of Shanghai Baiyue with a cash contribution of RMB6,000,000 to Shanghai Baiyue on 5 February 2015. Further details of this acquisition are included in note 28 to the financial statements.

(2) Haohai Holding is registered as a limited liability company in Hong Kong on 17 July 2015.

2.1 BASIS OF PRESENTATION

These financial statements have been prepared in accordance with the International Financial Reporting Standards ("**IFRSs**"), which comprise all standards and interpretations approved by the International Accounting Standards Board ("**IASB**"), and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost conversion. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

2.1 BASIS OF PRESENTATION (Continued)

Basis of consolidation (Continued)

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

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

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

IFRS 9	*Financial Instruments*[3]
Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[5]
Amendments to IFRS 10, IFRS 12 and IAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
IFRS 14	*Regulatory Deferral Accounts*[6]
IFRS 15	*Revenue from Contracts with Customers*[3]
IFRS 16	*Leases*[4]
Amendments to IAS 1	*Disclosure Initiative*[1]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*[1]
Amendments to IAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[2]
Amendments to IAS 7	*Disclosure Initiative*[2]
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs[1]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2017
3 Effective for annual periods beginning on or after 1 January 2018
4 Effective for annual periods beginning on or after 1 January 2019
5 No specific effective date but early adoption is permitted
6 Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016

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

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. The Group is currently assessing the impact of the standard upon adoption.

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

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

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

(i) the materiality requirements in IAS 1;

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates

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

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates is included in the statement of profit or loss and other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

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

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

Impairment of non-financial assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

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

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

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation

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

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

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

Items	Estimated useful life	Residual value	Principal annual rate
Buildings	25 years	5%	3.8%
Plant and machinery	5-10 years	5%	9.5%-19.0%
Motor vehicles	4-5 years	5%	19.0%-23.8%
Office equipment and others	3-10 years	5%	9.5%-31.7%
Leasehold improvements	5 years	—	20.0%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (other than goodwill)

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

Patents and non-patent technology

Purchased patents and non-patent technology are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 5 to 10 years.

Research and development costs

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

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

Software

Purchased software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 5 years.

Leases

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets

Initial recognition and measurement

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

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

The Group has no financial assets at fair value through profit or loss, available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge.

Subsequent measurement

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

Loans and receivables

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Financial assets carried at amortised cost

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

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

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

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

Financial liabilities

Initial recognition and measurement

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

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

The Group has no financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge.

The Group's financial liabilities include trade and bills payables and other payables and accruals.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

Subsequent measurement

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

Loans and borrowings

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labours and an appropriate proportion of overheads based on normal operating capacity. Net realisable value is based on estimated selling prices less estimated costs to be incurred to completion and disposal. Provision for reversal of provision for impairment of inventories is recognised within “cost of sales” in the statement of profit or loss and other comprehensive income.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Income tax

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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

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

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

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

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

Government grants

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

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

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

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

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

Other employee benefits

Pension scheme

The employees of the Group which operate in mainland China are required to participate in a central pension scheme operated by the local municipal government. The Group is required to contribute 21% of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss and other comprehensive income as they become payable in accordance with the rules of the central pension scheme.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Foreign currencies

The financial statements are presented in RMB, which is the Company's functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss and other comprehensive income.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Estimation uncertainty

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

Impairment of non-financial assets (other than goodwill)

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2015 was nil (2014: nil). Further details are given in note 14.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that tax profit will be available against which the unused tax losses and the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 24 to the financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group's operating activities are related to a single operating segment, the manufacture and sale of biologicals, medical hyaluronate, research and development of biological engineering and pharmaceutical products and the provision of related services. Therefore, no analysis by operating segment is presented.

Geographical information

Since the Group generates over 99% revenue through its operation in mainland China and over 99% of the assets of the Group are located in mainland China, geographical segment information as required by IFRS 8 *Operating Segments* is not presented.

Information about major customers

There was no customer, the revenue from which amounted to 5% or more of the Group's revenue during the reporting period.

5. REVENUE AND OTHER INCOME AND GAINS

Revenue, represents the net invoiced value of goods sold, after allowances for returns and trade discounts, net of sales taxes and surcharges during the year.

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

	Note	2015 RMB'000	2014 RMB'000
Revenue			
Sale of goods		**663,917**	515,940
Other income and gains			
Interest income		**38,319**	3,703
Government grants	i)	**30,062**	25,664
Gain on disposal of items of property, plant and equipment		—	353
Exchange gains		**28,747**	1
Others		**1,616**	1,043
		98,744	30,764

Note:

i) Various government grants have been received from local government authorities in various regions in Shanghai, the PRC, for setting up research activities. The government grants released have been recorded in other income and gains. Government grants received for which related expenditure has not yet been undertaken are included in deferred income in the statement of financial position. There were no unfulfilled conditions or contingencies relating to these government grants.

6. PROFIT BEFORE TAX

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

	2015 RMB'000	2014 RMB'000
Cost of inventories sold	105,073	65,883
Depreciation (note 12)	32,521	20,917
Amortisation of other intangible assets (note 15)	788	1,186
Amortisation of prepaid land lease payments (note 13)	738	738
Auditors' remuneration	1,800	500
Impairment of goodwill*	463	—
Minimum lease payments under operating leases:		
Land and buildings	2,687	2,140
Research and development costs:		
Current year expenditure	35,254	26,460
Employee benefit expense		
(excluding directors' remuneration as set out in note 7)		
- Wages and salaries	73,752	52,706
- Pension scheme contributions	7,383	5,502
	81,135	58,208
Foreign exchange differences, net	(28,747)	(1)
Impairment of trade and other receivables	268	2,150
Bank interest income	(38,319)	(3,703)
Net loss/(gain) on disposal of items of property, plant and equipment	93	(13)

* The impairment of goodwill is included in "Other expenses" in the consolidated statement of profit or loss and other comprehensive income.

7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	2015 RMB'000	2014 RMB'000
Fees	580	50
Other emoluments:		
Salaries, allowances and benefits in kind	2,190	2,172
Performance related bonuses	1,756	1,204
Pension scheme contributions	229	204
	4,175	3,580
	4,755	3,630

(a) Independent non-executive directors

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

	2015 RMB'000	2014 RMB'000
Mr. Li Yuanxu	67	50
Mr. Chen Huabin	67	—
Mr. Zhu Qin	67	—
Mr. Shen Hongbo	67	—
Mr. Wong Kwan Kit	67	—
	335	50

There were no other emoluments payable to the independent non-executive director during the year (2014: nil).

7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

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

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2015					
Executive directors:					
Mr. Wu Jianying*	—	478	431	40	949
Mr. Ling Xihua	—	297	69	—	366
Mr. Huang Ping	—	313	266	40	619
Dr. Hou Yongtai	—	478	394	40	912
Ms. Chen Yiyi	—	238	252	40	530
Non-executive directors:					
Ms. You Jie	—	—	—	—	—
Mr. Gan Renbao	111	—	—	—	111
Supervisors:					
Mr. Liu Yuanzhong	—	—	—	—	—
Mr. Wei Changzheng	—	229	172	40	441
Mr. Yang Qing	67	—	—	—	67
Mr. Tang Yuejun	67	—	—	—	67
Mr. Yang Linfeng	—	157	172	29	358
	245	2,190	1,756	229	4,420

7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(b) Executive directors, non-executive directors and the chief executive (Continued)

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2014					
Executive directors:					
Mr. Wu Jianying*	—	457	248	37	742
Mr. Ling Xihua	—	288	179	—	467
Mr. Huang Ping	—	301	145	37	483
Dr. Hou Yongtai	—	457	248	37	742
Ms. Chen Yiyi	—	217	106	37	360
Non-executive directors:					
Ms. You Jie	—	—	—	—	—
Mr. Gan Renbao	—	96	75	—	171
Supervisors:					
Mr. Liu Yuanzhong	—	—	—	—	—
Mr. Wei Changzheng	—	216	130	36	382
Mr. Yang Qing	—	—	—	—	—
Mr. Tang Yuejun	—	—	—	—	—
Mr. Yang Linfeng	—	140	73	20	233
	—	2,172	1,204	204	3,580

* Mr. Wu Jianying was the chief executive of the Group during the year.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2014: nil).

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors (2014: four directors), details of whose remuneration are set out in note 7 above. Details of the remuneration for the year of the remaining two (2014: one) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2015 RMB'000	2014 RMB'000
Salaries, allowances and benefits in kind	661	301
Performance related bonuses	466	129
Pension scheme contributions	81	37
	1,208	467

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

	Number of employees	
	2015	2014
Nil to HK$1,000,000	2	1

9. INCOME TAX

The Company and its subsidiaries, except Haohai Holdings, are registered in the PRC and only have operations in Mainland China. They are subject to PRC corporate income tax ("**CIT**") on the taxable income as reported in their PRC statutory accounts adjusted in accordance with relevant PRC income tax laws.

In 2015, the Company and its subsidiaries, Shanghai Qisheng and Shanghai Jianhua, were accredited as high and new-tech enterprises (the "**HNTE status**") respectively, effective for three years from 2014 to 2016 by the relevant authorities. Therefore, the preferential income tax rate of 15% was applied during the period from 2014 to 2016.

9. INCOME TAX (Continued)

The applicable tax rate of Shanghai Likangrui and Shanghai Baiyue was 25% and the applicable tax rate of Haohai Holdings was 16.5% during the year.

	2015 RMB'000	2014 RMB'000
Current		
Charge for the year	46,051	33,276
Underprovision in prior years	337	262
Deferred (note 24)	953	(1,504)
Total tax charge for the year	47,341	32,034

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and the subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

2015

	Mainland China		Hong Kong		Total	
	RMB'000	%	RMB'000	%	RMB'000	%
Profit before tax	320,536		111		320,647	
Tax at the statutory tax rate	80,134	25.0	19	16.5	80,162	25.0
Adjustments in respect of current tax of previous years	561	0.2	—	—	561	0.2
Profits and losses attributable to an associate	—	—	(45)	(40.5)	(45)	—
Additional deductible allowance for research and development expenses	(4,169)	(1.3)	—	—	(4,169)	(1.3)
Expenses not deductible for tax	981	0.3	—	—	981	0.3
Tax losses not recognised	1,469	0.5	26	23.0	1,495	0.5
Tax saving from preferential tax rate due to HNTE status	(31,635)	(9.9)	—	—	(31,635)	(9.9)
Tax charge at the Group's effective rate	47,341	14.8	—	—	47,341	14.8

9. INCOME TAX (Continued)

2014

	Mainland China	
	RMB'000	%
Profit before tax	215,616	
Tax at the statutory tax rate	53,904	25.0
Adjustments in respect of current tax of previous years	436	0.2
Additional deductible allowance for research and development expenses	(3,202)	(1.5)
Expenses not deductible for tax	1,189	0.6
Tax losses not recognised	1,062	0.5
Tax saving from preferential tax rate due to HNTE status	(21,355)	(9.9)
Tax charge at the Group's effective rate	32,034	14.9

The effective tax rate of the Group was 14.8% in the year ended 31 December 2015 (2014: 14.9%).

10. DIVIDENDS

	2015	2014
	RMB'000	RMB'000
Proposed final -RMB0.40 (2014: nil) per ordinary share	64,018	—

The directors of the Company proposed to declare a final dividend of RMB0.40 (inclusive of tax) per ordinary share (2014: nil), totally amounting to RMB64,018,120 (2014: nil) for the year ended 31 December 2015. The proposed final dividend for 2015 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of the basic earnings per share amounts is based on the profit attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 146,985,960 (2014: 120,000,000) in issue during the year, as adjusted to reflect the rights issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2015 and 2014.

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

	2015 RMB'000	2014 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	273,306	183,582
Shares		
Weighted average number of ordinary shares in issue used in the basic and diluted earnings per share calculation	146,985,960	120,000,000

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment and others RMB'000	Construction in progress RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2015							
At 1 January 2015:							
Cost	55,019	205,313	9,275	30,739	95,177	39,750	435,273
Accumulated depreciation and impairment	(6,547)	(41,124)	(3,686)	(19,581)	—	(12,332)	(83,270)
Net carrying amount	48,472	164,189	5,589	11,158	95,177	27,418	352,003
At 1 January 2015, net of accumulated depreciation and impairment	48,472	164,189	5,589	11,158	95,177	27,418	352,003
Additions	—	123	129	554	76,386	—	77,192
Acquisition of a subsidiary (note 28)	—	—	—	14	—	—	14
Disposals	—	(8)	(80)	(5)	—	—	(93)
Depreciation provided during the year	(2,373)	(18,306)	(2,627)	(3,114)	—	(6,101)	(32,521)
Transfers	—	6,091	—	995	(7,906)	820	—
At 31 December 2015, net of accumulated depreciation and impairment	46,099	152,089	3,011	9,602	163,657	22,137	396,595
At 31 December 2015:							
Cost	55,019	211,439	9,273	32,231	163,657	40,570	512,189
Accumulated depreciation and impairment	(8,920)	(59,350)	(6,262)	(22,629)	—	(18,433)	(115,594)
Net carrying amount	46,099	152,089	3,011	9,602	163,657	22,137	396,595

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment and others RMB'000	Construction in progress RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2014							
At 1 January 2014:							
Cost	24,500	82,004	4,847	20,324	194,194	10,664	336,533
Accumulated depreciation and impairment	(4,763)	(33,577)	(2,427)	(15,568)	—	(9,573)	(65,908)
Net carrying amount	19,737	48,427	2,420	4,756	194,194	1,091	270,625
At 1 January 2014, net of accumulated depreciation and impairment	19,737	48,427	2,420	4,756	194,194	1,091	270,625
Additions	—	997	4,428	1,874	95,349	—	102,648
Disposals		(346)	—	(7)	—	—	(353)
Depreciation provided during the year	(1,784)	(10,957)	(1,259)	(4,158)	—	(2,759)	(20,917)
Transfers	30,519	126,068	—	8,693	(194,366)	29,086	—
At 31 December 2014, net of accumulated depreciation and impairment	48,472	164,189	5,589	11,158	95,177	27,418	352,003
At 31 December 2014:							
Cost	55,019	205,313	9,275	30,739	95,177	39,750	435,273
Accumulated depreciation and impairment	(6,547)	(41,124)	(3,686)	(19,581)	—	(12,332)	(83,270)
Net carrying amount	48,472	164,189	5,589	11,158	95,177	27,418	352,003

13. PREPAID LAND LEASE PAYMENTS

	2015 RMB'000	2014 RMB'000
Carrying amount at 1 January	**33,102**	33,840
Recognised during the year	**(738)**	(738)
Carrying amount at 31 December	**32,364**	33,102
Current portion included in prepayments, deposits and other receivables	**(738)**	(738)
Non-current portion	**31,626**	32,364

14. GOODWILL

	RMB'000
At 1 January 2014:	
Cost	16,146
Accumulated impairment	(16,146)
Net carrying amount	—
Cost at 1 January 2014, net of accumulated impairment	—
Impairment during the year	—
At 31 December 2014	—
At 31 December 2014	
Cost	16,146
Accumulated impairment	(16,146)
Net carrying amount	—
Cost at 1 January 2015, net of accumulated impairment	—
Acquisition of a subsidiary (note 28)	**463**
Impairment during the year*	**(463)**
Cost and net carrying amount at 31 December 2015	—
At 31 December 2015:	
Cost	**16,609**
Accumulated impairment	**(16,609)**
Net carrying amount	—

* The impairment during the year is fully provided for the goodwill generated in the acquisition of Shanghai Baiyue.

15. OTHER INTANGIBLE ASSETS

	Patents RMB'000	Non-patent technology RMB'000	Software RMB'000	Total RMB'000
31 December 2015				
Cost at 1 January 2015, net of accumulated amortisation	3,994	—	56	4,050
Amortisation provided during the year	(759)	—	(29)	(788)
At 31 December 2015	3,235	—	27	3,262
31 December 2015				
Cost	11,588	535	143	12,266
Accumulated amortisation	(8,353)	(535)	(116)	(9,004)
Net carrying amount	3,235	—	27	3,262
31 December 2014				
Cost at 1 January 2014, net of accumulated amortisation	5,057	—	85	5,142
Additions	94	—	—	94
Amortisation provided during the year	(1,157)	—	(29)	(1,186)
At 31 December 2014	3,994	—	56	4,050
At 31 December 2014:				
Cost	11,588	535	143	12,266
Accumulated amortisation	(7,594)	(535)	(87)	(8,216)
Net carrying amount	3,994	—	56	4,050

16. INVESTMENT IN AN ASSOCIATE

	2015 RMB'000	2014 RMB'000
Share of net assets	11,202	—

Particulars of the associate are as follows:

Company name	Pain-in capital	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Henan Universe Intraocular Lens R&M Co., Ltd. ("**Henan Universe**")	RMB9,923,200	China	38.017%	Manufacture of intraocular lens products

On 19 August 2015, Haohai Holdings signed the equity transfer agreement with Sun Champ International Trading Limited. to acquire 38.017% equity interest of Henan Universe with a cash consideration of RMB10,931,750, which was fully paid on 31 August 2015. Approved by the Zhengzhou High-tech Industrial Development Zone Management Committee and the People's Government of Henan Province, the equity transfer was completed on 11 September 2015.

The Group's shareholdings in the associate all comprise equity shares held through a wholly-owned subsidiary of the Company, Haohai Holdings.

The following table illustrates the financial information of the Group's associate, Henan Universe, that is not individually material for the year ended 31 December 2015:

	2015 RMB'000
Share of the associate's profit for the year	270
Share of the associate's total comprehensive income	270
Aggregate carrying amount of the Group's investment in the associate	11,202

17. OTHER NON-CURRENT ASSETS

	2015 RMB'000	2014 RMB'000
Prepayments for property, plant and equipment	2,812	10,678

18. INVENTORIES

	2015 RMB'000	2014 RMB'000
Raw materials	30,887	28,529
Work in progress	10,173	9,771
Finished goods	34,522	38,064
Merchandise	2,481	—
	78,063	76,364

None of the Group's inventories were pledged during the years.

19. TRADE AND BILLS RECEIVABLES

	2015 RMB'000	2014 RMB'000
Bills receivable	—	811
Trade receivables	96,007	64,908
Impairment for trade receivables	(4,720)	(3,276)
	91,287	62,443

Customers are usually required to make payment in advance before the Group delivers goods to them. However, the Group's trading terms with certain major customers with good repayment history and good reputation are on credit. The credit period is generally one to six months. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

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

	2015 RMB'000	2014 RMB'000
Within 3 months	77,609	52,132
3 to 6 months	13,535	11,056
6 months to 1 year	4,590	2,340
1 to 2 years	265	184
2 to 3 years	8	7
	96,007	65,719

19. TRADE AND BILLS RECEIVABLES (Continued)

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

	2015 RMB'000	2014 RMB'000
At 1 January	3,276	2,120
Impairment losses recognised	1,478	1,156
Impairment losses reversed	(34)	—
	4,720	3,276

Included in the above provision for impairment of trade receivables are provisions for individually impaired trade receivables of RMB57,000 (2014: RMB40,000) with carrying amounts before provisions of RMB273,000 (2014: RMB191,000), based on aged analysis. The others are for collectively impaired trade receivables at the end of the reporting period.

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

At the end of the reporting period, the Group did not have any trade receivables which were neither individually nor collectively considered to be impaired.

The Group endorsed certain bills receivable accepted by banks in the PRC (the "**Derecognised Bills**") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB2,557,000 (2014: RMB4,800,000). The Derecognised Bills have a maturity from one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "**Continuing Involvement**"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the reporting period, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015 RMB'000	2014 RMB'000
Prepayments	12,574	4,720
Deposits and other receivables	13,154	15,876
Impairment	(811)	(1,987)
	24,917	18,609

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

	2015 RMB'000	2014 RMB'000
At 1 January	1,987	993
Impairment losses recognised	51	994
Impairment losses reversed	(1,227)	—
	811	1,987

21. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2015 RMB'000	2014 RMB'000
Cash and bank balances	2,177,787	181,341
Time deposits with original maturity of more than three months when acquired	(140,000)	(21,342)
Cash and cash equivalents	2,037,787	159,999
Pledged deposits		
– Pledged for bank endorsed bills payable	—	5,846

At the end of the reporting period, nearly 97% of the cash and bank balances of the Group were denominated in RMB. The RMB is not freely convertible into other currencies, however, under Mainland China's prevailing rules and regulations over foreign exchange, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods between three months and one year, depending on the immediate cash requirements of the Group. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

22. TRADE AND BILLS PAYABLES

	2015 RMB'000	2014 RMB'000
Trade payables	4,794	2,944
Bills payable	—	5,846
	4,794	8,790

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

	2015 RMB'000	2014 RMB'000
Within 3 months	4,745	8,671
3 months to 1 year	49	72
Over 1 year	—	47
	4,794	8,790

The trade payables were non-interest-bearing and were normally settled on 30 to 90 day terms.

23. OTHER PAYABLES AND ACCRUALS

	2015 RMB'000	2014 RMB'000
Payroll and welfare payable	18,134	9,903
Other taxes payable	14,572	5,960
Accrued expenses	8,030	3,296
Advances from customers	4,041	5,257
Payables related to:		
Government grants received	26,635	19,178
Purchases of property, plant and equipment	18,173	17,315
Deposits received	10,026	10,986
Others	12,661	3,908
Dividends payable	—	25,680
Withholding individual income tax on dividends	—	24,000
	112,272	125,483

The above balances were non-interest-bearing and repayable on demand.

24. DEFERRED TAX

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

Deferred tax liabilities

	2015 Fair value adjustments arising from acquisition of subsidiaries RMB'000
At 1 January 2015	761
Deferred tax credited	(141)
Gross deferred tax liabilities at 31 December 2015	620

	2014 Fair value adjustments arising from acquisition of subsidiaries RMB'000
At 1 January 2014	647
Deferred tax charged	114
Gross deferred tax liabilities at 31 December 2014	761

24. DEFERRED TAX (Continued)

Deferred tax assets

	Accruals RMB'000	Impairment of receivables RMB'000	Deferred income RMB'000	Unrealised profit from intragroup transactions RMB'000	Total RMB'000
At 1 January 2015	1,899	785	2,661	108	5,453
Deferred tax credited/(charged)	(695)	32	(431)	—	(1,094)
Gross deferred tax assets at 31 December 2015	1,204	817	2,230	108	4,359

	Accruals RMB'000	Impairment of receivables RMB'000	Deferred income RMB'000	Unrealised profit from intragroup transactions RMB'000	Total RMB'000
At 1 January 2014	1,045	467	2,074	249	3,835
Deferred tax credited/(charged)	854	318	587	(141)	1,618
Gross deferred tax assets at 31 December 2014	1,899	785	2,661	108	5,453

The Group has tax losses of RMB19,045,000 (2014: RMB14,453,000) arising in the mainland China that will expire in one to five years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in the subsidiaries that has been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

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

	2015 RMB'000	2014 RMB'000
Tax losses	19,045	14,453

25. DEFERRED INCOME

	2015 Government grants RMB'000	2014 Government grants RMB'000
At 1 January	17,743	13,825
Additions	—	6,847
Released during the year	(2,880)	(2,929)
At 31 December	14,863	17,743

26. SHARE CAPITAL

	2015 RMB'000	2014 RMB'000
Issued and fully paid:		
160,045,300 (2014: 120,000,000) ordinary shares of RMB1.00 each	160,045	120,000

A summary of movement in the Company's share capital is as follows:

	Number of shares in issue	Share capital RMB'000	Total RMB'000
At 1 January 2014 and 1 January 2015	120,000,000	120,000	120,000
Issue of shares	40,045,300	40,045	40,045
At 31 December 2015	160,045,300	160,045	160,045

27. RESERVES

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

Pursuant to the relevant laws and regulations in the mainland China, a portion of the profits of the Company has been transferred to statutory reserve funds which are restricted as to use.

28. BUSINESS COMBINATION

On 5 February 2015, the Company made a cash contribution of RMB6,000,000 to Shanghai Baiyue. Shanghai Baiyue was established in the PRC on 25 September 2014 with a registered share capital of RMB1,000,000. Ms. Gu Lingzhi and Mr. Li Xudong held 85% and 15% of equity interests in Shanghai Baiyue, respectively before the capital increase stated below. Pursuant to the shareholders' resolutions of Shanghai Baiyue on 28 January 2015, the shareholders of Shanghai Baiyue agreed to increase the paid-in capital from RMB1,000,000 to RMB10,000,000. Out of the amount for the capital increase, Ms. Gu Lingzhi contributed RMB2,750,000, Mr. Li Xudong contributed RMB250,000 and the Company contributed RMB6,000,000 in cash as paid-in capital of Shanghai Baiyue, respectively. On 3 February 2015, Shanghai Baiyue completed its registration with the Shanghai Administration for Industry and Commerce and became a 60% owned subsidiary of the Company.

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

	Notes	Fair value recognised on acquisition RMB'000
Property, plant and equipment	12	14
Cash and bank balances		9,191
Prepayments, deposits and other receivables		180
Other payables and accruals		(157)
Total identifiable net assets at fair value		9,228
Non-controlling interests		(3,691)
Goodwill on acquisition	14	463
Satisfied by cash		6,000

An analysis of the cash flows in respect of the acquisition of Shanghai Baiyue is as follows:

	RMB'000
Cash consideration	(6,000)
Cash and bank balances acquired	9,191
Net inflow of cash and cash equivalents included in cash flows from investing activities	3,191

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been RMB664,831,000 and RMB272,997,000, respectively.

29. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its property, plant and equipment under operating lease arrangements. Leases for property, plant and equipment are negotiated for terms of one to five years.

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

	2015 RMB'000	2014 RMB'000
Within one year	3,453	1,878
In the second to fifth years, inclusive	4,177	4,313
	7,630	6,191

30. COMMITMENTS

In addition to the operating lease commitments detailed in note 29 above, the Group had the following capital commitments at the end of the reporting period:

	2015 RMB'000	2014 RMB'000
Contracted, but not provided for:		
Plant and machinery	33,472	45,272

31. RELATED PARTY TRANSACTIONS

(a) Other transactions with related parties:

The Company rented Rooms 501 and 502, Building 2, No. 139 Anshun Road with a total building area of 329.77 square metres at a monthly rental fee of RMB25,000, (2014: RMB25,000) and Rooms 503 and 504, Building 2, No. 139 Anshun Road with the same total building area at a monthly rental fee of RMB25,000 (2014: RMB25,000), and for a lease period from 1 January 2015 to 31 December 2017, separately, from Ms. You Jie and Shanghai Haohai Chemical Company Limited.

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

	2015 RMB'000	2014 RMB'000
Short term employee benefits	5,602	4,329
Pension scheme contributions	312	249
Total compensation paid to key management personnel	5,914	4,578

Further details of directors' and the chief executive's emoluments are included in note 7 to the financial statements.

32. FINANCIAL INSTRUMENTS BY CATEGORY

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

	2015 RMB'000	2014 RMB'000
Financial assets		
Loans and receivables		
Trade and bills receivables	91,287	62,443
Financial assets included in prepayments, deposits and other receivables	5,599	3,678
Pledged deposits	—	5,846
Cash and bank balances	2,177,787	181,341
	2,274,673	253,308
Financial liabilities		
Financial liabilities at amortised cost		
Trade and bills payables	4,794	8,790
Financial liabilities included in other payables and accruals	40,860	32,209
	45,654	40,999

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and bank balances, trade and bills receivables, financial assets included in prepayments, deposits, and other receivables, trade and bills payables and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of the reporting period, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

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

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

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

Credit risk

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

The credit risk of the Group's other financial assets, which comprise cash and bank balances, pledged deposits and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

As at 31 December 2015, no trade receivable derived from an individual customer exceeded 5% of the Group's total trade receivable except for China National Medicines Corporation Ltd. (國藥集團藥業股份有限公司 or "CNMC"), which is a state-owned listed company with good reputation. The trade receivable derived from CNMC was 5.9% (2014: 7.3%) of the Group's total trade receivable as at 31 December 2015. The directors of the Company are of the opinion that the Group was not exposed to any significant concentration of credit risk during the reporting period.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 19 to the financial statements.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

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

31 December 2015

	On demand RMB'000	Less than 3 months RMB'000	Over 3 months RMB'000	Total RMB'000
Trade and bills payables	4,794	—	—	4,794
Financial liabilities included in other payables and accruals	40,860	—	—	40,860
	45,654	—	—	45,654

31 December 2014

	On demand RMB'000	Less than 3 months RMB'000	Over 3 months RMB'000	Total RMB'000
Trade and bills payables	2,944	5,846	—	8,790
Financial liabilities included in other payables and accruals	32,209	—	—	32,209
	35,153	5,846	—	40,999

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2015 and 2014.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management (Continued)

The Group monitors capital using a debt to assets ratio, which is debt divided by the total assets. Debt includes total current liabilities and total non-current liabilities.

At 31 December 2015, the Group's strategy was to maintain the debt to assets ratio at a healthy level in order to support its businesses. The principal strategies adopted by the Group include, without limitation, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable debt to assets ratio to support its business. The debt to assets ratios at the end of the reporting periods are as follows:

	2015 RMB'000	2014 RMB'000
Total current liabilities	140,993	139,239
Total non-current liabilities	15,483	18,504
Debt	156,476	157,743
Total assets	2,821,910	751,903
Debt to assets ratio	5.5%	21.0%

35. EVENTS AFTER THE REPORTING PERIOD

(a) On 26 February 2016, Haohai Holdings entered into a cornerstone investment agreement with Union Medical Healthcare Limited (02138.HK) and agreed to subscribe at the offer price for such number of shares that may be purchased with an aggregate amount of USD10,000,000 which was settled on 10 March 2016. Union Medical Healthcare Limited was listed on Stock Exchange on 11 March 2016.

(b) Pursuant to a resolution of the Board of Directors dated 18 March 2016, the directors of the Company proposed to declare a final dividend of RMB 0.40 (inclusive of tax) per share for the year ended 31 December 2015, totally amounting to RMB 64,018,120. The proposed dividend is subject to be approved at the annual general meeting on 3 June 2016.

36. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the implementation of the Hong Kong Companies Ordinance (Cap. 622) during the current year, the presentation and disclosures of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been restated to conform with the current year's presentation and disclosures.

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	132,921	137,759
Prepaid land lease payments	14,185	14,537
Other intangible assets	632	779
Investments in subsidiaries	358,249	152,249
Deferred tax assets	1,674	1,966
Total non-current assets	507,661	307,290
CURRENT ASSETS		
Due from subsidiaries	29,098	71,483
Inventories	32,176	24,794
Trade and bills receivables	37,759	29,960
Tax recoverable	—	2,752
Prepayments, deposits and other receivables	46,649	12,706
Pledged deposits	—	452
Cash and bank balances	2,127,250	103,577
Total current assets	2,272,932	245,724
CURRENT LIABILITIES		
Due to subsidiaries	75,620	53,794
Trade and bills payables	3,425	2,834
Other payables and accruals	288,517	84,764
Tax payable	10,145	—
Total current liabilities	377,707	141,392
NET CURRENT ASSETS	1,895,225	104,332
TOTAL ASSETS LESS CURRENT LIABILITIES	2,402,886	411,622

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

	2015 RMB'000	2014 RMB'000
NON-CURRENT LIABILITIES		
Deferred income	3,605	4,438
Total non-current liabilities	3,605	4,438
NET ASSETS	2,399,281	407,184
EQUITY		
Share capital	160,045	120,000
Reserves (Note)	2,239,236	287,184
TOTAL EQUITY	2,399,281	407,184

Note:

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

	Share premium account RMB'000	Statutory reserve funds RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2014	5,217	26,277	236,495	267,989
Total comprehensive income for the year	—	—	139,195	139,195
Dividend distribution	—	—	(120,000)	(120,000)
Transfer from retained profits	—	13,920	(13,920)	—
At 31 December 2014	5,217	40,197	241,770	287,184
Total comprehensive income for the year	—	—	197,820	197,820
Issue of shares	1,754,232	—	—	1,754,232
Transfer from retained profits	—	19,782	(19,782)	—
As at 31 December 2015	1,759,449	59,979	419,808	2,239,236

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 21 March 2016.

DEFINITIONS

In this annual report, unless the context otherwise requires, the following expressions have the following meanings.

"Board"	board of Directors of the Company
"CFDA"	the China Food and Drug Administration of the PRC (中華人民共和國國家食品藥品監督管理總局)
"Company", "our Company" or "Haohai Biological"	Shanghai Haohai Biological Technology Co., Ltd. (上海昊海生物科技股份有限公司), a joint stock company incorporated in the PRC with limited liability and converted from its predecessor, Shanghai Haohai Bio Technology Company Limited (上海昊海生物科技有限公司) on 2 August 2010
"Director(s)"	director(s) of the Company
"Global Offering"	the Hong Kong public offer and the international placing
"Group", "our Group", "we", "our" or "us"	our Company and its subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the businesses operated by such subsidiaries or their predecessors (as the case may be)
"Haohai Holdings"	Haohai Healthcare Holdings Co., Ltd. (昊海生物科技控股有限公司), a limited liability company incorporated in Hong Kong on 17 July 2015, which is a direct wholly-owned subsidiary of our Company
"Haohai Limited"	Shanghai Haohai Bio Technology Company Limited (上海昊海生物科技有限公司), a company incorporated in the PRC on 24 January, 2007, which is the predecessor of our Company
"Henan Universe"	Henan Universe Intraocular Lens Research and Manufacture Company, Ltd (河南宇宙人工晶狀體研製有限公司), a company established in the PRC on 30 April 1991. Since 11 September 2015, Haohai Holdings, a wholly-owned subsidiary of the Company, holds 38.017% of its equity interest. It is owned by Hebi Coal Industry (Group) Company Limited, Haohai Holdings and China Ocean Group Company Limited as to 48.103%, 38.017% and 13.88% respectively.
"HK$" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
"NHFPC"	National Health and Family Planning Commission of the People's Republic of China (中華人民共和國國家衛生和計劃生育委員會)

"PRC", "China" or "People's Republic of China"	the People's Republic of China excluding, for the purpose of this annual report, Hong Kong, Macau and Taiwan, unless otherwise specified
"RMB"	Renminbi, the lawful currency of the PRC
"Reporting Period"	the 12-month period from 1 January 2015 to 31 December 2015
"Shanghai Likangrui"	Shanghai Likangrui Biological Engineering Company Limited (上海利康瑞生物工程有限公司), a limited liability company established in the PRC on 3 September 2001, which is a direct wholly-owned subsidiary of our Company
"Shanghai Qisheng"	Shanghai Qisheng Biologics Company Limited (上海其勝生物製劑有限公司), a company established in the PRC on 27 May 1992, converted into a joint-stock cooperative enterprise on 10 July 1995 and further converted into a limited liability company on 28 March 2001, which is a direct wholly-owned subsidiary of our Company
"Shanghai Baiyue"	Shanghai Baiyue Medical Equipment Co., Ltd. (上海柏越醫療設備有限公司), a company established in the PRC on 25 September 2014, a non-wholly owned subsidiary of our Company since 3 February 2015, the equity interest of which is owned by our Company, Gu Lingzhi and Li Xudong, who are independent third parties, as to 60%, 36% and 4%, respectively.
"SME Research"	the China Food and Drug Administration Southern Medicine Economic Research Institute (國家食品藥品監督管理總局南方醫藥經濟研究所), a unit directly under CFDA. Its main responsibilities include publicizing and implementing the policies and regulations of CFDA, establishing food and drug supervision information databases, etc.
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

GLOSSARY OF TECHNICAL TERMS

The glossary of technical terms contains explanations and definitions of certain terms used in this annual report in connection with us and our business. The terms and their meaning may not correspond to meanings or usage of these terms as used by others.

"anti-adhesion"	prevention of fibrous bands formed between tissues and adjacent tissues or organs resulted from injuries during a surgery
"chitosan" (幾丁糖)	a class of polysaccharide without acetyl group or with partial acetyl group, dissolvable in acidic conditions
"Class III medical device" (三類醫療器械)	a class of medical devices with high risks which shall be strictly controlled and administered through special measures to ensure their safety and effectiveness
"clinical trial"	a research study for validating or finding the therapeutic effects and side-effects of test drugs in order to determine the therapeutic value and safety of such drugs
"EGF"	epidermal growth factor, is a polypeptide growth factor that stimulates epidermal and epithelial growth. It can promote growth of a wide of variety of cells *in vivo* and *in vitro*
"GMP"	Good Manufacturing Practice, guidelines and regulations from time to time issued pursuant to the PRC Law on the Administration of Pharmaceuticals (《中華人民共和國藥品管理法》) as part of quality assurance which ensures that pharmaceutical products subject to these guidelines and regulations are consistently produced and controlled in conformity to the quality and standards appropriate for their intended use
"hemostasis"	the arrest of bleeding
"medical chitosan" (醫用幾丁糖)	normally carboxyl-methylated chitosan which can be dissolved in water, regulated by CFDA as a Class III medical device
"medical collagen sponge"	spongy material manufactured from bovine tendon by biological purification. It is used to fill operational cavity, wound hemostasis and wound healing
"medical sodium hyaluronate gel" (醫用透明質酸鈉凝膠)	sodium hyaluronate gel solution used for the ophthalmic surgery or anti-adhesive surgery, regulated by CFDA as a Class III medical device
"sodium hyaluronate injection" (玻璃酸鈉注射液)	sodium hyaluronate gel solution used for the intra-articular injection, regulated by CFDA as a prescription drug
"ophthalmic viscoelastic device" or "OVD"	viscoelastic sodium hyaluronate solution used in ophthalmic surgery. It can play the role of cushion to deepen the anterior amber, which makes the operation convenient. It can also protect intraocular tissue and endothelial cell with improved success rate and reduced surgical complications. It is widely used in microsurgeries such as artificial contact lens implantation, penetrating keratoplasty surgery as well as ocular trauma
"recombinant human epidermal growth factor" or "rhEGF"	EGF manufactured specifically by the technology of recombinant genetic engineering in Escherichia coli fermentation
"tissue filling"	a process to inject biomaterials under the skin and fill in the area
"type inspection"	in the healthcare context, type inspection is a type of quality inspection for judging whether the quality of a product conforms to all characteristics given by design which does not involve clinical trials