THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE

If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in CSPC Pharmaceutical Group Limited, you should at once hand this circular and the accompanying form to the purchaser or the transferee or to the licensed securities dealer or registered institution in securities, or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

CSPC

CSPC PHARMACEUTICAL GROUP LIMITED
石藥集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1093)

(1) APPLICATION FOR WHITEWASH WAIVER;
(2) PROPOSED ADOPTION OF THE NEW SHARE OPTION SCHEME;
(3) RE-ELECTION OF DIRECTOR;
AND
(4) NOTICE OF EGM

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

中國銀河國際
CHINA GALAXY INTERNATIONAL

A notice convening an extraordinary general meeting of CSPC Pharmaceutical Group Limited to be held at Suite 3206, 32nd Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Wednesday, 9 December 2015 at 10:30 a.m. is set out on pages EGM-1 to EGM-4 of this circular. Whether or not you are able to attend the meeting, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the Company's share registrar, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of a proxy form will not preclude you from attending and voting in person at the meeting should you so desire.

Hong Kong, 20 November 2015

CONTENTS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

"2004 Share Option Scheme"	the share option scheme adopted by the Company on 6 July 2004
"7 September Announcement"	the announcement dated 7 September 2015 of the Company in relation to (i) the resignation of Mr. Feng Zhenying as an executive Director and (ii) the appointment of Mr. Lu as an executive Director
"acting in concert"	has the same meaning as ascribed to it under the Takeovers Code
"Adoption Date"	the proposed adoption date of the New Share Option Scheme
"Announcement"	the announcement dated 26 October 2015 made by the Company in relation to, among other things, the Whitewash Waiver, the New Share Option Scheme and the Re-election
"Articles of Association"	the memorandum and articles of association of the Company
"associate"	has the same meaning as ascribed to it in the Listing Rules
"Auditors"	means the auditors for the time being of the Company
"Board"	the board of Directors, and in Appendix I to this circular, references to the "Board" shall mean the board of directors of the Company or a duly authorised committee thereof for the time being, including the independent non-executive Directors of the Company
"Business Day"	a day (other than a Saturday or a Sunday) on which licensed banks are generally open for business in Hong Kong and the Stock Exchange is open for business of dealing in securities
"Companies Ordinance"	Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
"Company"	CSPC Pharmaceutical Group Limited (石藥集團有限公司) (Stock Code: 1093), a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the main board of the Stock Exchange

"connected person"	shall have the same meaning ascribed to it under the Listing Rules
"core connected person"	shall have the same meaning ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened to approve, among other things, (i) the Whitewash Waiver; (ii) the adoption of the New Share Option Scheme; and (iii) the Re-election
"Executive"	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of such executive director
"Exercise"	the exercise of the Existing Share Options by the Management
"Existing Share Option Shares"	the 141,000,000 new Shares to be issued to the Management pursuant to the 2004 Share Option Scheme
"Existing Share Options"	the outstanding options to subscribe for 141,000,000 new Shares granted to the Management pursuant to the 2004 Share Option Scheme
"Grantee"	any Participant who accepts an Offer in accordance with the terms of the New Share Option Scheme or (where the context so permits) the legal personal representative(s) entitled to any such Option in consequence of the death of the original Grantee
"Group"	the Company, its subsidiaries, its associated companies, its jointly controlled entities and its related companies
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"Independent Board Committee"	the independent board committee comprising Mr. LEE Ka Sze, Carmelo, Mr. CHAN Siu Keung, Leonard, Mr. WANG Bo, Mr. LO Yuk Lam, Mr. YU Jinming and Mr. CHEN Shilin, which has been established to advise the Independent Shareholders on the Whitewash Waiver
"Independent Financial Advisor"	China Galaxy International Securities (Hong Kong) Co., Limited, the independent financial advisor to advise the Independent Board Committee and the Independent Shareholders in respect of the Whitewash Waiver. China Galaxy International Securities (Hong Kong) Co., Limited is a corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
"Independent Shareholders"	Shareholders other than the Management Group and those who are involved in or interested in the Exercise and/or the Whitewash Waiver
"JLL"	Jones Lang LaSalle Corporate Appraisal and Advisory Limited, a valuation advisory services company, which is an independent third party
"Key Employees"	Mr. Lei Jianjun, Ms. Tian Yumiao, Mr. Liu Jian, Mr. Huang Yin, Mr. Chen Xuejun, Mr. Li Chunlei, Mr. Sun Jumin, Mr. Zhang Heming, Mr. Kang Hui, Mr. Min Longgang, Ms. Wang Tao and Mr. Zhang Dazhi
"Key Honesty"	Key Honesty Limited, a company incorporated in the British Virgin Islands with limited liability
"Latest Practicable Date"	18 November 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"Management"	Mr. Cai, Mr. Pan Weidong, Mr. Wang Huaiyu, Mr. Lu Jianmin, Mr. Wang Zhenguo, Mr. Wang Jinxu, Mr. Lu and the Key Employees

"Management Group"	the Management and parties acting in concert with any of them, including Mr. Cai's Controlled Corporations
"March Rise"	March Rise Limited, a company incorporated in the British Virgin Islands with limited liability
"Massive Giant"	Massive Giant Group Limited, a company incorporated in the British Virgin Islands with limited liability
"Massive Top"	Massive Top Limited, a company incorporated in Hong Kong with limited liability
"Mr. Cai"	Mr. Cai Dongchen, the Chairman of the Board and chief executive officer of the Company
"Mr. Cai's Controlled Corporations"	Massive Giant, True Ally and Key Honesty, each being a direct Shareholder
"Mr. Lu"	Mr. Lu Hua, an executive Director of the Company
"New Share Option Scheme"	the new share option scheme proposed to be adopted by the Company at the EGM, a summary of the principal terms of which is set out in the Appendix I to this circular
"Notice of EGM"	the notice convening the EGM as set out on pages EGM-1 to EGM-4 of this circular
"Offer"	the offer of the grant of an option made by the Board in accordance with the terms of the New Share Option Scheme
"Offer Date"	the date on which an Offer is made to a Participant
"Option Period"	a period to be determined by the Board at its absolute discretion and notified by the Board to each Grantee as being the period during which an option may be exercised, such period to expire not later than 10 years from the date of grant of the option. The Board may also provide restrictions on the exercise of such option during the period an option may be exercised

"Participant"	any director (or any persons proposed to be appointed as such, whether executive or non-executive) and employee (whether full-time or part-time) of each member of the Group; any executive or employee of any business consultant, professional and other advisers (in the areas of legal, technical, financial or corporate managerial) (including executive and employee of such business consultant, professional and other advisers) to each member of the Group (or persons proposed to be appointed as such) who have rendered service or will render service to the Group, as absolutely determined by the Board
"PRC"	the People's Republic of China
"Re-election"	the proposed re-election of Mr. Lu as an executive Director
"related company"	a company, an entity or an enterprise (wherever incorporated and whether limited by shares or otherwise) in which (a) the Company is directly or indirectly interested in less than 20% of the issued share capital or equity interest of such company or entity or enterprise; or holds less than 20% of the voting rights of such company or entity or enterprise but is the largest shareholder or the holder of the largest voting rights of such company or entity or enterprise (as the case may be); or (b) in the opinion of the Board, the Company is able to exercise significant influence to such company or entity or enterprise
"Relevant Company"	the Company, the relevant subsidiary, associated company, jointly controlled entity or related company of the Company, as the case may be
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	share(s) of the Company
"Shareholder(s)"	the holders of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Subscription Price"	the price per Share at which a Grantee may subscribe for Shares on the exercise of an option pursuant to terms of the New Share Option Scheme
"subsidiary"	a company which is for the time being and from time to time a subsidiary (within the meaning of the Companies Ordinance) of the Company
"Takeovers Code"	the Code on Takeovers and Mergers issued by the Securities and Futures Commission of Hong Kong, as amended or supplemented from time to time
"True Ally"	True Ally Holdings Limited, a company incorporated in the British Virgin Islands with limited liability
"US$"	United States dollars, the lawful currency of the United States of America
"Whitewash Waiver"	a waiver to be granted by the Executive pursuant to Note 1 of the Notes on dispensations from Rule 26 of the Takeovers Code from the obligations of the Management to make a mandatory general offer for all of the Shares and other securities of the Company not already owned or agreed to be acquired by the Management Group which would otherwise arise as a result of the completion of the Exercise
"Zhongyihe"	Beijing Zhongyihe Hezhong Investment Management Centre LLP* (北京中宜和合眾投資管理中心(有限合夥)), a limited partnership established under the laws of the PRC
"%"	per cent

* *The English names are for identification purposes only.*

CSPC PHARMACEUTICAL GROUP LIMITED
石藥集團有限公司
(Incorporated in Hong Kong with limited liability)
(Stock Code: 1093)

Executive Directors:
Mr. CAI Dongchen *(Chairman and CEO)*
Mr. CHAK Kin Man
Mr. PAN Weidong
Mr. WANG Shunlong
Mr. WANG Huaiyu
Mr. LU Jianmin
Mr. WANG Zhenguo
Mr. WANG Jinxu
Mr. LU Hua

Non-executive Director:
Mr. LEE Ka Sze, Carmelo

Independent Non-executive Directors:
Mr. CHAN Siu Keung, Leonard
Mr. WANG Bo
Mr. LO Yuk Lam
Mr. YU Jinming
Mr. CHEN Shilin

Registered Office:
Suite 3206
32nd Floor
Central Plaza
18 Harbour Road
Wan Chai
Hong Kong

Hong Kong, 20 November 2015

To the Shareholders

Dear Sir or Madam,

**(1) APPLICATION FOR WHITEWASH WAIVER;
(2) PROPOSED ADOPTION
OF THE NEW SHARE OPTION SCHEME;
(3) RE-ELECTION OF DIRECTOR;
AND
(4) NOTICE OF EGM**

1. INTRODUCTION

As at the date of this circular, the total number of options granted by the Company pursuant to the 2004 Share Option Scheme is 150,000,000, among which 141,000,000 Existing Share Options granted to the Management remain outstanding.

Upon completion of the Exercise, the Management Group will be interested in up to 1,913,363,534 Shares, representing 31.62% of the issued share capital of the Company as enlarged by the issuance of the Existing Share Option Shares. Under Rule 26.1 of the Takeovers Code, the Management would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by the Management Group, unless the Whitewash Waiver is obtained from the Executive.

The 2004 Share Option Scheme had a term of 10 years and had expired on 5 July 2014. In view of the expiry of the 2004 Share Option Scheme, the Company proposes to adopt a New Share Option Scheme, pursuant to which the Company could grant to eligible participants the options to subscribe for an aggregate amount of up to 591,101,840 Shares, representing approximately 10% of the total number of Shares in issue as at the Adoption Date, assuming there is no change in the total number of Shares in issue during the period from the date of this circular up to the Adoption Date.

The purpose of this circular is (i) to provide you with, amongst other things, further information regarding the Whitewash Waiver, the New Share Option Scheme, and the Re-election of Mr. Lu as an executive Director; (ii) to set out the recommendation of the Independent Board Committee to the Independent Shareholders; (iii) to set out the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Whitewash Waiver; (iv) to set out the valuation report prepared by JLL; and (v) to set out the notice of the EGM.

2. APPLICATION FOR WHITEWASH WAIVER

(a) Existing Share Options

On 6 July 2004, the Company approved and adopted the 2004 Share Option Scheme, pursuant to which the Company could grant to eligible participants the options to subscribe for an aggregate amount of up to 153,812,466 Shares, representing 10% of the total number of Shares in issue as at 6 July 2004. As at the Last Practicable Date, the total number of options granted by the Company pursuant to the 2004 Share Option Scheme is 150,000,000, among which 141,000,000 Existing Share Options granted to the Management remain outstanding. Subject to the conditions of the Exercise, upon the full Exercise by the Management at the exercise price of HK$3.98 per Share, the Management will be allotted and issued an aggregate of 141,000,000 new Shares, representing approximately 2.39% of the issued share capital of the Company immediately before the completion of the Exercise and approximately 2.33% of the issued share capital of the Company as enlarged by the issuance of the Existing Share Option Shares, respectively.

(b) Conditions of the Exercise

The Exercise of the Existing Share Options is subject to the following conditions:

(i) the granting of the Whitewash Waiver by the Executive; and

(ii) the approval by the Independent Shareholders of the relevant resolution regarding the Whitewash Waiver by way of poll at the EGM.

The conditions above cannot be waived.

The Listing Committee of the Stock Exchange has granted the approval in respect of the listing of, and permission to deal in, the Existing Share Option Shares.

(c) Effect on Shareholding Structure

The following table sets out the shareholding structure of the Company immediately before and after completion of the full Exercise of the Existing Share Options (assuming that other than the Existing Share Option Shares, no Shares are issued or repurchased by the Company and other than the Existing Share Option Shares, no Shares are sold, purchased or subscribed by the Management Group, in each case after the date of Latest Practicable Date until completion of the Exercise):

		Immediately before completion of the Exercise		**Immediately after completion of the Exercise**	
		No. of Shares	*%*	*No. of Shares*	*%*
I	**Management Group**				
	Mr. Cai and Mr. Cai's Controlled Corporations *(Note 1)*	1,772,363,534	29.98%	1,852,363,534	30.60%
	Mr. Pan Weidong	0	0.00%	10,000,000	0.17%
	Mr. Wang Huaiyu	0	0.00%	15,000,000	0.25%
	Mr. Lu Jianmin	0	0.00%	10,000,000	0.17%
	Mr. Wang Zhenguo	0	0.00%	3,000,000	0.05%
	Mr. Wang Jinxu	0	0.00%	3,000,000	0.05%
	Mr. Lu	0	0.00%	3,000,000	0.05%
	Key Employees *(Note 2)*	0	0.00%	17,000,000	0.28%
	Sub-total of the Management Group:	1,772,363,534	29.98%	1,913,363,534	31.62%

		Immediately before completion of the Exercise		Immediately after completion of the Exercise	
		No. of Shares	*%*	*No. of Shares*	*%*
II	**Other Shareholders**				
	Other Shareholders	4,138,654,869	70.02%	4,138,654,869	68.38%
	Total:	**5,911,018,403**	**100%**	**6,052,018,403**	**100%**

Notes:

(1) As at the Latest Practicable Date, Mr. Cai's Controlled Corporations include Massive Giant, True Ally and Key Honesty, which directly holds 1,058,016,034, 493,880,000 and 213,929,500 Shares, respectively. Massive Giant is wholly owned by Massive Top. Massive Top is held as to 75% by March Rise, as to 15% by Zhongyihe and as to 10% by True Ally. March Rise is held as to 60% by Zhongyihe and as to 40% by True Ally. The general partner of Zhongyihe is Mr. Cai. True Ally is wholly owned by Mr. Cai. Key Honesty is wholly owned by True Ally, which in turn is wholly owned by Mr. Cai.

(2) As at the Latest Practicable Date, Key Employees consist of Mr. Lei Jianjun, Ms. Tian Yumiao, Mr. Liu Jian, Mr. Huang Yin, Mr. Chen Xuejun, Mr. Li Chunlei, Mr. Sun Jumin, Mr. Zhang Heming, Mr. Kang Hui, Mr. Min Longgang, Ms. Wang Tao and Mr. Zhang Dazhi.

(d) Implications under the Takeovers Code

The Management, each being a holder of the Existing Share Options, are a group of persons acting in concert since (a) each of the Management is a Director or senior management of the Company, who has material interest in the Exercise; and (b) each of the Management holds direct or indirect economic interest in Zhongyihe, a limited liability partnership incorporated in PRC, which is one of Mr. Cai's Controlled Corporations.

As at the Latest Practicable Date, the total number of issued Shares is 5,911,018,403 Shares and the Management Group hold an aggregate of 1,772,363,534 Shares, representing approximately 29.98% of the existing total issued share capital of the Company as at the Latest Practicable Date. Assuming no further Shares will be allotted and issued by the Company prior to the Exercise, upon completion of the Exercise, the Management Group will be interested in up to 1,913,363,534 Shares, representing (i) 32.37% of the issued Shares as at the at the Latest Practicable Date; and (ii) 31.62% of the issued Shares as enlarged by the issuance of the Existing Share Option Shares.

As the Exercise will increase the interests in the issued share capital of the Company held by the Management Group from 29.98% of the issued share capital of the Company immediately before completion of the Exercise to 31.62% of the issued share capital of the Company as enlarged by the issuance of the Existing Share Option Shares, under Rule 26.1 of the Takeovers Code, the Management would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by the Management Group, unless the Whitewash Waiver is obtained from the Executive. The Executive has indicated that the Whitewash Waiver will be granted, subject to, among other things, the approval of the Independent Shareholders taken by way of poll at the EGM. The Management Group and those who are involved in or interested in the Exercise and/or the Whitewash Waiver will abstain from voting on the resolution approving the Whitewash Waiver at the EGM where voting will be taken by way of poll.

The Management have confirmed that (i) they and their respective concert parties have not acquired voting rights attaching to the relevant securities (as defined in the Takeovers Code) of the Company and (ii) there have been no disqualifying transactions as stipulated under paragraph 3 of Schedule VI to the Takeovers Code, within the six months period prior to the date of the Announcement and up to and including the Latest Practicable Date.

Save as the Existing Share Options granted pursuant to the 2004 Share Option Scheme as disclosed in this circular, as at the Latest Practicable Date:

(i) there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the Shares and which might be material to the Exercise and/or the Whitewash Waiver;

(ii) none of the Management Group have any agreement or arrangement to which any of them is a party which relates to the circumstances in which any of them may or may not invoke or seek to invoke a pre-condition or a condition to the Exercise and/or the Whitewash Waiver;

(iii) there is no outstanding derivative in respect of relevant securities (as defined in the Takeovers Code) in the Company which has been entered into by any of the Management Group;

(iv) the Management Group do not hold any convertible securities, warrants, derivatives or options of the Company;

(v) the Management Group have not received an irrevocable commitment or arrangements to vote in favour of or against the resolutions in respect of the Whitewash Waiver; and

(vi) there are no relevant securities (as defined in the Takeovers Code) in the Company which the Management Group have borrowed or lent.

3. INFORMATION ON THE GROUP

The Group is principally engaged in the manufacture and sale of pharmaceutical products.

4. INFORMATION ON THE MANAGEMENT

Details of the Management and their respective interests in the Company as at the Latest Practicable Date are set out below:

Name of Management	Position in the Company	Capacity in which Interests are Held	Number of Ordinary Shares	Approximate % of shareholding interest in Company
Mr. Cai	Executive Director *(Chairman and CEO)*	Beneficial owner	6,538,000	0.11%
		Interest in controlled corporation *(Note 1)*	1,765,825,534	29.87%
Mr. Pan Weidong	Executive Director	N/A	0	0.00%
Mr. Wang Huaiyu	Executive Director	N/A	0	0.00%
Mr. Lu Jianmin	Executive Director	N/A	0	0.00%
Mr. Wang Zhenguo	Executive Director	N/A	0	0.00%
Mr. Wang Jinxu	Executive Director	N/A	0	0.00%
Mr. Lu	Executive Director	N/A	0	0.00%
Key Employees *(Note 2)*	Senior management	N/A	0	0.00%

Note:

(1) As at the Latest Practicable Date, Mr. Cai's Controlled Corporations include Massive Giant, True Ally and Key Honesty, which directly holds 1,058,016,034, 493,880,000 and 213,929,500 Shares, respectively. Massive Giant is wholly owned by Massive Top. Massive Top is held as to 75% by March Rise, as to 15% by Zhongyihe and as to 10% by True Ally. March Rise is held as to 60% by Zhongyihe and as to 40% by True Ally. The general partner of Zhongyihe is Mr. Cai. True Ally is wholly owned by Mr. Cai. Key Honesty is wholly owned by True Ally, which in turn is wholly owned by Mr. Cai.

(2) As at the Latest Practicable Date, Key Employees consist of Mr. Lei Jianjun, Ms. Tian Yumiao, Mr. Liu Jian, Mr. Huang Yin, Mr. Chen Xuejun, Mr. Li Chunlei, Mr. Sun Jumin, Mr. Zhang Heming, Mr. Kang Hui, Mr. Min Longgang, Ms. Wang Tao and Mr. Zhang Dazhi.

Biographies of the Management

The following sets out the biographical details of each member of the Management Group:

Mr. Cai Dongchen

Mr. Cai, aged 61, joined the Group (or its predecessor companies) in 1973 and was appointed as an executive Director in 1998. Mr. Cai is currently the Chairman and Chief Executive Officer of the Company, and is also the chairman of the Nomination Committee of the Company and a director of certain subsidiaries of the Group. Mr. Cai holds a MBA degree from Nankai University and has extensive technical and management experience in the pharmaceutical industry. Mr. Cai is a deputy of the 12th National People's Congress of PRC.

Mr. Pan Weidong

Mr. Pan, aged 45, joined the Group in 1994 and was appointed as an executive Director in 2006. Mr. Pan is currently a president of the Group's investment and financing division, mainly responsible for managing financial and investment affairs of the Group, and is also a director of certain subsidiaries of the Group. Mr. Pan holds an EMBA degree from Tsinghua University and has extensive experience in finance and accounting.

Mr. Wang Huaiyu

Mr. Wang, aged 52, joined the Group in 2002 and was appointed as an executive Director in 2010. Mr. Wang is currently a president of the Group's bulk drug business division, mainly responsible for managing the bulk drug (vitamin) business. Mr. Wang is also a director of certain subsidiaries of the Group. Mr. Wang holds a bachelor's degree in microbiology and biochemistry from Hebei University and has extensive technical and management experience in the pharmaceutical industry.

Mr. Lu Jianmin

Mr. Lu, aged 57, joined the Group in 1990 and was appointed as an executive Director in 2010. Mr. Lu is currently a president of the Group's common generic drugs business division, mainly responsible for managing the common generic drugs business. Mr. Lu is also a director of certain subsidiaries of the Group. Mr. Lu has extensive technical and management experience in the pharmaceutical industry.

Mr. Wang Zhenguo

Mr. Wang, aged 46, joined the Group in 1991 and was appointed as an executive Director in 2012. Mr. Wang is currently a president of the Group's innovative drugs business division, mainly responsible for managing the innovative drugs business. Mr. Wang is also a director of certain subsidiaries of the Group. Mr. Wang holds a bachelor's degree in chemistry from Nankai University and has extensive technical and management experience in the pharmaceutical industry.

Mr. Wang Jinxu

Mr. Wang, aged 44, joined the Group in 1999 and was appointed as an executive Director in 2013. Mr. Wang is currently a president of the Group's oncology drugs business division, mainly responsible for managing the oncology drugs business. Mr. Wang is also responsible for research and development of the Group and is also a director of certain subsidiaries of the Group. Mr. Wang holds a bachelor's degree in chemistry from Hebei University, a master's degree in chemical engineering from Hebei University of Technology and a doctorate in chemical engineering from Tianjin University, and has extensive experience in product research and development in the pharmaceutical industry.

Mr. Lu Hua

Mr. Lu, aged 43, joined the Group in 1996 and was appointed as an executive Director in 2015. Mr. Lu is currently a vice president of the Group's bulk drug business division, mainly responsible for managing the bulk drug (antibiotics) business. Mr. Lu holds a bachelor's degree in science (chemistry) from Hebei Normal University, a master's degree in engineering (pharmaceutical manufacturing) from Beijing University of Chemical Technology, an EMBA degree from Tsinghua University and a doctorate in engineering (pharmaceutical manufacturing) from Tianjin University. Mr. Lu has extensive experience in pharmaceutical engineering, production management and technical research.

Mr. Lei Jianjun

Mr. Lei, aged 52, joined the Group in 2003 and is currently a secretary of the party committee of the Group mainly responsible for managing the Group's overall human resources.

Ms. Tian Yumiao

Ms. Tian, aged 50, joined the Group in 1995 and is currently a vice president of the Group's bulk drug business division, mainly responsible for managing the bulk drug (caffeine) business. She is the general manager of a subsidiary of the Company mainly engaged in manufacture and sales of the Group's caffeine products.

Mr. Liu Jian

Mr. Liu, aged 44, joined the Group in 1992 and is currently a vice president of common generic drugs business division of the Group and general manager of a subsidiary of the Company mainly engaged in manufacture and sales of the Group's "Ouilaining" and "Xuanning" product series (both being major products of the Group) and other generic drugs.

Mr. Huang Yin

Mr. Huang, aged 42, joined the Group in 1996 and is currently a vice president of innovative drugs business division of the Group and deputy general manager of a subsidiary of the Company mainly engaged in manufacture and sales of the Group's "NBP" product series, a major product of the Group's innovative drugs business.

Mr. Chen Xuejun

Mr. Chen, aged 49, joined the Group in 1987 and is currently a deputy general manager of a subsidiary of the Company mainly engaged in storage, sourcing and distribution of pharmaceutical products.

Mr. Li Chunlei

Mr. Li, aged 38, joined the Group in 2004 and is currently a general manager of a subsidiary of the Company mainly engaged in pharmaceutical research and development.

Mr. Sun Jumin

Mr. Sun, aged 40, joined the Group in 1997 and is currently a vice president of the Group's finance department responsible for the Group's overall financial management.

Mr. Zhang Heming

Mr. Zhang, aged 39, joined the Group in 1998 and is currently the board secretary of the Company and the chief administrative officer of the Group. Mr. Zhang is responsible for supervising the daily operations of the Group's administrative management.

Mr. Kang Hui

Mr. Kang, aged 39, joined the Group in 1999 and is currently a senior director of human resources and senior director of operations of the Group.

Mr. Min Longgang

Mr. Min, aged 48, joined the Group in 1989 and is currently a senior director of engineering of the Group.

Ms. Wang Tao

Ms. Wang, aged 48, joined the Group in 1989 and is currently a senior director of the Group's international development division, a vice president of the Group's common generic drug business division, a general manager of a subsidiary of the Company mainly engaged in manufacturing and sale of the Group's common generic products.

Mr. Zhang Dazhi

Mr. Zhang, aged 38, joined the Group in 1997 and is currently a vice president of the Group's oncology drugs business division, mainly responsible for the sales and marketing of the Group's oncology drugs.

5. INTENTION REGARDING THE COMPANY AND REASONS FOR APPLICATION OF THE WHITEWASH WAIVER

Mr. Cai is a substantial Shareholder, the executive Director and the chairman of the Company. Mr. Cai, the Management and the parties acting in concert with any of them have a positive view on the business prospects of the Group and intend to continue with the existing businesses of the Group and do not intend to introduce any major changes in the businesses of the Group.

By allowing the Management to gain further ownership interest in the Group, their personal interest ties more closely with the value of the Group, and therefore would incentivize and motivate the Management for their continuous commitment, devotion and contributions to the development and growth of the Group going forward. In addition, in light of the strong financial performance of the Group, the Exercise of the Existing Share Options by the Management as a reward, compensation and remuneration to the Management in recognition of their valuable contributions to the Group is justifiable. Furthermore, upon the completion of the Exercise, the Company will receive a positive cash flow of approximately HK$561.2 million, which in turn will further replenish the Company's general working capital for future business development.

For the reasons stated above, the Directors (other than the Directors who have an interest in the Exercise and/or the Whitewash Waiver) consider that the granting of the Whitewash Waiver, without obliging Mr. Cai, the Management and their respective associates and parties acting in concert with any of them to make a general offer for all the Shares other than those already owned by them under Rule 26 of the Takeovers Code as a result of the Exercise, is in the interests of the Company and the Shareholders as a whole.

The Management confirm that they (a) have no intention or any plans to make any change to the continued employment of the employees of the Group after the Exercise; (b) do not intend to redeploy the fixed assets of the Group; and (c) intend to continue the current business operation of the Group.

6. PROPOSED ADOPTION OF THE NEW SHARE OPTION SCHEME

(a) The New Share Option Scheme

The 2004 Share Option Scheme had a term of 10 years and had expired on 5 July 2014. In view of the expiry of the 2004 Share Option Scheme, the Board proposes to recommend to the Shareholders to approve the adoption of the New Share Option Scheme. The New Share Option Scheme will become effective after all the conditions precedent as referred to under the paragraph headed "Conditions Precedent of the New Share Option Scheme" below have been fulfilled.

As at the Latest Practicable Date, the Company had granted options to subscribe for a total of 150,000,000 Shares under the 2004 Share Option Scheme, among which 144,000,000 options remain outstanding. Save as aforesaid and after the 2004 Share Option Scheme expired on 5 July 2014, no further options have been granted under the 2004 Share Option Scheme but the expiry of the 2004 Share Option Scheme will not in any event affect the terms of the grant of the options that have already been granted under the 2004 Share Option Scheme and the above outstanding options continue to be subject to the provisions of the 2004 Share Option Scheme.

As at the Latest Practicable Date, there were a total of 5,911,018,403 Shares in issue. Assuming that there is no change in the total number of Shares in issue between the period from the Latest Practicable Date up to the Adoption Date, the maximum number of Shares which may be issued pursuant to the New Share Option Scheme and any other schemes (if any) will be 591,101,840 Shares, representing 10% of the total number of Shares in issue as at the Adoption Date, unless the Company obtains a fresh approval from its Shareholders to renew the 10% limit on the basis that the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other share option schemes of the Company shall not exceed 30% of the total number of Shares in issue from time to time.

(b) Conditions Precedent of the New Share Option Scheme

The New Share Option Scheme shall take effect subject to the following conditions:

(i) the passing of an ordinary resolution to approve the adoption of the New Share Option Scheme by the Shareholders in the EGM and authorising the Directors to grant options to subscribe for Shares thereunder and to allot and issue Shares pursuant to the exercise of any options granted under the New Share Option Scheme; and

(ii) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, any Shares to be issued and allotted pursuant to the exercise of options granted under the New Share Option Scheme.

An application will be made to the Stock Exchange for the approval of the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of the options granted under the New Share Option Scheme.

Once the New Share Option Scheme is adopted, any alterations to the terms and conditions thereof, which are of material nature, must be approved by the Shareholders, except where the alterations take effect automatically pursuant to the terms originally provided in the New Share Option Scheme.

(c) Value of the Options

The Directors consider that it is not appropriate to state the value of all options that can be granted under the New Share Option Scheme as if they had been granted on the Latest Practicable Date as a number of variables which are crucial for the calculation of the value the options have not been determined. Such variables include but are not limited to the exercise price, exercise period, any lock up period, any performance targets set and other variables. The Directors believe that any calculation of the value of the options as at the Latest Practicable Date based on a great number of speculative assumptions would not be meaningful and would be misleading to the Shareholders.

(d) Principal Terms of the New Share Option Scheme

A summary of the principal terms of the New Share Option Scheme is set out in Appendix I to this circular. The terms of the New Share Option Scheme are in line with the provisions of Chapter 17 of the Listing Rules, which governs the terms of the share option schemes of listed companies.

None of the Directors is a trustee of the New Share Option Scheme or has a direct or indirect interest in the trustee of the New Share Option Scheme, if any.

7. RE-ELECTION OF RETIRING DIRECTOR

Reference is made to the 7 September Announcement.

Mr. Lu was appointed as an executive Director with effect from 7 September 2015. Pursuant to Article 92 of the Articles of Association, any Director appointed by the Board to fill a casual vacancy shall hold office only until the following general meeting of the Company, and shall then be eligible for re-election at the meeting.

At the forthcoming EGM, Mr. Lu will retire from office and, being eligible, shall offer himself for re-election pursuant to Article 92 of the Articles of Association.

Please refer to the 7 September Announcement for the details of the biography of Mr. Lu.

8. EGM

The EGM is to be held for the purposes of seeking the approval of the shareholders of (i) the Whitewash Waiver; (ii) the adoption of the New Share Option Scheme; and (iii) the Re-election. A notice convening the EGM to be held at Suite 3206, 32nd Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Wednesday, 9 December 2015 at 10:30 a.m. is set out on pages EGM-1 to EGM-4 of this circular.

A proxy form for use at the EGM or any adjournment thereof is enclosed with this circular. Whether or not you are able to attend the EGM or any adjournment thereof, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the Company's share registrar, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of a proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so desire.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder is required to abstain from voting on the ordinary resolution to be proposed at the EGM approving the adoption of the New Share Option Scheme.

The Management Group and those who are involved in or interested in the Exercise and/or the Whitewash Waiver will abstain from voting at the EGM in respect of the resolution for approving the Whitewash Waiver.

As Mr. Cai, Mr. Pan Weidong, Mr. Wang Huaiyu, Mr. Lu Jianmin, Mr. Wang Zhenguo, Mr. Wang Jinxu and Mr. Lu have material interests in the Exercise and/or the Whitewash Waiver, each of them has abstained from voting on the board resolution approving the Whitewash Waiver. Save as the aforesaid, no Director has any material interest in the Exercise and/or the Whitewash Waiver and therefore was required to abstain from voting on the board resolution approving the Whitewash Waiver. The Independent Board Committee comprising Mr. Lee Ka Sze, Carmelo, being a non-executive Director, and Mr. Chan Siu Keung, Leonard, Mr. Wang Bo, Mr. Lo Yuk Lam, Mr. Yu Jinming and Mr. Chen Shilin, each being an independent non-executive Director, has been formed to advise the Independent Shareholders on the Whitewash Waiver.

9. VOTING BY WAY OF POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

10. DOCUMENT AVAILABLE FOR INSPECTION

A copy of the rules of the New Share Option Scheme is available for inspection at the Company's registered office at Suite 3206, 32nd Floor, Central Plaza, 18 Harbour Road, Wan Chai, Hong Kong at normal business hours from 9:00 a.m. to 5:30 p.m. on any Business Day from the date of this circular up to and including the date of the EGM, which is a period of not less than 14 days before the date of the EGM.

11. RECOMMENDATION

The Directors consider that the adoption of the New Share Option Scheme and the Re-election are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that all Shareholders should vote in favour of the ordinary resolution to be proposed at the EGM approving the adoption of the New Share Option Scheme and the Re-election.

The Independent Board Committee, having considered the Whitewash Waiver and having taken into account the advice of Independent Financial Advisor on the Whitewash Waiver, considers that the Whitewash Waiver is in the interests of the Company and its Shareholders as a whole and is fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the relevant resolution in connection with the Whitewash Waiver to be proposed at the EGM.

Your attention is drawn to (i) the letter from the Independent Board Committee to the Independent Shareholders as set out on pages 24 to 25 of this circular; and (ii) a letter from the Independent Financial Advisor to the Independent Board Committee and the Independent Shareholders as set out on pages 26 to 44 of this circular in relation to the Whitewash Waiver.

12. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices and the notice of the EGM of this circular.

Shareholders and potential investors should note that the Exercise is subject to the Conditions of the Exercise and may not proceed unless the Independent Shareholders approve the resolution regarding the Whitewash Waiver by way of poll and the Whitewash Waiver is granted by the Executive. Shareholders and potential investors are therefore reminded to exercise caution when dealings in the Shares and any other securities of the Company.

Yours faithfully,
By order of the Board
CSPC Pharmaceutical Group Limited
CAI Dongchen
Chairman

CSPC PHARMACEUTICAL GROUP LIMITED
石藥集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1093)

20 November 2015

To the Independent Shareholders

Dear Sir/Madam,

APPLICATION FOR WHITEWASH WAIVER

We refer to the circular of the Company dated 20 November 2015 (the "**Circular**"), of which this letter forms part. Terms used herein have the same meanings as those defined in the Circular unless otherwise specified.

We have been appointed by the Board to form the Independent Board Committee to advise the Independent Shareholders as to whether the Whitewash Waiver is in the interests of the Company and its Shareholders as a whole and is fair and reasonable so far as the Independent Shareholders are concerned, and to recommend how the Independent Shareholders should vote regarding the relevant proposed resolution pursuant to the Listing Rules at the EGM.

China Galaxy International Securities (Hong Kong) Co., Limited has been appointed as the Independent Financial Advisor (the "**IFA**") to advise us and the Independent Shareholders as to whether the Whitewash Waiver is in the interests of the Company and its Shareholders as a whole and is fair and reasonable so far as the Independent Shareholders are concerned, and to recommend how the Independent Shareholders should vote regarding the relevant proposed resolution at the EGM. Details of the IFA's advice, together with the principal factors taken into consideration in arriving at such advice, are set out on pages 26 to 44 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 7 to 23 to the Circular and the additional information set out in the appendices to the Circular.

Having taken into account the advice of the IFA, we consider that the Whitewash Waiver is in the interests of the Company and its Shareholders as a whole and is fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant proposed resolution to approve the Whitewash Waiver at the EGM.

Yours faithfully,
the Independent Board Committee

Mr. LEE Ka Sze, Carmelo	**Mr. CHAN Siu Keung, Leonard**	**Mr. WANG Bo**	**Mr. LO Yuk Lam**	**Mr. YU Jinming**	**Mr. CHEN Shilin**
Non-executive Director	*Independent Non-executive Director*	*Independent Non-executive Director*	*Independent Non-executive Director*	*Independent Non-executive Director*	*Independent Non-executive Director*

The following is the text of the letter from China Galaxy International Securities (Hong Kong) Co., Limited to the Independent Board Committee and the Independent Shareholders, prepared for the purpose of inclusion in this Circular.

中國銀河國際
CHINA GALAXY INTERNATIONAL

Room 3501-3507, 35/F
Cosco Tower
183 Queen's Road Central
Hong Kong

20 November 2015

To: The Independent Board Committee and
the Independent Shareholders of CSPC Pharmaceutical Group Limited

Dear Sirs,

APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to our appointment as the independent financial advisor to advise the Independent Board Committee and the Independent Shareholders in relation to the application for the Whitewash Waiver, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular dated 20 November 2015 issued by the Company to the Shareholders (the "**Circular**"), of which this letter forms part. Unless otherwise defined, capitalised terms used in this letter have the same meanings as those defined in the Circular.

As stated in the Letter from the Board, the Company approved and adopted the 2004 Share Option Scheme on 6 July 2004, pursuant to which the Company could grant to eligible participants the options to subscribe for an aggregate amount of up to 153,812,466 Shares, representing 10% of the total number of Shares in issue as of 6 July 2004. As at the Latest Practicable Date, the total number of options granted by the Company pursuant to the 2004 Share Option Scheme is 150,000,000, among which 141,000,000 Existing Share Options granted to the Management remain outstanding.

Subject to the conditions of the Exercise as stated in the paragraph headed "2. Application for Whitewash Waiver – (b) Conditions of the Exercise" in the Letter from the Board having been fulfilled, upon the full Exercise by the Management at the exercise price of HK$3.98 per Share, the Management will be allotted and issued an aggregate of 141,000,000 new Shares, representing approximately 2.39% of the issued share capital of the Company immediately before the completion of the Exercise and approximately 2.33% of the issued share capital of the Company as enlarged by the issuance of the Existing Share Option Shares, respectively.

As stated in the Letter from the Board, the Management Group hold an aggregate of 1,772,363,534 Shares, representing approximately 29.98% of the existing total issued share capital of the Company as at the Latest Practicable Date. Assuming no further Shares will be allotted and issued by the Company prior to the Exercise, upon completion of the Exercise, the Management Group will be interested in up to 1,913,363,534 Shares, representing (i) approximately 32.37% of the issued Shares as at the Latest Practicable Date; and (ii) approximately 31.62% of the issued Shares as enlarged by the issuance of the Existing Share Option Shares.

As the Exercise will increase the interests in the issued share capital of the Company held by the Management Group from approximately 29.98% of the issued share capital of the Company immediately before completion of the Exercise to approximately 31.62% of the issued share capital of the Company as enlarged by the issuance of the Existing Share Option Shares, under Rule 26.1 of the Takeovers Code, the Management would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by the Management Group, unless the Whitewash Waiver is obtained from the Executive. The Executive has indicated that Whitewash Waiver will be granted, subject to, among other things, the approval of the Independent Shareholders taken by way of poll at the EGM.

Pursuant to Rule 2.1 of the Takeovers Code, the Independent Board Committee has been established to advise the Independent Shareholders on whether the Whitewash Waiver is in the interests of the Company and its Shareholders as a whole and is fair and reasonable so far as the Independent Shareholders are concerned. The Independent Board Committee comprises Mr. Lee Ka Sze, Carmelo, being a non-executive Director, and Mr. Chan Siu Keung, Leonard, Mr. Wang Bo, Mr. Lo Yuk Lam, Mr. Yu Jinming and Mr. Chen Shilin, each being an independent non-executive Director, each of whom has no direct or indirect interest in the Exercise and the Whitewash Waiver.

In this regard, we, China Galaxy International Securities (Hong Kong) Co., Limited, have been appointed as the independent financial advisor to advise the Independent Board Committee and the Independent Shareholders on whether the Whitewash Waiver is in the interests of the Company and its Shareholders as a whole and is fair and reasonable so far as the Independent Shareholders are concerned. Apart from the normal advisory fee payable to us in connection with our appointment as the independent financial advisor to advise the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we shall receive any other fees or benefits from the Company, the Management Group, or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them. We do not have any previous financial adviser and/ or independent financial advisor engagement with the Company in the past two years and up to the Latest Practicable Date which may affect our independence to give our opinion and recommendations to the Independent Board Committee and the Independent Shareholders.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information and representations contained in the Circular and the information and representations provided to us by the Directors and the management of the Company. We have assumed that all information and representations contained or referred to in the Circular and all information and representations which have been provided by the Directors and the management of the Company are true and accurate at the time they were made and will continue to be true and accurate as at the date of the despatch of the Circular. Shareholders will be notified of material change as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of EGM.

We have reviewed, among others, (i) the Announcement; (ii) the Circular; (iii) the circular of the Company dated 7 June 2004 in relation to the adoption of 2004 Share Option Scheme (the "**2004 Circular**"); (iv) the announcement of the Company dated 18 April 2013 in relation to the grant of share options under the 2004 Share Option Scheme; (v) the circular of the Company dated 7 May 2013 in relation to the grant of share options under the 2004 Share Option Scheme to Mr. Cai; (vi) the annual report of the Company for the year ended 31 December 2013 (the "**2013 Annual Report**") (vii) the annual report of the Company for the year ended 31 December 2014 (the "**2014 Annual Report**"); and (viii) the interim report of the Company for the six months ended 30 June 2015 (the "**2015 Interim Report**"). The Directors collectively and individually accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement contained in the Circular misleading. We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided by the Directors and the management of the Company, nor have we conducted any independent investigation into the business and affairs or the prospects of the Company, the Group, the Management Group or any of their respective associates or any party acting in concert with any of them.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources which are the latest information publicly available to the best of our knowledge, our sole responsibility is to ensure that such information has been correctly extracted from the relevant sources.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion to the Independent Board Committee and the Independent Shareholders in respect of the Whitewash Waiver, we have taken into consideration the following principal factors and reasons:

I. Background and Information of the Group

(1) Principal business of the Group

The Group is a leading pharmaceutical group in the PRC mainly engaged in manufacturing, researching and marketing of medicines and pharmaceutical related products. The Group has two major business segments including finished drugs (comprising innovative drugs and common generic drugs) and bulk drugs (comprising antibiotics, vitamin C and caffeine). The Group has nearly 1,000 finished drugs products including antibiotics, cardio-cerebrovascular drugs, antipyretic analgesic drugs, digestive system drugs, oncology drugs and traditional Chinese medicines. The manufacturing facilities of the Group are mainly located in Shijiazhuang City, Hebei Province, the PRC.

(2) Financial information of the Group

The following table summarises the audited consolidated financial results of the Group for each of the financial years ended 31 December 2013 and 2014 which is extracted from the 2014 Annual Report, and the unaudited consolidated financial results of the Group for the six months ended 30 June 2014 and 2015 which is extracted from the 2015 Interim Report:

	For the six months ended 30 June		**For the year ended 31 December**	
	2015	**2014**	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
Revenue	5,730,375	5,342,470	10,955,077	9,949,103
Gross profit	2,576,726	2,021,050	4,187,353	3,133,061
Gross profit margin	*44.97%*	*37.83%*	*38.22%*	*31.49%*
Operating profit	1,070,967	801,446	1,674,368	1,179,978
Operating profit margin	*18.69%*	*15.00%*	*15.28%*	*11.86%*
Profit before tax	1,047,419	771,689	1,621,484	1,247,624
Profit for the year/ period	830,020	609,426	1,284,331	989,300
Net profit margin	*14.48%*	*11.41%*	*11.72%*	*9.94%*
Profit attributable to:				
Owners of the Company	822,014	600,665	1,268,446	972,751
Non-controlling interests	8,006	8,761	15,885	16,549

The following table summarises the audited consolidated financial position of the Group as at 31 December 2013 and 2014 which is extracted from the 2014 Annual Report, and the unaudited consolidated financial position of the Group as at 30 June 2015 which is extracted from the 2015 Interim Report:

	As at 30 June	**As at 31 December**	
	2015	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
	(Unaudited)	(Audited)	(Audited)
Current assets	7,680,598	6,605,746	6,372,773
Non-current assets	6,002,121	5,895,484	5,827,774
Total assets	13,682,719	12,501,230	12,200,547
Current liabilities	3,816,964	3,602,496	3,838,451
Non-current liabilities	1,477,509	747,206	765,296
Total liabilities	5,294,473	4,349,702	4,603,747
Total equity	8,388,246	8,151,528	7,596,800

The following table sets forth certain key financial ratios as of the dates or for the periods indicated, calculated based on the financial information set out in the 2014 Annual Report and 2015 Interim Report:

	For the six months ended/ As at 30 June	**For the year ended/ As at 31 December**	
	2015	**2014**	**2013**
Return on equity (1)	19.79%	15.76%	13.02%
Return on assets (2)	12.13%	10.27%	8.11%
Debt to equity ratio (3)	63.12%	53.36%	60.60%
Debt to assets ratio (4)	38.69%	34.79%	37.73%
Gearing ratio (5)	21.60%	15.04%	17.64%

Notes:

(1) Represents profit for the year (annualized profit is applied for the six months ended 30 June 2015) divided by total equity.

(2) Represents profit for the year (annualized profit is applied for the six months ended 30 June 2015) divided by total assets.

(3) Represents the Group's total liabilities divided by total equity.

(4) Represents the Group's total liabilities divided by total assets.

(5) Represents the Group's total borrowings divided by total equity.

Further commentary on the financial performance of the Group is set out in the paragraph headed "Reasons and Benefits of the Exercise – (2) Growing and promising financial performance under the leadership of the Management" below.

II. Background of the 2004 Share Option Scheme and the Existing Share Options

2004 Share Option Scheme

As set out in the Letter from the Board, the 2004 Share Option Scheme was approved and adopted by the Company on 6 July 2004, pursuant to which the Company could grant to eligible participants the options to subscribe for an aggregate amount of up to 153,812,466 Shares, representing 10% of the total number of Shares in issue as of 6 July 2004.

As stated in the 2004 Circular, the 2004 Share Option Scheme was in line with Chapter 17 of the Listing Rules which govern the terms of the share option schemes of listed companies. Under the 2004 Share Option Scheme, (i) the subscription price of the options to be granted thereunder is determined with reference to the market value of the Shares; (ii) there will be no performance targets that must be achieved before the options can be exercised; and (iii) unless the Board otherwise determines, there will be no minimum period for which an option must be held before it can be exercised, the participants may exercise their options at any time during the option period to acquire a monetary gain or ownership interest in the Company which may in turn provide a further incentive to the participants to better serve the Group. As stated in the 2004 Circular, the Company was of the view that the 2004 Share Option Scheme would provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/ or providing benefits to the participants and for such other purposes as the Board may approve from time to time; and is therefore in the interest of the Company as a whole in terms of management and operation.

As at the Latest Practicable Date, the total number of options granted by the Company pursuant to the 2004 Share Option Scheme is 150,000,000, among which 141,000,000 Existing Share Options granted to the Management remain outstanding.

Existing Share Options

Date of grant:	17 April 2013
Total number of Shares comprised:	141,000,000
Exercise price per Share:	Each Existing Share Option shall entitle the holder thereof to subscribe for the number of new Shares stated in the terms of grant at HK$3.98 per Share
Validity (exercisable) period:	From the date of acceptance of the respective offer of the Existing Share Options, subject to the vesting and/ or exercise conditions of the Existing Share Options (if any) under the terms of grant, up to a date falling on the expiry of 10 years following the date of grant
Vesting Period:	One year from the date of grant

III. Information of the Management

Set out below are certain details of the Management and their respective interests in the Company as at the Latest Practicable Date:

Name of Management	Position in the Company	Year of joining the Group	Capacity in which interests are held	Number of ordinary Shares	Approximate % of shareholding interest in the Company
Mr. Cai	Executive Director (Chairman and CEO)	1973	Beneficial owner	6,538,000	0.11%
			Interest in controlled corporation *(Note 1)*	1,765,825,534	29.87%
Mr. Pan Weidong	Executive Director	1994	N/A	0	0.00%
Mr. Wang Huaiyu	Executive Director	2002	N/A	0	0.00%
Mr. Lu Jianmin	Executive Director	1990	N/A	0	0.00%
Mr. Wang Zhenguo	Executive Director	1991	N/A	0	0.00%
Mr. Wang Jinxu	Executive Director	1999	N/A	0	0.00%
Mr. Lu	Executive Director	1996	N/A	0	0.00%
Key Employees *(Note 2)*	Senior management	N/A	N/A	0	0.00%

Notes:

(1) As at the Latest Practicable Date, Mr. Cai's Controlled Corporations include Massive Giant, True Ally and Key Honesty, which directly hold 1,058,016,034, 493,880,000 and 213,929,500 Shares, respectively. Massive Giant is wholly owned by Massive Top. Massive Top is held as to 75% by March Rise, as to 15% by Zhongyihe and as to 10% by True Ally. March Rise is held as to 60% by Zhongyihe and as to 40% by True Ally. The general partner of Zhongyihe is Mr. Cai. True Ally is wholly owned by Mr. Cai. Key Honesty is wholly owned by True Ally, which in turn is wholly owned by Mr. Cai.

(2) As at the Latest Practicable Date, Key Employees consist of Mr. Lei Jianjun, Ms. Tian Yumiao, Mr. Liu Jian, Mr. Huang Yin, Mr. Chen Xuejun, Mr. Li Chunlei, Mr. Sun Jumin, Mr. Zhang Heming, Mr. Kang Hui, Mr. Min Longgang, Ms. Wang Tao and Mr. Zhang Dazhi.

The biographical details of the Management have been set out in the paragraph headed "4. Information on the Management – Biographies of the Management" in the Letter from the Board.

IV. Reasons and Benefits of the Exercise

(1) Long term and devoted contribution by the Management

The Management is led by Mr. Cai, who is a key figure to the Group and a prominent individual in the pharmaceutical industry in the PRC. Mr. Cai has devoted his services to the Group and its predecessor companies for over 30 years, a treasured contribution as both a founder and key driver in building the business platform of the Group as it stands, and has been instrumental in the strategic direction and management of the businesses of the Group. Currently serving as the Chairman of the Board and Chief Executive Officer of the Company, Mr. Cai continues to guide the Board and the Management in formulating and developing corporate strategies as well as overseeing the business operations and products innovation of the Group.

As illustrated in the paragraph headed "4. Information on the Management – Biographies of the Management" in the Letter from the Board, aside from Mr. Cai, the other members of the Management all joined in or before 2004 and served the Group for an extended number of years, and all hold management and supervisory positions in essential business and operational areas including production, research and development, sales and marketing, investment and finance, logistics, human resources and administration. Certain of the Management are also vested with the responsibility to manage the Group's specific product segments. As further discussed below, the Group has achieved success in maintaining a stable growth, leading market position or improving profitability for its established major product series, such as the common generic drug series, the vitamin product series and the antibiotics product series and at the same time growing its innovative drug segment introduced in recent years, all the while maintaining a strong financial position.

It is noted that since the adoption of the 2004 Share Option Scheme and under the management of the Management, product mix of the Group has successfully migrated from relying mainly on bulk drugs (such as antibiotics and vitamin products) to finished drugs (including the Group's innovative drug products and other common generic drugs). More particularly, contribution from the Group's finished drugs segment increased from less than 40% in 2004 to almost 60% in 2014 and further to around 66% in the six months ended 30 June 2015. Such change in product mix is particularly apparent after the Group's successful very substantial acquisition completed in 2012, which the Management had seen through and continuously contributed to the smooth integration of the businesses and management of the acquired subsidiaries into the Group.

As stated in the paragraph headed "5. Intention regarding the Company and reasons for application of the Whitewash Waiver" in the Letter from the Board, the Board is of the view that by allowing the Management to gain further ownership interest in the Group, their personal interest ties more closely with the value of the Group, and therefore would incentivize and motivate the Management for their continuous commitment, devotion and contributions to the development and growth of the Group going forward. Besides, it is the intention of the Management Group to continue with the existing businesses of the Group.

Taking into account the above, we consider the term of service and general performance of the Management are supportive to their Exercise; and concur that the Exercise, which allows the Management to gain further ownership interest in the Group and ties more closely their personal interest directly with the value of the Group, would incentivise and motivate the Management for their continuous commitment, devotion and contributions to the development and growth of the Group going forward.

(2) Growing and promising financial performance under the leadership of the Management

The performance and contributions of the Management to the Group can also be demonstrated by the financial performance of the Group in recent years. As set out in the paragraph headed "Background and information of the Group — (2) Financial information of the Group" above, the Group has achieved continuous growth in its key results indicators since the year of grant of the Existing Share Options to the Management in 2013. More particularly, revenue of the Group increased from approximately HK$9,949 million in 2013 to approximately HK$10,955 million in 2014 representing a growth of approximately 10.11%. Revenue of the Group for the six months ended 30 June 2015 amounted to approximately HK$5,730 million which represented an increase of approximately 7.26% from the same period of 2014 of approximately HK$5,342 million. Gross profit margin of the Group improved from approximately 31.49% in 2013 to approximately 38.22% in 2014 and approximately 44.97% in the first half of 2015, while operating profit margin improved from approximately 11.86% in 2013 to approximately 15.28% in 2014 and approximately 18.69% in the first half of 2015. The Group also reported continuously improving net profit, from approximately HK$989 million in 2013 to approximately HK$1,284 million in 2014 (an approximate 29.82% increase), and from approximately HK$609 million for the six months ended 30 June 2014 to approximately HK$830 million for the same period in 2015 (an approximate 36.20% increase). Net profit margin of the Group also improved from approximately 9.94% in 2013 to approximately 11.72% in 2014 and further to approximately 14.48% in the first half of 2015.

We consider such financial performance can be attributable to the ability of the Group to manage its new growth factors while maintaining stable performance of its established product segments. As mentioned in its 2013 Annual Report, 2014 Annual Report and 2015 Interim Report, the Group succeeded in maintaining satisfactory results for its established major products series, such as the common generic drug series, the vitamin product series and the antibiotics product series in terms of stable increase in revenue, maintaining leading market position or improving profitability. On the other hand, since 2013 following completion of the Group's very substantial acquisition, the Group has achieved success in expanding its innovative drug products including its "NBP" series, "Oulaining" series, "Xuanning" series and its oncology drug series. More particularly, as advised by the management of the Company, these new drug series of the Group has demonstrated continuous strong growth, with revenue increased from approximately HK$1,921 million in 2013 to approximately HK$2,784 million in 2014 (and from approximately HK$1,299 million for the first half of 2014 to approximately HK$1,768 million for the first half of 2015). It is further noted that on the back of the Group's positive business expansion, it has managed to maintain a relatively stable debt to equity ratio and debt to assets ratio, while achieving improving return on equity and return on assets, from approximately 13.02% and 8.11% in 2013 to approximately 15.76% and 10.27% in 2014, respectively, bringing increasing value to Shareholders' investments.

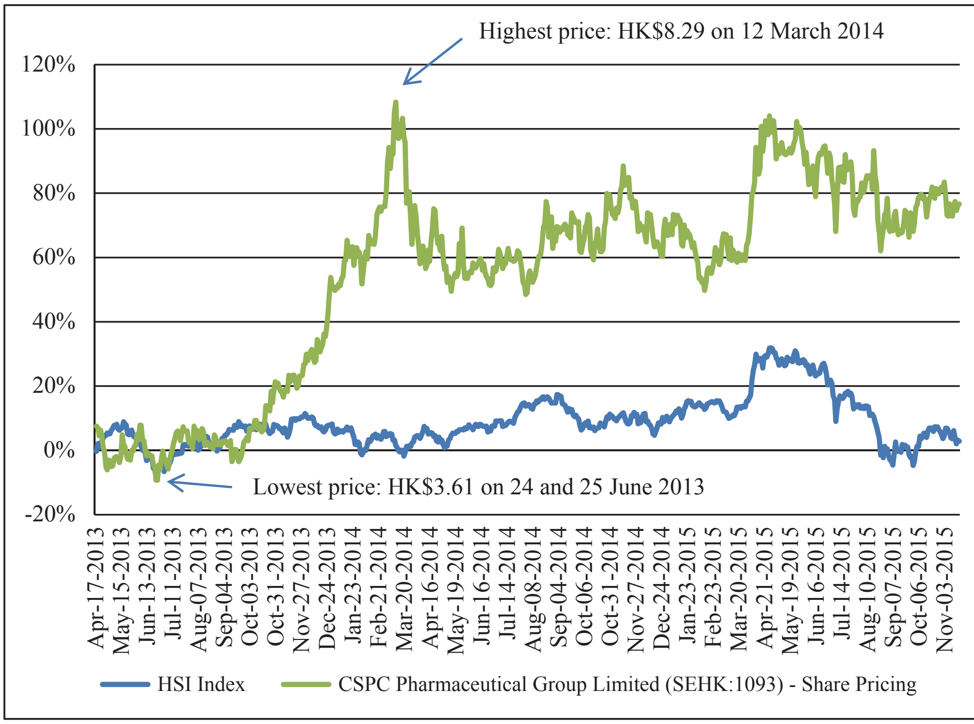
Taking a longer time span, during the period from 2004 (the year of adoption of the 2004 Share Option Scheme) up to 2014, revenue of the Group has grown from approximately HK$2,451 million to approximately HK$10,955 million, representing a compound annual growth rate of approximately 16.15%. Amid increasingly fierce competition in the pharmaceutical industry in the PRC, overall gross profit margin of the Group improved from approximately 25.74% in 2004 to approximately 38.22% in 2014 and further to almost 44.97% for the six months ended 30 June 2015, with operating margin improved from approximately 11.14% in 2004 to approximately 15.28% in 2014 and further to approximately 18.69% for the six months ended 30 June 2015. In terms of assets size, the total assets of the Group increased from approximately HK$4,707 million as at 31 December 2004 to approximately HK$13,683 million as at 30 June 2015, representing a growth of approximately 190.69%. The net assets of the Group increased from approximately HK$2,259 million as at 31 December 2004 to approximately HK$8,388 million as at 30 June 2015, representing a growth of approximately 271.31%. From the perspective of key financial ratios, return on equity increased from approximately 10.85% in 2004 to approximately 15.76% in 2014 and further increased to approximately 19.79% in 2015 in annualized basis. Return on assets increased approximately 5.20% in 2004 to approximately 10.27% in 2014 and further increased to approximately 12.13% in 2015 in annualized basis. The Group also achieved a significant improvement in financial position, with debt to equity ratio improved from approximately 107.93% as at 31 December 2004 to approximately 63.12% as at 30 June 2015.

We consider such financial, operational and business results are demonstrative of the capability, continuous devotion and contributions of the Management towards the continuously improving financial performance of the Group since the adoption of the 2004 Share Option Scheme in 2004.

As the Group was substantially under the management of the Management since the adoption of the 2004 Share Option Scheme in 2004 and up to the Latest Practicable Date, the continuous growth in the financial performance and the improving business prospects of the Group during the period well demonstrated the success of the Management in managing the Group's business as well as formulating and implementing business and corporate strategies that supported the business growth and improving financial performance of the Group. As such, we consider the Exercise as a reward, compensation and remuneration to the Management in recognition of their valuable contribution to the Group to be justifiable.

(3) Strong price performance of the Shares

The following chart illustrates the relative price movement of the Shares and Hang Seng Index ("**HSI**") since 17 April 2013, when the Company granted the Existing Share Options to the Management, up to the Latest Practicable Date.



Source: Capital IQ

With the support of the sound and growing financial performance as discussed in the paragraphs headed "Background and information of the Group — (2) Financial information of the Group" and "Reasons and Benefits of the Exercise – (2) Growing and promising financial performance under the leadership of the Management" above, the price of the Shares showed an upward trend over the past two years and the closing price of the Shares increased from HK$3.98 on 17 April 2013 to HK$7.03 as at the Latest Practicable Date, representing an increase of approximately 76.63%. The price of the Company's Shares also consistently outperformed HSI for the past two years to a large extent.

The exercise price of the Existing Share Options is HK$3.98 per Share, which represents a discount of approximately 43.39% to the closing price of HK$7.03 as at the Latest Practicable Date. We concur with the Board's view that the Exercise should serve as incentive to and rewarding for the Management who are identified as essential to the Company's operations and future development. We are of the view that the Exercise will serve as an inspiring mean to recognize the past efforts of the Management as well as to encourage them to further create Shareholders' value for the Group going forward.

Notwithstanding the aforesaid, it is noted that the 2004 Share Option Scheme is in line with Chapter 17 of the Listing Rules which govern the terms of the share option schemes of listed companies, including in particular the exercise price of any options granted thereunder. In this respect, it is noted that the exercise price of the Existing Share Options of HK$3.98 per Share is the same as the closing price of the Shares as quoted on the Stock Exchange on the date of grant, and represented a premium of approximately 2.63% over the average closing price of the Shares for the five business days immediately preceding the date of grant (i.e. HK$3.878), which is in compliance with the relevant requirement(s) under Chapter 17 of the Listing Rules. In addition, the Existing Share Options all have a vesting period of one year and thus are not eligible to be exercised until 17 April 2014. In this regard, the closing price of the Shares as quoted on the Stock Exchange on the first day on which the Existing Share Options are eligible to be exercised was HK$6.56, which represented a premium of approximately 64.82% over the exercise price of the Existing Share Options and a discount of approximately 6.69% to the closing price of HK$7.03 as at the Latest Practicable Date.

(4) Positive cashflow to the Group upon the Exercise

According to the exercise price of the Existing Share Options (i.e. HK$3.98) and the total number of outstanding Existing Share Options (i.e. 141,000,000) held by the Management, the Existing Share Options, once exercised, will result in positive cash flows of approximately HK$561.2 million into the Company which in turn will further replenish the Company's general working capital for its business operations and developments.

(5) Minimal dilution effect to Shareholders as a result of the Exercise

The following table sets out the shareholding structure of the Company immediately before and after completion of the Exercise (assuming that other than the Existing Share Option Shares, no Shares are issued or repurchased by the Company and other than the Existing Share Option Shares, no Shares are sold, purchased or subscribed by the Management Group, in each case after the Latest Practicable Date until completion of the Exercise):

		Immediately before completion of the Exercise		Immediately after completion of the Exercise	
		No. of Shares	*%*	*No. of Shares*	*%*
I	**Management Group**				
	Mr. Cai and Mr. Cai's Controlled Corporations *(Note 1)*	1,772,363,534	29.98%	1,852,363,534	30.60%
	Mr. Pan Weidong	0	0.00%	10,000,000	0.17%
	Mr. Wang Huaiyu	0	0.00%	15,000,000	0.25%
	Mr. Lu Jianmin	0	0.00%	10,000,000	0.17%
	Mr. Wang Zhenguo	0	0.00%	3,000,000	0.05%
	Mr. Wang Jinxu	0	0.00%	3,000,000	0.05%
	Mr. Lu	0	0.00%	3,000,000	0.05%
	Key Employees *(Note 2)*	0	0.00%	17,000,000	0.28%
	Sub-total:	1,772,363,534	29.98%	1,913,363,534	31.62%
II	**Other Shareholders**				
	Other Shareholders	4,138,654,869	70.02%	4,138,654,869	68.38%
	Total:	**5,911,018,403**	**100%**	**6,052,018,403**	**100%**

Notes:

(1) As at the Latest Practicable Date, Mr. Cai's Controlled Corporations include Massive Giant, True Ally and Key Honesty, which directly hold 1,058,016,034, 493,880,000 and 213,929,500 Shares, respectively. Massive Giant is wholly owned by Massive Top. Massive Top is held as to 75% by March Rise, as to 15% by Zhongyihe and as to 10% by True Ally. March Rise is held as to 60% by Zhongyihe and as to 40% by True Ally. The general partner of Zhongyihe is Mr. Cai. True Ally is wholly owned by Mr. Cai. Key Honesty is wholly owned by True Ally, which in turn is wholly owned by Mr. Cai.

(2) As at the Latest Practicable Date, Key Employees consist of Mr. Lei Jianjun, Ms. Tian Yumiao, Mr. Liu Jian, Mr. Huang Yin, Mr. Chen Xuejun, Mr. Li Chunlei, Mr. Sun Jumin, Mr. Zhang Heming, Mr. Kang Hui, Mr. Min Longgang, Ms. Wang Tao and Mr. Zhang Dazhi.

The total outstanding number of the Existing Share Options is 141,000,000, which, when exercised, will only have a minimal dilution effect to Shareholders other than the Management Group. As set out in the above table, the shareholding percentage of Shareholders other than the Management Group will only decrease by approximately 1.64% from 70.02% to 68.38%.

Having considered the aforementioned reasons for and possible benefits of the Exercise, we consider that the Exercise is justifiable and is in the interests of the Company and the Shareholders as a whole.

V. Whitewash Waiver

As stated in the Letter from the Board, the Management, each being a holder of the Existing Share Options, are a group of persons acting in concert since (a) each of the Management is a Director or senior management of the Company, which has material interest in the Exercise; and (b) each of the Management holds direct or indirect economic interest in Zhongyihe, a limited liability partnership incorporated in PRC, which is one of Mr. Cai's Controlled Corporations.

The Management Group hold an aggregate of 1,772,363,534 Shares, representing approximately 29.98% of the existing total issued share capital of the Company as at the Latest Practicable Date. Assuming no further Shares will be allotted and issued by the Company prior to the Exercise, upon completion of the Exercise, the Management Group will be interested in up to 1,913,363,534 Shares, representing (i) approximately 32.37% of the issued Shares as at the Latest Practicable Date; and (ii) approximately 31.62% of the issued Shares as enlarged by the issuance of the Existing Share Option Shares.

As the Exercise will increase the interests in the issued share capital of the Company held by the Management Group from approximately 29.98% of the issued share capital of the Company before completion of the Exercise to approximately 31.62% of the issued share capital of the Company as enlarged by the issuance of the Existing Share Option Shares, under Rule 26.1 of the Takeovers Code, the Management Group would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by the Management Group, unless the Whitewash Waiver is obtained from the Executive. The Executive has indicated that the Whitewash Waiver will be granted, subject to, among other things, the approval of the Independent Shareholders taken by way of poll at the EGM. The Management Group and those who are involved in or interested in the Exercise and the Whitewash Waiver will abstain from voting on the resolution approving the Whitewash Waiver at the EGM where voting will be taken by way of poll.

Furthermore, pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code, the Executive will not normally waive an obligation under Rule 26 of the Takeovers Code if the person to whom the new securities are to be issued or any person acting in concert with him has acquired voting rights in the company (save for subscriptions for new shares which have been fully disclosed in the whitewash circular) in the 6 months prior to the announcement of the proposals. In this respect, the Management Group have confirmed that (i) they and their respective concert parties have not acquired voting rights attaching to the relevant securities (as defined in the Takeovers Code) of the Company and (ii) there have been no disqualifying transactions as stipulated under paragraph 3 of Schedule VI to the Takeovers Code, within the six months period prior to the date of the Announcement and up to and including the Latest Practicable Date; and they have not dealt for value in any securities of the Company during the period beginning six months prior to the date of the Announcement and ending on the Latest Practicable Date.

To consider whether the granting of the Whitewash Waiver is in the interests of the Company and its Shareholders as a whole and is fair and reasonable so far as the Independent Shareholders are concerned, we have taken into account the benefits that the Exercise will bring to the Group as stated elsewhere in this letter, and the fact that the Exercise is conditional upon the granting of the Whitewash Waiver by the Executive and the Independent Shareholders having approved the Whitewash Waiver at the EGM and such conditions cannot be waived.

In addition, we have taken into account the fact that a mandatory cash offer, which otherwise would have been obliged to be made by the Management Group as a result of the Exercise without the Whitewash Waiver, may not be attractive to the Independent Shareholders. Pursuant to Rule 26 of the Takeovers Code, in case the Management Group made a mandatory cash offer to the disinterested Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by the Management Group, the offer price should not be less than the highest price paid by the Offeror or any person acting in concert with it for Shares during the offer period and within 6 months prior to its commencement. On such basis, the lowest permissible offer price of the mandatory cash offer will be HK$3.98, which is the exercise price of the Existing Share Options. As discussed in the paragraph headed "Principal Factors and Reasons Considered — IV. Reasons and Benefits of the Exercise – Strong price performance of the Shares" above, the exercise price of the Existing Share Options represents a discount of approximately 43.39% to the closing price of HK$7.03 as at the Latest Practicable Date. Given lowest permissible offer price of the mandatory cash offer represents a relatively steep discount to the prevailing market prices of the Shares, we consider a mandatory cash offer, if otherwise would have been obliged to be made by the Management Group without the Whitewash Waiver, may not be attractive to the Independent Shareholders as the Independent Shareholders will be able to enjoy higher gain by selling the Shares in the market instead of accepting the offer to be made by the Management Group.

On the basis of the reasons and analyses set forth in this letter, we are of the view that the Whitewash Waiver is in the interests of the Company and its Shareholders as a whole and is fair and reasonable so far as the Independent Shareholders are concerned.

RECOMMENDATIONS

Having considered the principal factors and reasons above, we are of the opinion that the Whitewash Waiver is in the interests of the Company and its Shareholders as a whole and is fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders, and we recommend the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the relevant resolution to be proposed at the EGM for approving the Whitewash Waiver.

Yours faithfully,
For and on behalf of
China Galaxy International Securities (Hong Kong) Co., Limited

Elain Wong	**Steven Chiu**
Managing Director	*Managing Director*
Investment Banking	*Investment Banking*

Note: Ms. Elain Wong is a responsible officer of China Galaxy International Securities (Hong Kong) Co., Limited registered with the SFC to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 16 years of experience in securities industry.

Mr. Steven Chiu is a responsible officer of China Galaxy International Securities (Hong Kong) Co., Limited registered with the SFC to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 18 years of experience in securities industry.

The following is a summary of the principal terms of the New Share Option Scheme to be approved at the EGM. It does not form part of, nor is it intended to be part of the rules of the New Share Option Scheme and it should not be taken as affecting the interpretation of the rules of the New Share Option Scheme. The Directors reserve the right at any time prior to the EGM to make such amendments to the New Share Option Scheme as they may consider necessary or appropriate provided that such amendments do not conflict with any material aspects with the summary of this Appendix.

1. PURPOSE

1.1 The purpose of the New Share Option Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the Participants and for such other purposes as the Board may approve from time to time.

1.2 In determining the basis of eligibility of each Participant, the Board would take into account such factors as the Board may at its discretion consider appropriate.

2. CONDITIONS

The New Share Option Scheme shall take effect subject to the following conditions:

(i) the passing of an ordinary resolution to approve the adoption of the New Share Option Scheme by the Shareholders in general meeting and authorising the Directors to grant options to subscribe for Shares hereunder and to allot and issue Shares pursuant to the exercise of any options granted under the New Share Option Scheme;

(ii) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, any Shares to be issued and allotted pursuant to the exercise of options granted under the New Share Option Scheme.

3. DURATION AND ADMINISTRATION

3.1 The New Share Option Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date, after which period no further options will be granted but in all other respects, subject to the compliance with the provisions under the Listing Rules, the provisions of the New Share Option Scheme shall remain in full force and effect and options which are granted during the life of the New Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

3.2 The New Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the New Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

3.3 Subject to compliance with the requirements of the Listing Rules and the provisions of the New Share Option Scheme, the Board shall have the right

(i) to interpret and construe the provisions of the New Share Option Scheme;

(ii) to determine the persons who will be awarded options under the New Share Option Scheme, the number of Shares to be issued under the option;

(iii) to determine the Subscription Price;

(iv) to make such appropriate and equitable adjustments to the terms of options granted under the New Share Option Scheme as it deems necessary; and

(v) to make such other decisions, determinations or regulations as it shall deem appropriate in the administration of the New Share Option Scheme.

4. GRANT OF OPTION

4.1 On and subject to the requirements of the Listing Rules and the terms of the New Share Option Scheme, the Board shall be entitled at any time, within 10 years after the Adoption Date to make an Offer to any Participant as the Board may in its absolute discretion select, and subject to any conditions as the Board may at its absolute discretion think fit, to subscribe for such number of Shares as the Board may (subject to paragraphs 8 and 9) determine at the Subscription Price.

4.2 No Offer shall be made after inside information has come to its knowledge until it has announced the information. In particular, during the period commencing one month immediately before the earlier of:

(i) the date of the meeting of the Board (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and

(ii) the deadline for the Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement, no option may be granted. In the event of any delay in publishing an announcement mentioned in paragraph 4.2(ii) above, no option may be granted during such period of delay.

4.3 An Offer shall be made to a Participant by letter in such form as the Board may from time to time determine (the "**Offer Letter**") specifying the number of Shares under the option and the Option Period and requiring the Participant to undertake to hold the option on the terms on which it is to be granted and to be bound by the provisions of the New Share Option Scheme and shall remain open for acceptance by the Participant to whom an Offer is made for a period from the Offer Date to such date as the Board may determine and specify in the Offer Letter (both dates inclusive) (the "**Acceptance Period**") provided that no such Offer shall be open for acceptance after the 10th anniversary of the Adoption Date or after the New Share Option Scheme has been terminated in accordance with the provisions hereof, whichever is earlier.

4.4 An Offer shall be deemed to have been accepted by the Grantee and the option to which the Offer relates shall be deemed to have been granted and to have taken effect when the duplicate of the Offer Letter comprising acceptance of the Offer duly signed by the Grantee with the number of Shares in respect of which the Offer is accepted clearly stated therein together with a remittance in favour of the Company of $1.00 by way of consideration for the grant thereof is received by the Company within the Acceptance Period, and the option to which the offer relates shall be deemed to have been granted on the Offer Date. Such remittance shall in no circumstances be refundable or considered as part of the Subscription Price.

4.5 Any Offer may be accepted or deemed to have been accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof. To the extent that the Offer is not accepted within the Acceptance Period in the manner indicated in sub-paragraph 4.4, it will be deemed to have been irrevocably declined by the Participant and the Offer shall automatically lapse and become null and void.

4.6 Subject to the provisions of the New Share Option Scheme and the Listing Rules, the Board may at its discretion when making the Offer impose any conditions, restrictions or limitations in relation thereto as it may think fit.

5. SUBSCRIPTION PRICE

Subject to any adjustments made pursuant to paragraph 10, the Subscription Price in respect of each Share issued pursuant to the exercise of options granted hereunder shall be a price solely determined by the Board and notified to a Participant and shall be at least the higher of:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Offer Date, which must be a Business Day; and

(ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five (5) Business Days immediately preceding the Offer Date.

6. EXERCISE OF OPTIONS

6.1 An option shall be personal to the Grantee and shall not be assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interests (legal or beneficial) in favour of any third party over or in relation to any option. Any breach of the foregoing shall entitle the Company to cancel any outstanding option or part thereof granted to such Grantee (to the extent that it has not already been exercised) without incurring any liability on the part of the Company.

6.2 Unless otherwise determined by the Board and specified in the Offer Letter at the time of the Offer, there is neither any minimum period for which an option must be held before the option can be exercised, nor any performance target which needs to be achieved by the Grantee before an option can be exercised. An option may be exercised in whole or in part in the manner as set out in the Offer Letter and sub-paragraph 6.3 by the Grantee (or the Grantee's personal representative(s), as the case may be) giving notice in writing to the Company stating that the option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the Subscription Price for the Shares in respect of which the notice is given. Within 30 days after receipt of the notice and the remittance and, where appropriate, receipt of the written confirmation of the independent financial adviser or the Auditors (as the case may be) pursuant to paragraph 10, the Company shall allot the relevant Shares to the Grantee (or the Grantee's personal representative(s), as the case may be) credited as fully paid and issue to the Grantee (or the Grantee's personal representative(s), as the case may be) a share certificate in respect of the Shares so allotted.

6.3 Subject to as hereinafter provided and subject to the terms and conditions upon which such option was granted, the option may be exercised by the Grantee at any time during the option Period provided that:

(a) in the event of the Grantee ceasing to be a Participant for any reason other than on the Grantee's death or the termination of the Grantee's employment, directorship, office or appointment on one or more of the grounds specified in sub-paragraph 7(d), the Grantee may exercise the option in accordance with the provisions of sub-paragraph 6.2 up to the Grantee's entitlement at the date of cessation (to the extent the Grantee is entitled to exercise as at the date of cessation but not already exercised) within the period of 3 months following the date of such cessation, which date shall be the last actual working day with the Relevant Company whether salary is paid in lieu of notice or not, or the last date of office or appointment as director of, as business consultant, professional or other advisers to the Relevant Company, as the case may be, in the event of which, the date of cessation as determined by a resolution of the board of directors or governing body of the Relevant Company shall be conclusive;

(b) in the event the Grantee dies before exercising the option in full and none of the events which would be a ground for termination of the Grantee's employment, directorship, office or appointment under sub— paragraph 7(d) arises, the personal representative(s) of the Grantee shall be entitled within a period of 12 months following the date of the death of the Grantee, or such longer period as the Board may determine from the date of death, to exercise the option up to the entitlement of such Grantee at the date of death (to the extent which has become exercisable and not already exercised) or, if appropriate, make an election pursuant to sub-paragraph 6.3(c), (d) or (e);

(c) if a general offer by way of takeover is made to all the holders of Shares (other than by way of scheme of arrangement pursuant to sub-paragraph 6.3(d)) (or all such holders other than the offeror and/or any person acting in association or concert with the offeror), the Company shall use its best endeavours to procure that an appropriate offer is extended to all the Grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise of the options granted to them, shareholders of the Company. If such offer becomes or is declared unconditional, the Grantee (or his or her personal representative(s)) may by notice in writing to the Company within 21 days after the date on which such offer becomes or is declared unconditional exercise the options (to the extent which has become exercisable and not already exercised) to its full extent or to the extent specified in such notice;

(d) if a general offer by way of a scheme of arrangement is made to all the holders of Shares and the scheme has been approved by the necessary number of holders of Shares at the requisite meetings, the Company shall give notice thereof to the Grantee and the Grantee (or his or her personal representative(s)) may, by notice in writing to the Company within such time as shall be specified in the notice, exercise the option (to the extent which has become exercisable and not already exercised) to its full extent or to the extent specified in such notice;

(e) if, pursuant to the Companies Ordinance, a compromise or arrangement between the Company and its shareholders or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies (other than a general offer contemplated in sub-paragraphs 6.3(c) and (d)), the Company shall give notice thereof to the Grantee on the same date as it despatches the notice which is sent to each shareholder or creditor of the Company summoning the meeting to consider such a compromise or arrangement, and thereupon the Grantee (or his or her personal representative(s)) may forthwith and until the expiry of the period commencing with such date and ending with the earlier of 2 months thereafter and the date on which such compromise or arrangement is sanctioned by a court of competent jurisdiction, exercise any of his or her options (to the extent which has become exercisable and not already exercised) whether in full or in part, but the exercise of an option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by a court of competent jurisdiction and becoming effective. Upon such compromise or arrangement becoming effective, all options shall lapse except insofar as previously exercised under the New Share Option Scheme. The Company may require the Grantee (or his or her personal representative(s)) to transfer or otherwise deal with the Shares issued as a result of the exercise of options in these circumstances so as to place the Grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement; and

(f) in the event a notice is given by the Company to its shareholders to convene a shareholders' meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, other than for the purposes of a reconstruction, amalgamation or scheme of arrangement, the Company shall on the same date as or soon after it despatches such notice to convene the shareholders' meeting, give notice thereof to all Grantees. Each Grantee (or the Grantee's personal representative(s)) may by notice in writing to the Company (such notice to be received by the Company not later than 7 Business Days prior to the date of the proposed general meeting) exercise the option (to the extent which has become exercisable and not already exercised) either to its full extent or to the extent specified in such notice, such notice to be accompanied by a payment for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given, whereupon the Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Grantee credited as fully paid.

6.4 The Shares to be allotted upon the exercise of an option will be subject to all the provisions of the articles of association of the Company for the time being in force and will rank pari passu in all respects with the fully paid Shares in issue on the date of their allotment and issue, and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment and issue other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the date of allotment and issue, provided always that when the date of exercise of option falls on a date upon which the register of shareholders of the Company is closed, then the exercise of the option shall become effective on the first Business Day in Hong Kong on which the register of shareholders of the Company is re-opened.

7. LAPSE OF OPTION

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

(a) the expiry of the Option Period (subject to the provisions of paragraphs 3.1 and 12);

(b) the expiry of any of the periods referred to in sub-paragraphs 6.3(a), (b) or (c);

(c) subject to the scheme of arrangement or compromise becoming effective, the expiry of the period referred to in sub-paragraphs 6.3(d) or (e);

(d) the date on which the Grantee ceases to be a full-time employee or part-time employee, director, executive, business consultant, or professional or other adviser of the Relevant Company by reason of the termination of the Grantee's employment, directorship, office or appointment on the grounds that the Grantee has been guilty of misconduct, or has committed any act of bankruptcy, or has become insolvent, or has made any arrangements or composition with the Grantee's creditors generally, or has been convicted of any criminal offence involving the Grantee's integrity or honesty or (if so determined by the Board) on any other ground on which the Relevant Company would be entitled to terminate the Grantee's employment, directorship or office or appointment at common law or pursuant to any applicable laws or under the Grantee's service contract with the Relevant Company, in the event of which a resolution of the board of directors or governing body of the Relevant Company to the effect that the employment or directorship or office or appointment of a Grantee has or has not been terminated on one or more of the grounds specified in this sub-paragraph 7(d) shall be conclusive;

(e) subject to sub-paragraph 6.3(f), the close of the 7 Business Days prior to the general meeting of the Company held for the purpose of approving the voluntary winding-up of the Company or the date of the commencement of the winding-up of the Company;

(f) the date on which the Board exercises the Company's right to cancel the option at any time after the Grantee commits a breach of sub-paragraph 6.1; or

(g) the date on which the option is cancelled by the Board as provided in paragraph 13.

8. MAXIMUM NUMBER OF SHARES AVAILABLE FOR SUBSCRIPTION

8.1 Subject to sub-paragraph 8.2:

(a) The total number of Shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10 per cent. of the total number of Shares in issue as at the Adoption Date, unless the Company obtains a fresh approval from its shareholders pursuant to sub-paragraphs 8.1(b) or 8.1(c). Options lapsed in accordance with the terms of the New Share Option Scheme shall not be counted for the purpose of calculating such 10 per cent limit.

(b) The Company may seek approval by its shareholders in general meeting to refresh the 10 per cent. limit set out in sub-paragraph 8.1(a) such that the total number of Shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and any other share option schemes of the Company under the limit as "refreshed" shall not exceed 10 per cent. of the total number of Shares in issue as at the date of approval to refresh such limit. Options previously granted under any share option schemes of the Company (including those outstanding, cancelled, lapsed in accordance with the New Share Option Scheme or exercised options) shall not be counted for the purpose of calculating the limit as "refreshed". The Company shall send a circular to its shareholders containing the information required under rule 17.02(2)(d) of the Listing Rules and the disclaimer required under rule 17.02(4) of the Listing Rules.

(c) The Company may seek separate approval by its shareholders in general meeting for granting options beyond the 10 per cent. limit set out in sub-paragraphs 8.1(a) or 8.1(b) (as the case may be) provided the options in excess of such limit are granted only to Participants specifically identified by the Company before such approval is sought. In such case, the Company shall send a circular to its shareholders containing a generic description of the specified Participant(s) who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Participant(s) with an explanation as to how the terms of the options serve such purpose, the information required under rule 17.02(2)(d) of the Listing Rules and the disclaimer required under rule 17.02(4) of the Listing Rules.

8.2 Notwithstanding anything in sub-paragraph 8.1 and subject to paragraph 9, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other share option schemes of the Company shall not exceed 30 per cent. (or such higher percentage as may be allowed under the Listing Rules) of the total number of Shares in issue from time to time. No options may be granted under the New Share Option Scheme and any other share option schemes of the Company if this will result in such limit being exceeded.

8.3 If the Company conducts a share consolidation or subdivision after the 10 per cent. limit set out in sub-paragraphs 8.1(a) or 8.1(b) (as the case may be) has been approved in general meeting, the maximum number of Shares that may be issued upon exercise of all options to be granted under all of the share option schemes of the Company under the 10 per cent. limit set out in sub-paragraphs 8.1(a) or 8.1(b) (as the case may be) as a percentage of the total number of issued shares at the date immediately before and after such consolidation or subdivision shall be the same.

9. MAXIMUM ENTITLEMENT OF SHARES OF EACH PARTICIPANT

9.1 (a) Subject to sub-paragraphs 9.1(b), (c) and (d), the total number of Shares issued and to be issued upon exercise of the options granted to each Participant under the New Share Option Scheme and any other share option schemes (including both exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1 per cent. of the total number of Shares in issue.

(b) Notwithstanding sub-paragraph 9.1(a), where any further grant of options to a Participant would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such participant (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1 per cent of the total number of Shares in issue, such further grant must be separately approved by the shareholders of the Company in general meeting with such Participant and such Participant's close associates (within the meaning as ascribed under the Listing Rules) (or his associates if the Participant is a connected person) abstaining from voting. In such case, the Company must send a circular to its shareholders and the circular must disclose the identity of the Participant, the number and terms of the options to be granted (and options previously granted to such Participant), the information required under rule 17.02(2)(d) of the Listing Rules and the disclaimer required under rule 17.02(4) of the Listing Rules. The number and terms (including the Subscription price) of the options to be granted to such Participant shall be fixed before shareholders' approval and the date of Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the Subscription Price.

(c) In addition to paragraph 8 and sub-paragraphs 9.1(a) and 9.1(b), each grant of options to a Participant who is a director, chief executive or substantial shareholder (all within the meaning as ascribed under the Listing Rules) of the Company or their respective associates must be approved by the independent non-executive Directors of the Company (excluding independent non-executive Director who is the Grantee).

(d) Where the Board proposes to grant any option to a Participant who is a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to the Participant under the New Share Option Scheme and any other share option schemes of the Company in the 12-month period up to and including the date of such grant:

(i) representing in aggregate more than 0.1 per cent of the total number of Shares in issue; and

(ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of $5,000,000.

such proposed grant of options must be approved by the shareholders of the Company by poll in general meeting. In such case, the Company shall send a circular to its shareholders containing all the information as required under the Listing Rules. Such Grantee, his/her associates and all core connected persons of the Company shall abstain from voting in favour at such general meeting. Pursuant to rule 13.39(4) of the Listing Rules, any vote taken at the general meeting to approve the grant of such options must be taken on a poll.

9.2 Subject to sub-paragraphs 8.1 and 8.2 and sub-paragraph 9.1 above, in the event of capitalization issue, rights issue, consolidation, subdivision or reduction of the share capital of the Company whilst any option remains exercisable, the maximum number of Shares referred to in sub-paragraphs 8.1 and 8.2 and sub-paragraph 10.1 will be adjusted, in such manner which must give a Grantee the same proportion of the issued share capital of the Company as that the Grantee was previously entitled, provided that (i) no such adjustments shall be made the effect of which would be to enable a Share to be issued at less than its nominal value (if any) or a fraction of Share to be issued upon exercise of any option by the Grantee after such adjustments; and (ii) the proportion of the issued share capital of the Company to which a Grantee is entitled after such adjustments shall remain as nearly as possible but shall not be greater than that to which he/she was entitled before such adjustments. The issue of Shares as consideration in a transaction may not be regarded as a circumstance requiring adjustment. In respect of any such adjustments, other than any made on a capitalisation issue, an independent financial adviser or the Auditors (acting as experts and not as arbitrators) shall confirm to the Directors in writing that the adjustments satisfy the requirements mentioned above in this sub-paragraph and those set out in the note to rule 17.03(13) of the Listing Rules.

10. ALTERATION OF CAPITAL STRUCTURE

In the event of capitalisation issue, rights issue, consolidation, subdivision, or reduction of the share capital of the Company or otherwise howsoever in accordance with legal requirements and requirements of the Stock Exchange whilst any option remains exercisable, excluding any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in respect of a transaction to which the Company is a party, such corresponding alterations (if any) shall be made to:

(a) the number of Shares subject to the option so far as unexercised; and/or

(b) the Subscription Price; and/or

(c) the method of exercise of the option (if applicable),

as an independent financial adviser or the Auditors shall confirm in writing to the Directors, either generally or as regards any particular Grantee that any such alterations shall satisfy the requirements set out in the note to rule 17.03(13) of the Listing Rules and shall give a Grantee the same proportion of the issued share capital of the Company as that to which the Grantee was previously entitled, provided that (i) no such alterations shall be made the effect of which would be to enable a Share to be issued at less than its nominal value (if any) or a fraction of a Share to be issued upon exercise of any option by the Grantee after such alterations; (ii) the proportion of the issued share capital of the Company to which a Grantee is entitled after such alterations shall remain as nearly as possible but shall not be greater than that to which he/she was entitled before such alterations. The capacity of the independent financial adviser or the Auditors in this paragraph is that of experts and not of arbitrators and their confirmation shall, in the absence of manifest error, be final and binding on the Company and the Grantees. The costs of the independent financial adviser or the Auditors shall be borne by the Company.

11. GRANT OF OPTIONS AND ALLOTMENT OF SHARES PURSUANT TO THE EXERCISE OF OPTIONS SUBJECT TO SHAREHOLDERS' APPROVAL

The grant of options and the allotment of Shares pursuant to any exercise of options shall be subject to the prior approval by the shareholders of the Company in a general meeting having been obtained and not having been revoked, authorising the Directors to exercise powers to allot Shares or to make or grant offers or agreements or options that would or might require Shares to be allotted and/or rights or options to be granted.

12. ALTERATION OF THE NEW SHARE OPTION SCHEME

12.1 The New Share Option Scheme may be altered in any respect by resolution of the Board except that the provisions of the New Share Option Scheme as to:

(a) the definitions of "Grantee", "Option Period" and "Participant";

(b) the provisions of paragraphs and sub-paragraphs 3, 4.1, 4.2, 4.3, 4.4, 5, 6, 7, 8, 9, 10, 13, 14 and this paragraph 12; and

(c) all such other matters set out in rule 17.03 of the Listing Rules,

shall not be altered to extend the class of persons eligible for the grant of options or to the advantage of Grantees or prospective Grantees except with the prior approval of shareholders of the Company in general meeting with the Participants and their associates abstaining from voting, provided that no such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the Grantees as would be required of the shareholders of the Company under the articles of association for the time being of the Company for a variation of the rights attached to the Shares.

12.2 Any alteration to the terms and conditions of the New Share Option Scheme, which are of a material nature or any change to the terms of options granted, must be approved by the shareholders of the Company in general meeting, except where the alterations take effect automatically under the existing terms of the New Share Option Scheme.

12.3 Any change to the authority of the Directors or scheme administrators of the New Share Option Scheme in relation to any alteration to the terms of the New Share Option Scheme must be approved by the shareholders of the Company in general meeting.

12.4 The amended terms of the New Share Option Scheme or the options must still comply with the relevant requirements of Chapter 17 of the Listing Rules.

13. CANCELLATION OF THE OPTIONS

The Board may, with the consent of the relevant Grantee, at any time at its absolute discretion cancel any option granted but not exercised. Where the Company cancels options and makes an Offer to the same option holder, the Offer may only be made, under the New Share Option Scheme with available options (to the extent not yet granted and excluding the cancelled options) within the limit approved by the shareholders of the Company as mentioned in paragraph 8.

14. TERMINATION OF THE NEW SHARE OPTION SCHEME

The Company by resolution in general meeting or the Board may at any time terminate the operation of the New Share Option Scheme and in such event no further options will be offered but in all other respects the provisions of the New Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the New Share Option Scheme, and options which are granted prior to such termination shall continue to be valid and exercisable in accordance with the provisions of the New Share Option Scheme and their terms of issue. After such termination, details of the options granted (including options exercised or outstanding) under the New Share Option Scheme are required under the Listing Rules to be disclosed in the circular to the shareholders seeking approval of the first new scheme established after such termination.

1. SUMMARY OF FINANCIAL INFORMATION

The following is a summary of the consolidated financial information of the Group for the six months ended 30 June 2015 and each of the years ended 31 December 2012, 2013 and 2014 as extracted from the relevant interim and annual reports of the Company.

	For the six months ended 30 June	For the year ended 31 December		
	2015	2014	2013	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(audited)	(audited)	(audited)
Revenue	5,730,375	10,955,077	9,949,103	4,146,444
Cost of sales	(3,153,649)	(6,767,724)	(6,816,042)	(2,341,104)
Gross profit	2,576,726	4,187,353	3,133,061	1,805,340
Other income	36,518	134,558	211,402	38,693
Selling and distribution expenses	(1,100,322)	(1,788,032)	(1,300,739)	(757,297)
Administrative expenses	(265,624)	(551,697)	(620,291)	(235,363)
Other expenses	(176,331)	(307,814)	(243,455)	(87,797)
Operating profit	1,070,967	1,674,368	1,179,978	763,576
Finance costs	(27,885)	(54,358)	(72,537)	(60,090)
Recognition of fair values of financial guarantee contracts issued	—	—	—	(5,130)
Amortisation of financial guarantee liabilities	—	—	—	18,485
Changes in fair value of convertible bonds *(Note)*	—	—	—	(222,739)
Gain on bargain purchase *(Note)*	—	—	—	1,810,702
Gain on disposal of subsidiaries *(Note)*	—	511	154,228	—
Share of results of				
— an associate	141	375	—	—
— a joint venture	4,196	588	(14,045)	(3,981)
Profit before tax	1,047,419	1,621,484	1,247,624	2,300,823
Income tax expense	(217,399)	(337,153)	(258,324)	(131,975)
Profit for the period/year	830,020	1,284,331	989,300	2,168,848

	For the six months ended 30 June 2015 *HK$'000* (unaudited)	For the year ended 31 December 2014 *HK$'000* (audited)	2013 *HK$'000* (audited)	2012 *HK$'000* (audited)
Profit for the period/year attributable to:				
Owners of the Company	822,014	1,268,446	972,751	2,162,235
Non-controlling interest	8,006	15,885	16,549	6,613
	830,020	1,284,331	989,300	2,168,848
Dividends (recognised as distribution during the period/year)	590,802	472,641	382,542	300,400
Earnings per share				
— Basic (HK cents)	13.91	21.47	17.49	147.78
— Diluted (HK cents)	13.76	21.26	16.54	52.04

Note: Items which are exceptional because of size, nature or incidence.

The auditor of the Company did not issue any qualified opinion on the financial statements of the Group for each of the years ended 31 December 2012, 2013 and 2014.

2. AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2014

Set out below is the full text of the audited financial statements of the Group for the year ended 31 December 2014 as extracted from the 2014 annual report of the Company.

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2014

	Notes	**2014** *HK$'000*	**2013** *HK$'000*
Revenue	*7*	10,955,077	9,949,103
Cost of sales		(6,767,724)	(6,816,042)
Gross profit		4,187,353	3,133,061
Other income		134,558	211,402
Selling and distribution expenses		(1,788,032)	(1,300,739)
Administrative expenses		(551,697)	(620,291)
Other expenses		(307,814)	(243,455)
Operating profit		1,674,368	1,179,978
Finance costs	*8*	(54,358)	(72,537)
Share of results of			
— an associate	*19*	375	—
— a joint venture	*20*	588	(14,045)
Gain on disposal of subsidiaries	*40*	511	154,228
Profit before tax	*9*	1,621,484	1,247,624
Income tax expense	*10*	(337,153)	(258,324)
Profit for the year		1,284,331	989,300

	Notes	2014 HK$'000	2013 HK$'000
Other comprehensive (expense) income:			
Items that will not be reclassified to profit or loss:			
Exchange differences arising on translation of financial statements to presentation currency		(225,574)	150,299
Share of exchange differences of			
— an associate		(5)	—
— a joint venture		(459)	(337)
Other comprehensive (expense) income for the year, net of income tax		(226,038)	149,962
Total comprehensive income for the year		1,058,293	1,139,262
Profit for the year attributable to:			
Owners of the Company		1,268,446	972,751
Non-controlling interests		15,885	16,549
		1,284,331	989,300
Total comprehensive income attributable to:			
Owners of the Company		1,045,174	1,120,755
Non-controlling interests		13,119	18,507
		1,058,293	1,139,262
		HK cents	*HK cents*
Earnings per share			
Basic	13	21.47	17.49
Diluted	13	21.26	16.54

Consolidated Statement of Financial Position

At 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current assets			
Property, plant and equipment	15	5,049,087	4,961,171
Prepaid lease payments	16	498,522	547,754
Goodwill	17	125,060	128,438
Other intangible assets	18	111,289	127,597
Interest in an associate	19	56,732	—
Interest in a joint venture	20	18,167	18,038
Available-for-sale investment		1,705	1,705
Deferred tax assets	30	34,922	43,071
		5,895,484	5,827,774
Current assets			
Inventories	21	1,805,749	1,855,188
Trade and other receivables	22	2,006,712	2,029,961
Bills receivables	23	1,079,359	982,437
Trade receivables due from related companies	24(i)	92,471	122,137
Amount due from a joint venture	24(ii)	76,450	91,519
Prepaid lease payments	16	14,928	16,909
Tax recoverable		2,754	226
Held for trading investments		703	438
Derivatives financial instruments		—	3,428
Restricted bank deposits	26	58,199	82,779
Bank balances and cash	26	1,468,421	1,187,751
		6,605,746	6,372,773
Current liabilities			
Trade and other payables	27	2,329,726	2,303,199
Bills payables	28	227,150	273,397
Trade payables due to related companies	24(i)	26,483	47,607
Trade payable to an associate	24(iii)	576	—
Trade payable due to a joint venture	24(ii)	—	2,007
Amounts due to related companies	24(i)	277,894	475,179
Tax liabilities		116,597	77,116
Unsecured bank loans	29	624,070	659,946
		3,602,496	3,838,451
Net current assets		3,003,250	2,534,322
Total assets less current liabilities		8,898,734	8,362,096

		2014	2013
	Notes	*HK$'000*	*HK$'000*
Non-current liabilities			
Deferred tax liabilities	*30*	29,645	33,117
Unsecured bank loans	*29*	601,800	680,120
Government grants	*31*	115,761	52,059
		747,206	765,296
Net assets		8,151,528	7,596,800
Capital and reserves			
Share capital	*32*	9,819,731	558,636
Reserves		(1,740,577)	6,893,984
Equity attributable to owners of the Company		8,079,154	7,452,620
Non-controlling interests		72,374	144,180
Total equity		8,151,528	7,596,800

Statement of Financial Position

At 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current assets			
Property, plant and equipment	15	58	80
Investments in subsidiaries	35	10,039,183	9,813,085
Amount due from a subsidiary	25	359,643	359,643
		10,398,884	10,172,808
Current assets			
Other receivables		6,603	4,877
Amounts due from subsidiaries	25	1,901,226	1,900,417
Derivative financial instruments		—	3,428
Bank balances and cash	26	23,433	72,897
		1,931,262	1,981,619
Current liabilities			
Other payables		19,137	25,634
Amount due to a subsidiary	25	520,196	578,196
Amounts due to related companies	24(i)	279,637	292,445
Tax liabilities		57,646	31,175
Unsecured bank loans	29	244,320	203,280
		1,120,936	1,130,730
Net current assets		810,326	850,889
Total assets less current liabilities		11,209,210	11,023,697
Non-current liabilities			
Unsecured bank loans	29	601,800	470,120
Net assets		10,607,410	10,553,577
Capital and reserves			
Share capital	32	9,819,731	558,636
Reserves	36	787,679	9,994,941
Total equity		10,607,410	10,553,577

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Equity attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Other reserve HK$'000 *(note a)*	Statutory reserve HK$'000 *(note b)*	Capital contribution reserve HK$'000 *(note c)*	Convertible bonds HK$'000 *(note 33)*	Share options reserve HK$'000 *(note 34)*	Translation reserve HK$'000	Accumulated profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2013	272,542	3,268,906	(5,523,729)	114,006	45,564	6,278,283	–	117,677	2,013,511	6,586,760	176,985	6,763,745
Profit for the year	–	–	–	–	–	–	–	–	972,751	972,751	16,549	989,300
Other comprehensive income for the year	–	–	–	–	–	–	–	148,004	–	148,004	1,958	149,962
Total comprehensive income for the year	–	–	–	–	–	–	–	148,004	972,751	1,120,755	18,507	1,139,262
Dividends recognised as distribution *(note 14)*	–	–	–	–	–	–	–	–	(382,542)	(382,542)	–	(382,542)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(18,977)	(18,977)
Conversion of convertible bonds *(note 33)*	286,094	5,431,148	–	–	–	(5,717,242)	–	–	–	–	–	–
Recognition of equity-settled share-based payment expenses	–	–	–	–	–	–	128,246	–	–	128,246	–	128,246
Transfer to statutory reserve	–	–	–	130,988	–	–	–	–	(130,988)	–	–	–
Acquisition of subsidiaries *(note 39)*	–	–	–	–	–	–	–	–	–	–	5,057	5,057
Acquisition of additional interest in a subsidiary *(note d)*	–	–	–	–	–	–	–	–	(599)	(599)	(12,401)	(13,000)
Disposal of subsidiaries *(note 40)*	–	–	–	–	–	–	–	(2,044)	2,044	–	(24,991)	(24,991)
At 31 December 2013 and 1 January 2014	558,636	8,700,054	(5,523,729)	244,994	45,564	561,041	128,246	263,637	2,474,177	7,452,620	144,180	7,596,800
Profit for the year	–	–	–	–	–	–	–	–	1,268,446	1,268,446	15,885	1,284,331
Other comprehensive expense for the year	–	–	–	–	–	–	–	(223,272)	–	(223,272)	(2,766)	(226,038)
Total comprehensive income for the year	–	–	–	–	–	–	–	(223,272)	1,268,446	1,045,174	13,119	1,058,293
Dividends recognised as distribution *(note 14)*	–	–	–	–	–	–	–	–	(472,641)	(472,641)	–	(472,641)
Dividends paid to non-controlling interest	–	–	–	–	–	–	–	–	–	–	(20,317)	(20,317)
Transfer to statutory reserve	–	–	–	271,602	–	–	–	–	(271,602)	–	–	–
Transfer pursuant to the new Hong Kong Companies Ordinance on 3 March 2014 *(note 32)*	8,700,054	(8,700,054)	–	–	–	–	–	–	–	–	–	–
Conversion of convertible bonds *(note 33)*	561,041	–	–	–	–	(561,041)	–	–	–	–	–	–
Recognition of equity-settled share-based payment expenses	–	–	–	–	–	–	53,187	–	–	53,187	–	53,187
Acquisition of additional interest in a subsidiary *(note d)*	–	–	–	–	–	–	–	–	814	814	(7,054)	(6,240)
Dissolution of a subsidiary *(note e)*	–	–	–	–	–	–	–	(4,467)	4,467	–	–	–
Disposal of a subsidiary *(note 40)*	–	–	–	(1,836)	–	–	–	(629)	2,465	–	(57,554)	(57,554)
At 31 December 2014	9,819,731	–	(5,523,729)	514,760	45,564	–	181,433	35,269	3,006,126	8,079,154	72,374	8,151,528

Notes:

(a) The balance in other reserve as at 1 January 2014 and 31 December 2014 mainly included an amount of HK$5,038,291,000 which represents the difference between the fair value of the deemed consideration under the reverse acquisition of HK$3,288,998,000 and the fair value of the consideration paid by the Company of HK$8,327,289,000 in the reverse acquisition on 29 October 2012.

(b) The statutory reserves were appropriated from the profit after tax of the Company's subsidiaries in the People's Republic of China (the "PRC") under the laws and regulations of the PRC.

(c) The balance in capital contribution reserve represents the deemed contribution by Shijiazhuang Pharmaceutical Group Company Limited ("SPG") which comprise 1) the difference between the carrying amounts of the net assets of entities comprising Robust Sun Holdings Limited ("Robust Sun") and its subsidiaries (collectively referred to as the "Robust Sun Group") and the consideration paid to SPG and its subsidiaries during group reorganisation under the Robust Sun Group in 2012 and 2) the imputed interest arising on loan from SPG (see note 24 for details).

(d) On 25 June 2013 and 29 January 2014, the Group entered into equity transfer agreements with China Charmaine Pharmaceutical Company Limited ("China Charmaine") to acquire additional 45% equity interest in CSPC Huasheng Pharmaceutical Co., Ltd ("Huasheng") and 21.43% equity interest in Unigene Biotechnology Company Limited ("Unigene"), respectively. The transactions were completed on 22 August 2013 and 19 March 2014, respectively. Upon completion of these acquisitions, Huasheng and Unigene became wholly-owned subsidiaries of the Company. Accordingly, the differences between the carrying amounts of net assets attributable to the additional interests acquired at the date of acquisitions and the fair value of considerations paid by the Company for these acquisitions were debited/credited to accumulated profits.

(e) During the year, the Group dissolved an inactive subsidiary as set out in note 43 and the relevant exchange differences of that subsidiary accumulated in translation reserve was transferred to accumulated profits.

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014	2013
	HK$'000	*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	1,621,484	1,247,624
Adjustments for:		
Amortisation of intangible assets	19,850	11,525
Amortisation of prepaid lease payments	15,319	14,227
Depreciation of property, plant and equipment	575,043	630,530
Share-based payment expenses	53,187	128,246
Gain on disposal of subsidiaries	(511)	(154,228)
(Gain) loss on disposal/write-off of property, plant and equipment	(3,402)	11,505
(Gain) loss on fair value change of held for trading investments	(279)	101
Government grant income	(85,547)	(139,179)
Net impairment loss on trade receivables	2,883	190
(Reversal) write down of inventories	(7,342)	15,000
Interest on bank loans	51,232	65,133
Interest income	(7,852)	(5,994)
Imputed interest on amount due to a related company	3,126	7,404
Share of results of		
— an associate	(375)	—
— a joint venture	(588)	14,045
Movements in working capital	2,236,228	1,846,129
Increase in inventories	(28,404)	(36,160)
Increase in trade and other receivables	(138,130)	(168,722)
Increase in bills receivables	(169,619)	(301,904)
Decrease (increase) in trade receivables due from related companies	26,950	(31,055)
Decrease (increase) in derivative financial instruments	3,428	(2,805)
Increase in trade and other payables	220,654	55,924
Decrease in bills payables	(39,911)	(431,912)
(Decrease) increase in trade payables due to related companies	(20,186)	46,448
Increase in trade payable due to an associate	583	—
Decrease in trade payable due to a joint venture	(1,982)	(3,446)
Increase in government grants	61,669	130,960
Cash generated from operations	2,151,280	1,103,457
Income tax paid	(293,156)	(222,741)
Interest paid	(51,670)	(65,853)
NET CASH FROM OPERATING ACTIVITIES	1,806,454	814,863

	Notes	2014 HK$'000	2013 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(806,998)	(597,115)
Placement of restricted bank deposits		(14,802)	(65,808)
Purchase of intangible assets		(6,539)	(17,315)
Acquisition of additional interest in a subsidiary		(6,240)	(13,000)
Withdrawal of restricted bank deposits		37,597	720
Disposal of subsidiaries	*40*	17,991	384,037
Repayment from (advance to) a joint venture		13,583	(26,280)
Proceeds on disposal of property, plant and equipment		12,326	33,448
Interest received		7,852	5,994
Acquisition of subsidiaries	*39*	—	(127,927)
Prepaid lease payments paid		—	(32,911)
Repayment from former subsidiaries	*40*	—	1,065,731
Repayment from related companies		—	14,570
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(745,230)	624,144
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of bank loans		(844,040)	(2,266,736)
Dividends paid		(472,641)	(382,542)
Repayment to related companies		(190,878)	(380,181)
Dividends paid to non-controlling interests		(20,317)	(18,977)
New bank loans raised		781,063	1,319,165
NET CASH USED IN FINANCING ACTIVITIES		(746,813)	(1,729,271)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		314,411	(290,264)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		1,187,751	1,449,977
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(33,741)	28,038
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		1,468,421	1,187,751

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited.

The addresses of the registered office and the principal place of business of the Company are disclosed in the "Corporate Information" section of this annual report.

The Company acts as an investment holding company and its subsidiaries are principally engaged in the manufacture and sale of pharmaceutical products. Details of the subsidiaries are set out in note 43.

The functional currency of the Group is Renminbi ("RMB"), the consolidated financial statements are presented in Hong Kong dollar ("HK$") for the convenience of the shareholders, as the Company is listed in Hong Kong.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

2.1 Amendments to HKFRSs and the new Interpretation that are mandatorily effective for the current year

The Group has applied for the first time in the current year the following amendments to HKFRSs and a new interpretation issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"):

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) — Int 21	Levies

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The Group has applied the amendments to HKFRS 10, HKFRS 12 and HKAS 27 *Investment Entities* for the first time in the current year. The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and

• measure and evaluate performance of substantially all of investments on a fair value basis.

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities.

As the Group is not an investment entity (assessed based on the criteria set out in HKFRS 10 as at 1 January 2014), the application of the amendments has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to HKAS 32 *Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to HKAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The amendments have been applied retrospectively. As the Group does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

The application of the above new Interpretation and other amendments to HKFRSs in the current annual period has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

2.2 New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[5]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 — 2012 Cycle[6]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 — 2013 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 — 2014 Cycle[5]

[1] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
[2] Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with early application permitted.
[3] Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
[4] Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.
[5] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
[6] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' ("FVTOCI") measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

- all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Group is in the process of performing a detail review on assessing the impact of the application of HKFRS 9 and not practical to provide a reasonable estimate of that effect until the assessment has been completed.

HKFRS 15 Revenue from Contracts with Customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Group is in the process of performing a detail review on assessing the impact of the application of HKFRS 15 and not practical to provide a reasonable estimate of that effect until the assessment has been completed.

Amendments to HKAS 27 Equity Method in Separate Financial Statements

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements

- At cost
- In accordance with HKFRS 9 *Financial Instruments* (or HKAS 39 *Financial Instruments: Recognition and Measurement* for entities that have not yet adopted HKFRS 9), or
- Using the equity method as described in HKAS 28 *Investments in Associates and Joint Ventures*.

The accounting option must be applied by category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.

In addition to the amendments to HKAS 27, there are consequential amendments to HKAS 28 to avoid a potential conflict with HKFRS 10 *Consolidated Financial Statements* and to HKFRS 1 *First time Adoption of Hong Kong Financial Reporting Standards*. The directors of the Company do not anticipate that the application of these amendments to HKAS 27 will have a material impact on the Group's consolidated financial statements.

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to HKAS 28:

- The requirements on gains and losses resulting from transactions between an entity and its associate or joint venture have been amended to relate only to assets that do not constitute a business.
- A new requirement has been introduced that gains or losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognised in full in the investor's financial statements.
- A requirement has been added that an entity needs to consider whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as a single transaction.

Amendments to HKFRS 10:

- An exception from the general requirement of full gain or loss recognition has been introduced into HKFRS 10 for the loss control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method.

- New guidance has been introduced requiring that gains or losses resulting from those transactions are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement at fair value of investments retained in any former subsidiary that has become an associate or a joint venture that is accounted for using the equity method are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The directors of the Company do not anticipate that the application of these amendments to HKFRS 10 and HKAS 28 will have a material impact on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2010-2012 Cycle

The *Annual Improvements to HKFRSs 2010-2012 Cycle* include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors of the Company do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2011-2013 Cycle

The *Annual Improvements to HKFRSs 2011-2013 Cycle* include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

The directors of the Company do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2012-2014 Cycle

The *Annual Improvements to HKFRSs 2012-2014 Cycle* include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 introduce specific guidance in HKFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued. The amendments apply prospectively.

The amendments to HKFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets and clarify that the offsetting disclosures (introduced in the amendments to HKFRS 7 *Disclosure — Offsetting Financial Assets and Financial Liabilities* issued in December 2011 and effective for periods beginning on or after 1 January 2013) are not explicitly required for all interim periods. However, the disclosures may need to be included in condensed interim financial statements to comply with *HKAS 34 Interim Financial Reporting*.

The amendments to HKAS 19 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level. The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are first applied. Any initial adjustment arising should be recognised in retained earnings at the beginning of that period.

The amendments to HKAS 34 clarify the requirements relating to information required by HKAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

The directors of the Company do not anticipate that the application of these will have a material effect on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA and comply with the applicable requirements of the Hong Kong Companies Ordinance which concern the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Company Ordinance (Cap. 32) in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Account and Audit", as set out in sections 76 to 87 of Schedule 11 to that Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Basis of preparation

The consolidated financial statements has been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17 and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has the rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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 listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specially, income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if the results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group transactions, balances, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

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

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

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

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

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

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

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

Goodwill

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

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

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

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

The Group's policy for goodwill arising on the acquisition of an associate is described below.

Investments in subsidiaries

Investments in subsidiaries are included in the Group's statement of financial position at cost less any identified impairment losses.

Investment in an associate and a joint venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

The results and assets and liabilities of associate or joint venture are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of associate or joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group' consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods is recognised when goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service income is recognised when services are provided.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of or partial disposal involving loss of control over subsidiaries which are not foreign operations, all of the relevant exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to accumulated profits.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of foreign operation are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme and state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Share-based payment arrangements

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 34.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share capital. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated profits.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, interests in an associate and a joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment (including buildings) held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below) are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of items of assets other than properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is included in profit or loss.

Buildings under development for future owner-occupied purpose

When buildings are in the course of development for production or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

Internally generated intangible assets — Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for an internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basic as intangible assets that are acquired separately.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured at the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment loss on tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provision are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments, other than those financial assets classified as at FVTPL.

Financial assets are classified as at FVTPL when the financial asset is either held for trading or designate as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial assets and is included in other income or other expenses in the consolidated statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in note 6c.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bills receivables, trade receivables due from related companies, amount due from a joint venture, amounts due from subsidiaries, restricted bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

AFS financial assets

Available-for-sales financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment of financial assets below).

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When trade receivables, are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses were recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities (including trade and other payables, bills payables, trade payables due to related companies, trade payable to an associate, trade payable due to a joint venture, amounts due to related companies, amount due to a subsidiary and unsecured bank loans) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. KEY SOURCE OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Group are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. As at 31 December 2014, the carrying amount of goodwill was approximately HK$125,060,000 (2013: HK$128,438,000). Details of the recoverable amount calculation are disclosed in note 17.

Estimated impairment of trade receivables

When there is an objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss 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 been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2014, the carrying amounts of the Group's trade receivable were approximately HK$1,694,691,000 (2013: HK$1,719,240,000), net of allowance for doubtful debts of approximately HK$4,395,000 (2013: HK$1,588,000).

Useful lives and impairment assessment of property, plant, and equipment

At the end of each reporting period, the Group's management reviews the estimated useful lives and the depreciation method in determining the related depreciation charges for its property, plant and equipment. This estimation is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. In addition, management assesses impairment whenever events or changes in circumstance indicate that the carrying amount of an asset may not be recoverable. Management will increase the depreciation charge where actual useful lives are expected to be shorter than expected, or will write off or write down obsolete or non-strategic assets that have been abandoned or sold. As at 31 December 2014, the carrying amounts of property, plant and equipment were approximately HK$5,049,087,000 (2013: HK$4,961,171,000). Details of the movement for property, plant and equipment are disclosed in note 15.

Write-down of inventories

Inventories are valued at the lower of cost and net realisable value. Also, the Group regularly inspects and reviews the aging of the inventories to identify slow-moving and obsolete inventories. When the Group identifies items of inventories which have a market price that is lower than its carrying amount or are slow-moving or obsolete, the Group would write down inventories in that year. As at 31 December 2014, the carrying amounts of the inventories were approximately HK$1,805,749,000 (2013: HK$1,855,188,000), net of provision for inventories of approximately HK$7,658,000 (2013: HK$15,000,000).

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the borrowings as disclosed in note 29 and amounts due to related companies in note 24, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, retained profits and other reserves.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt and the redemption of existing debt.

6. FINANCIAL INSTRUMENTS

6a. Categories of financial instruments

	The Group		The Company	
	2014	**2013**	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
FVTPL				
— derivative financial instruments	—	3,428	—	3,428
— held for trading investments	703	438	—	—
Loans and receivables (including cash and cash equivalents)	4,538,035	4,233,363	2,284,302	2,332,957
Available-for-sale investment	1,705	1,705	—	—
Financial liabilities				
Amortised cost	3,627,484	4,051,808	1,645,953	1,544,041

6b. Financial risk management objectives and policies

The major financial instruments of the Group and the Company include available-for-sale investment, trade and other receivables, bills receivables, trade receivables due from related companies, amount due from a joint venture, amounts due from subsidiaries, held for trading investments, restricted bank deposits, bank balances and cash, trade and other payables, bills payables, trade payables due to related companies, trade payable due to an associate, trade payable due to a joint venture, amounts due to related companies, amount due to a subsidiary, unsecured bank loans and derivative financial instruments. Details of these financial instruments are disclosed in respective notes. The risks associated with certain of these financial instruments include market risk (represented by currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Market risk

(i) Currency risk

The Group mainly operates in the PRC with most of the transactions denominated and settled in RMB. However, several subsidiaries of the Company have foreign currency sales, mainly denominated in United States dollars ("USD"), and bank balances and cash denominated in USD and HK$, and the Company has raised HK$ bank loans and USD bank loans, which expose the Group and the Company to foreign currency risk.

The Group and the Company currently do not have a foreign currency hedging policy. However, management will monitor foreign exchange exposure closely and consider the use of hedging instruments should the need arise.

The carrying amounts of foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period that are considered significant by the management are as follows:

	The Group				**The Company**			
	Liabilities		**Assets**		**Liabilities**		**Assets**	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
HK$	888,637	864,455	24,515	90,249	1,408,833	1,442,641	18,612	68,202
USD	237,120	101,400	570,933	567,867	237,120	101,400	4,567	7,858

Sensitivity analysis

The Group and the Company are mainly exposed to HK$ and USD.

The following tables detail the sensitivity of the Group and the Company to a 5% (2013: 5%) increase and decrease in RMB against HK$ and USD. A 5% (2013: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 5% (2013: 5%) change in foreign currency rates. A positive number below indicates an increase in post-tax profit where RMB strengthens 5% (2013: 5%) against the relevant currency. For a 5% (2013: 5%) weakening of RMB against the relevant currency, there would be an equal and opposite impact on the post-tax profit and the balances below would be negative.

	The Group				The Company			
	HK$ Impact *(i)*		**USD Impact** *(ii)*		**HK$ Impact** *(i)*		**USD Impact** *(ii)*	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Post-tax profit	34,349	30,775	(13,269)	(18,542)	58,042	57,353	9,709	3,905

(i) This is mainly attributable to the exposure outstanding on HK$ bank balances, amounts due to related companies and bank loans at year-end.

(ii) This is mainly attributable to the exposure outstanding on USD bank balances, derivative financial assets and bank loans at year-end.

(ii) *Interest rate risk*

The Group is also exposed to fair value interest rate risk primarily in relation to the fixed-rate borrowings (see note 29 for details of these loans), which are raised from the banks in the PRC and Hong Kong.

The Group and the Company are exposed to cash flow interest rate risk primarily in relation to the floating-rate bank borrowings (see note 29 for details of these borrowings). It is the policy of the Group and the Company to, wherever possible, incur borrowings at floating rate of interests so as to minimise the fair value interest rate risk. Floating-rate bank balances expose the Group and the Company to cash flow interest rate risk due to the fluctuation of the prevailing interest rates. The directors of the Company consider the Group's exposure is not significant as the bank deposit interest rates have no material fluctuation during the year.

The exposures to interest rates on financial liabilities of the Group are detailed in the liquidity risk management section of this note. The cash flow interest rate risk of the Group and the Company is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate ("HIBOR"), London Interbank Offered Rate ("LIBOR") and benchmark interest rate of the PRC ("Benchmark Rate") arising from the Group's HK$ loans, USD loans raised by the Company and RMB loans raised by certain subsidiaries of the Company, respectively.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for floating-rate bank borrowings. The analysis is prepared assuming the financial liabilities outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point (2013: 50 basis point) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

For the year ended 31 December 2014 and 2013, if interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's and the Company's post-tax profit would decrease/increase by approximately HK$3,432,000 (2013: HK$5,327,000) and HK$3,324,000 (2013: HK$2,811,000), respectively.

(iii) Other price risk

The Group is exposed to equity price risk through its investments in held for trading listed equity investments. The directors consider the effect of changes in equity prices on the Group is insignificant and therefore, no sensitivity analysis is presented.

Credit risk

As at 31 December 2014, the maximum exposure to credit risk by the Group and the Company which will cause a financial loss to the Group and the Company due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue trade debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group's geographical concentration of credit risk on trade receivables, bills receivables, trade receivables due from related companies, amount due from a joint venture, amounts due from related companies, restricted bank deposits and bank balances and cash by geographical location is mainly in the PRC. The Group and the Company has no other significant concentration of credit risk with exposure spread over a number of counterparties.

The credit risk on liquid funds of the Group and the Company is limited because the counterparties are banks with good reputation.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the operations of the Group and the Company and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with the relevant loan covenants.

The Group and the Company relies on bank borrowings as a significant source of liquidity. As at 31 December 2014, the Group and the Company have available unutilised bank loan facilities of HK$180,000,000 (2013: HK$306,000,000). Details of which are set out in note 29.

The following tables detail the Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from rate curve at the end of the reporting period.

The Group

As at 31 December 2014

	Weighted average effective interest rate	Less than 1 month or on demand	1-3 months	3 months to 1 year	1-3 years	Total undiscounted cash flows	Carrying amount at 31.12.2014
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-derivative financial liabilities							
Trade and other payables	—	1,834,720	12,420	22,371	—	1,869,511	1,869,511
Bills payables	—	—	164,938	62,212	—	227,150	227,150
Trade payables due to related companies	—	26,483	—	—	—	26,483	26,483
Trade payables to an associate	—	576	—	—	—	576	576
Amounts due to related companies	—	277,894	—	—	—	277,894	277,894
Unsecured bank loans							
— floating-rate	3.05	—	80,109	184,021	628,999	893,129	863,370
— fixed-rate	5.22	—	—	381,410	—	381,410	362,500
		2,139,673	257,467	650,014	628,999	3,676,153	3,627,484

As at 31 December 2013

	Weighted average effective interest rate	Less than 1 month or on demand	1-3 months	3 months to 1 year	1-3 years	Total undiscounted cash flows	Carrying amount at 31.12.2013
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities							
Trade and other payables	—	1,860,905	35,837	16,810	—	1,913,552	1,913,552
Bills payables	—	—	82,051	191,346	—	273,397	273,397
Trade payables due to related companies	—	47,607	—	—	—	47,607	47,607
Trade payables due to a joint venture	—	2,007	—	—	—	2,007	2,007
Amounts due to related companies	—	475,179	—	—	—	475,179	475,179
Unsecured bank loans							
— floating-rate	3.56	—	53,998	443,582	715,311	1,212,891	1,160,580
— fixed-rate	5.54	—	40,593	148,842	—	189,435	179,486
		2,385,698	212,479	800,580	715,311	4,114,068	4,051,808

The Company

As at 31 December 2014

	Weighted average effective interest rate	Less than 1 month or on demand	1-3 months	3 months to 1 year	1-3 years	Total undiscounted cash flows	Carrying amount at 31.12.2014
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities							
Amount due to a subsidiary	—	520,196	—	—	—	520,196	520,196
Amounts due to related companies	—	279,637	—	—	—	279,637	279,637
Unsecured bank loans							
— floating-rate	2.98	—	73,878	177,726	623,121	874,725	846,120
		799,833	73,878	177,726	623,121	1,674,558	1,645,953

As at 31 December 2013

	Weighted average effective interest rate	Less than 1 month or on demand	1-3 months	3 months to 1 year	1-3 years	Total undiscounted cash flows	Carrying amount at 31.12.2013
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities							
Amount due to a subsidiary	—	578,196	—	—	—	578,196	578,196
Amounts due to related companies	—	292,445	—	—	—	292,445	292,445
Unsecured bank loans							
— floating-rate	2.04	—	53,202	154,220	485,875	693,297	673,400
		870,641	53,202	154,220	485,875	1,563,938	1,544,041

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

6c. Fair value measurement

The fair value of the Group's financial assets that are measured at fair value on a recurring basis at the end of each reporting period are determined as set out in the following table.

Financial assets	Fair value as at 31 December 2014 *HK$'000*	Fair value as at 31 December 2013 *HK$'000*	Fair value hierarchy	Valuation techniques and key input(s)
Foreign currency derivatives and structured forward contract classified as derivative	—	3,428	Level 2	Discounted cash flow. Future cash flows are estimated based on financial instruments on forward interest rates from observable yield curves at the end of the reporting period and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.
Held-for-trading non-derivative financial assets comprised of equity securities listed in the PRC and classified as held for trading investments	703	438	Level 1	Quoted bid prices in an active market

The directors consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

The fair value hierarchy of financial instruments at the end of reporting period is as follows:

	Level 1 *HK$'000*	**Level 2** *HK$'000*	**Total** *HK$'000*
2014			
Financial assets			
Held for trading investments	703	—	703

	Level 1 *HK$'000*	**Level 2** *HK$'000*	**Total** *HK$'000*
2013			
Financial assets			
Derivative financial instruments	—	3,428	3,428
Held for trading investments	438	—	438
Total	438	3,428	3,866

There were no transfers between Level 1 and 2 during the years.

7. REVENUE AND SEGMENT INFORMATION

	2014	2013
	HK$'000	*HK$'000*
Sale of goods	10,955,077	9,949,103

The Group's operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the board of directors, being the chief operating decision maker, for the purpose of resources allocation and assessment of segment performance.

The Group's reportable and operating segments for financial reporting purposes are as follows:

(a) Finished drugs

(b) Antibiotics (intermediates and bulk drugs)

(c) Vitamin C (bulk drugs)

(d) Caffeine and others (bulk drugs)

All reportable segments are engaged in the manufacture and sales of pharmaceutical products.

Segment revenues and results

The following is an analysis of the Group's revenue and results by operating and reportable segment.

For the year ended 31 December 2014

	Finished drugs	Antibiotics	Vitamin C	Caffeine and others	Segment total	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
SEGMENT REVENUE							
External sales	6,716,184	2,369,864	1,243,347	625,682	10,955,077	—	10,955,077
Inter-segment sales	—	47,514	6,794	8,332	62,640	(62,640)	—
TOTAL REVENUE	6,716,184	2,417,378	1,250,141	634,014	11,017,717	(62,640)	10,955,077
Inter-segment sales are charged at prevailing market rates.							
SEGMENT PROFIT (LOSS)	1,635,411	155,929	(87,666)	122,688	1,826,362	—	1,826,362
Unallocated income							7,849
Unallocated expenses							(159,843)
Operating profit							1,674,368
Finance costs							(54,358)
Share of results of							
— an associate							375
— a joint venture							588
Gain on disposal of a subsidiary							511
Profit before tax							1,621,484

For the year ended 31 December 2013

	Finished drugs	Antibiotics	Vitamin C	Caffeine and others	Segment total	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
SEGMENT REVENUE							
External sales	5,753,847	2,446,370	1,116,433	632,453	9,949,103	—	9,949,103
Inter-segment sales	—	99,108	8,347	7,053	114,508	(114,508)	—
TOTAL REVENUE	5,753,847	2,545,478	1,124,780	639,506	10,063,611	(114,508)	9,949,103
Inter-segment sales are charged at prevailing market rates.							
SEGMENT PROFIT (LOSS)	1,319,825	53,930	(135,986)	149,206	1,386,975	—	1,386,975
Unallocated income							7,720
Unallocated expenses							(214,717)
Operating profit							1,179,978
Finance costs							(72,537)
Share of results of a joint venture							(14,045)
Gain on disposal of subsidiaries							154,228
Profit before tax							1,247,624

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit (loss) represents the profit earned/loss recognised by each segment without allocation of interest income, finance costs, central administrative expenses, share of results of an associate and a joint venture and gain on disposal of subsidiaries. This is the measure reported to the board of directors for the purposes of resource allocation and performance assessment.

Geographical information

The following is an analysis of the Group's revenue by geographical market based on geographical location of customers:

	2014	**2013**
	HK$'000	*HK$'000*
The PRC (country of domicile)	8,164,521	7,099,136
Other Asian regions	1,134,235	1,361,914
Americas *(Note)*	790,634	664,579
Europe	711,190	665,940
Others	154,497	157,534
	10,955,077	9,949,103

Note: The majority of revenue came from sales of pharmaceutical products in the United States of America (the "United States").

The Group's operations are substantially based in the PRC and significantly all non-current assets of the Group are located in the PRC. Therefore, no further analysis of geographical information is presented.

None of the Group's customers contributed over 10% of the total revenue of the Group for both years.

8. FINANCE COSTS

	2014	**2013**
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	51,232	65,133
Imputed interest on amount due to a related company *(note 24)*	3,126	7,404
	54,358	72,537

9. PROFIT BEFORE TAX

	2014	**2013**
	HK$'000	*HK$'000*
Profit before tax has been arrived at after charging (crediting):		
Staff costs, including directors' and chief executive's remuneration *(note 11)*		
— salaries, wages and other benefits	919,282	826,729
— contribution to retirement benefit schemes	106,704	99,455
— share-based payment expenses (included in administrative expenses)	53,187	128,246
Total staff costs	1,079,173	1,054,430
Amortisation of intangible assets (included in cost of sales)	19,850	11,525
Amortisation of prepaid lease payments	15,319	14,277
Depreciation of property, plant and equipment	575,043	630,530
Total depreciation and amortisation	610,212	656,332
Auditor's remuneration	3,600	3,700
(Gain) loss on disposal/write-off of property, plant and equipment (included in other income/other expenses)	(3,402)	11,505
Government grant income *(note 31)*	(85,547)	(139,179)
Interest income	(7,852)	(5,994)
(Reversal) write down of inventories (included in cost of sales)	(7,342)	15,000
Net foreign exchange loss (gains)	4,518	(17,506)
Rental expenses	31,268	15,461
Net impairment loss on trade receivables	2,883	190
Research and development expenditure recognised as an expense (included in other expenses)	307,223	212,462

Note: Cost of inventories recognised as an expense approximated cost of sales as shown in the consolidated statement of profit or loss and other comprehensive income for the years ended 31 December 2014 and 2013.

10. INCOME TAX EXPENSE

	2014	2013
	HK$'000	*HK$'000*
The tax charge comprises:		
Current taxation		
— PRC Enterprise Income Tax ("PRC EIT")	300,781	224,395
— PRC withholding tax on dividends distributed by subsidiaries	32,422	49,775
	333,203	274,170
Deferred taxation *(note 30)*	3,950	(15,846)
	337,153	258,324

The Company and its subsidiaries incorporated in Hong Kong are subject to 16.5% of the estimated assessable profit under Hong Kong Profits Tax. No Hong Kong Profits Tax has been recognised as the Company and its subsidiaries incorporated in Hong Kong had no assessable income for both years.

The basic tax rate of the Company's PRC subsidiaries is 25%, under the law of the PRC on Enterprise Income Tax (the "EIT Law") and implementation regulations of the EIT law. Certain subsidiaries of the Company are qualified as advanced technology enterprises and have obtained approvals from the relevant tax authorities for the applicable tax rate reduced to 15% for a period of 3 years up to 2017. PRC EIT had been relieved by HK$1,847,000 for the year ended 31 December 2013 as a result of tax losses brought forward from previous years.

Capital gain tax was determined at the applicable PRC withholding tax rate of 10% based on the surplus of sales proceeds from disposal of subsidiaries over investment cost of those disposed subsidiaries as set out in note 40 according to the relevant tax rule in the PRC.

The tax charge for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2014	2013
	HK$'000	*HK$'000*
Profit before tax	1,621,484	1,247,624
Tax at the PRC EIT rate of 25% (2013: 25%)	405,371	311,906
Tax effect of income not taxable for tax purpose	(7,611)	(44,530)
Tax effect of expenses not deductible for tax purpose	84,678	82,503
Tax effect of share of results of an associate	(94)	—
Tax effect of share of results of a joint venture	(147)	3,511
Utilisation of tax losses previously not recognised	—	(1,847)
Tax effect of tax losses not recognised	27,565	49,124
Effect of tax exemption, relief and concessions granted to PRC subsidiaries	(203,775)	(166,643)
PRC withholding tax on dividends distributed by subsidiaries	31,166	24,300
Tax charge for the year	337,153	258,324

Details of deferred taxation and unused tax losses are set out in note 30.

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the 20 (2013: 17) directors were as follows:

2014

	Mr. Cai Dongchen HK$'000 (Chairman and Chief Executive)	Mr. Feng Zhenying HK$'000	Mr. Chak Kin Man HK$'000	Mr. Pan Weidong HK$'000	Mr. Zhao John Huan HK$'000	Mr. Wang Shunlong HK$'000	Mr. Wang Huaiyu HK$'000	Mr. Lu Jianmin HK$'000	Mr. Wang Zhenguo HK$'000	Mr. Wang Jinxu HK$'000	Mr. Lee Ka Sze, Carmelo HK$'000	Mr. Chan Siu Keung, Leonard HK$'000	Mr. Wang Bo HK$'000	Mr. Huo Zhenxing HK$'000 (note (ii))	Mr. Qi Moujia HK$'000 (note (ii))	Mr. Guo Shichang HK$'000 (note (iii))	Mr. Zhang Fawang HK$'000 (note (iii))	Mr. Lo Yuk Lam HK$'000 (note (iv))	Mr. Yu Jinming HK$'000 (note (iv))	Mr. Chen Shilin HK$'000 (note (iv))	Total HK$'000
Fees	60	60	60	60	–	–	60	60	60	60	350	250	80	–	–	–	–	70	47	47	1,324
Salaries and other benefits	4,365	797	2,046	795	–	–	798	798	798	793	–	–	–	–	–	–	–	–	–	–	11,190
Contribution to retirement benefit schemes	404	55	189	55	–	–	55	55	55	56	–	–	–	–	–	–	–	–	–	–	924
Share-based payment expenses	28,366	1,064	1,064	3,546	–	–	5,318	3,546	1,064	1,064	–	–	–	–	–	–	–	–	–	–	45,032
Total emoluments	33,195	1,976	3,359	4,456	–	–	6,231	4,459	1,977	1,973	350	250	80	–	–	–	–	70	47	47	58,470

2013

	Mr. Cai Dongchen HK$'000 (Chairman and Chief Executive)	Mr. Feng Zhenying HK$'000	Mr. Chak Kin Man HK$'000	Mr. Pan Weidong HK$'000	Mr. Zhao John Huan HK$'000	Mr. Wang Shunlong HK$'000	Mr. Wang Huaiyu HK$'000	Mr. Lu Jianmin HK$'000	Mr. Wang Zhenguo HK$'000	Mr. Wang Jinxu HK$'000	Mr. Lee Ka Sze, Carmelo HK$'000	Mr. Chan Siu Keung Leonard HK$'000	Mr. Wang Bo HK$'000	Mr. Huo Zhenxing HK$'000	Mr. Qi Moujia HK$'000	Mr. Guo, Shichang HK$'000	Mr. Zhang Fawang HK$'000	Total HK$'000
Fees	60	60	60	60	–	–	60	60	60	35	300	150	66	66	66	66	66	1,235
Salaries and other benefits	4,264	760	1,948	760	–	–	760	760	760	760	–	–	–	–	–	–	–	10,772
Contribution to retirement benefit schemes	434	50	180	50	–	–	50	50	50	50	–	–	–	–	–	–	–	914
Performance related incentive payment *(note (i))*	6,500	–	2,000	–	–	–	–	–	–	–	–	–	–	–	–	–	–	8,500
Share-based payment expenses	68,397	2,565	2,565	8,550	–	–	12,824	8,550	2,565	2,565	–	–	–	–	–	–	–	108,581
Total emoluments	79,655	3,435	6,753	9,420	–	–	13,694	9,420	3,435	3,410	300	150	66	66	66	66	66	130,002

Notes:

(i) The performance related incentive payment is determined by the remuneration committee for the year ended 31 December 2013 having regard to the performance of Group, performance and responsibilities of individuals as well as prevailing market practices. No remuneration was paid by the Group to the directors of the company as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, none of the directors waived any emoluments in both years.

(ii) Mr. Huo Zhenxing and Mr. Qi Moujia retired as independent non-executive directors on 20 May 2014.

(iii) Mr. Guo Shichang and Mr. Zhang Fawang resigned as independent non-executive directors on 19 March 2014 and 1 June 2014 respectively.

(iv) Mr. Lo Yuk Lam, Mr. Yu Jinming and Mr. Chen Shilin were appointed as independent non-executive directors on 1 June 2014.

Mr. Cai Dongchen is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

12. EMPLOYEES' EMOLUMENTS

The five highest paid individuals of the Group for the year ended 31 December 2014 included 5 (2013: 5) directors and the chief executive of the Company, details of their emoluments are set out in note 11 above.

No emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office in both years.

13. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2014	**2013**
	HK$'000	*HK$'000*
Earnings		
Earnings for the purpose of basic and diluted earnings per share	1,268,446	972,751

	2014	**2013**
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	5,908,018	5,562,186
Effect of dilutive potential ordinary shares:		
Tranche II Convertible Bonds (as defined in note 33) as if converted	—	317,247
Share options granted by the Company	59,664	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	5,967,682	5,879,433

The computation of diluted earnings per share in 2013 does not assume the exercise of the Company's share options because the adjusted exercise price of those options was higher than the average market price for shares from the date of grant of the options to end of that reporting period.

14. DIVIDENDS

	2014	**2013**
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
2013 Final, paid — HK8 cents (2013: 2012 Final, paid — HK10 cents) per share	472,641	382,542

The directors recommend the payment of a final dividend of HK10 cents (2013: HK8 cents) per share in respect of the year ended 31 December 2014. Subject to approval by the shareholders in the forthcoming annual general meeting, the proposed final dividend will be paid on or around 15 June 2015 to shareholders of the Company whose names appear on the register of members of the Company on 2 June 2015.

15. PROPERTY, PLANT AND EQUIPMENT

THE GROUP

	Buildings in the PRC *HK$'000*	Plant and machinery *HK$'000*	Furniture, fixtures and office equipment *HK$'000*	Motor vehicles *HK$'000*	Construction in progress *HK$'000*	Total *HK$'000*
COST						
At 1 January 2013	2,472,050	3,388,303	110,035	27,611	521,583	6,519,582
Exchange adjustments	57,675	82,551	3,072	689	12,368	156,355
Additions	7,824	104,714	6,643	3,505	368,481	491,167
Acquired on acquisition of subsidiaries *(note 39)*	13,114	8,362	2,606	—	96,232	120,314
Transfers	127,064	354,230	14,337	—	(495,631)	—
Disposals/write-off	—	(113,636)	(243)	(1,626)	—	(115,505)
Disposal of subsidiaries *(note 40)*	(595,006)	(712,015)	(3,681)	(3,333)	(44,632)	(1,358,667)
At 31 December 2013	2,082,721	3,112,509	132,769	26,846	458,401	5,813,246
Exchange adjustments	(55,920)	(84,226)	(3,753)	(690)	(11,244)	(155,833)
Additions	12,663	148,128	9,471	824	705,461	876,547
Transfers	296,434	417,807	1,288	4,693	(720,222)	—
Disposals/write-off	(2,120)	(30,786)	(1,648)	(4,000)	—	(38,554)
Disposal of a subsidiary *(note 40)*	(41,648)	(54,179)	(386)	(2,477)	—	(98,690)
At 31 December 2014	2,292,130	3,509,253	137,741	25,196	432,396	6,396,716
DEPRECIATION						
At 1 January 2013	112,238	260,684	10,592	1,696	—	385,210
Exchange adjustments	4,694	11,209	648	157	—	16,708
Provided for the year	148,641	441,567	29,868	10,454	—	630,530
Eliminated on disposals/write-off	—	(69,088)	(217)	(1,247)	—	(70,552)
Eliminated on disposal of subsidiaries *(note 40)*	(27,024)	(80,267)	(1,422)	(1,108)	—	(109,821)
At 31 December 2013	238,549	564,105	39,469	9,952	—	852,075
Exchange adjustments	(7,645)	(18,645)	(1,532)	(328)	—	(28,150)
Provided for the year	134,975	397,616	32,674	9,778	—	575,043
Eliminated on disposals/write-off	(891)	(23,943)	(1,266)	(3,530)	—	(29,630)
Eliminated on disposal of a subsidiary *(note 40)*	(5,344)	(14,201)	(385)	(1,779)	—	(21,709)
At 31 December 2014	359,644	904,932	68,960	14,093	—	1,347,629
CARRYING VALUES						
At 31 December 2014	1,932,486	2,604,321	68,781	11,103	432,396	5,049,087
At 31 December 2013	1,844,172	2,548,404	93,300	16,894	458,401	4,961,171

At 31 December 2014, the aggregate carrying value of buildings in the PRC for which the Group has not been granted formal title amounted to approximately HK$163,877,000 (2013: HK$167,406,000). In the opinion of the directors, as the buildings are currently in use and generate economic benefits to the Group, there is no impairment of the relevant buildings. The directors also believe that formal title to these buildings will be granted to the Group in due course.

THE COMPANY

	Furniture, fixtures and office equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
COST			
At 1 January 2013	1,403	1,005	2,408
Addition	78	—	78
At 31 December 2013 and 31 December 2014	1,481	1,005	2,486
DEPRECIATION			
At 1 January 2013	1,383	1,005	2,388
Provided for the year	18	—	18
At 31 December 2013	1,401	1,005	2,406
Provided for the year	22	—	22
At 31 December 2014	1,423	1,005	2,428
CARRYING VALUES			
At 31 December 2014	58	—	58
At 31 December 2013	80	—	80

The above items of property, plant and equipment, except for construction in progress, are depreciated on a straight-line basis at the following rates per annum:

Buildings in the PRC	Over the shorter of the relevant lease, or 20 to 25 years
Plant and machinery	5%-10%
Furniture, fixtures and office equipment	20%-33.33%
Motor vehicles	20%

16. PREPAID LEASE PAYMENTS

	2014	2013
	HK$'000	*HK$'000*
Analysed for reporting purpose as:		
Current asset	14,928	16,909
Non-current asset	498,522	547,754
	513,450	564,663

Prepaid lease payments comprise medium-term leasehold land in the PRC.

17. GOODWILL AND IMPAIRMENT TESTING ON GOODWILL

	HK$'000
COST	
At 1 January 2013	102,716
Exchange adjustments	3,245
Arising on acquisition of subsidiaries *(note 39)*	22,477
At 31 December 2013	128,438
Exchange adjustments	(3,378)
At 31 December 2014	125,060

For the purpose of impairment testing, goodwill has been allocated to the following cash-generating units:

	2014	2013
	HK$'000	*HK$'000*
OYY Group	102,717	105,350
Baike Group (as defined in note 39)	22,343	23,088
	125,060	128,438

During the years ended 31 December 2014 and 2013, management of the Group determines that there is no impairment of the above-mentioned cash-generating units containing the goodwill.

The recoverable amounts of CSPC Ouyi Pharmaceutical Co., Ltd, ("OYY") and its subsidiaries (collectively referred to as "OYY Group") and Baike Group have been determined on the basis of value in use calculations. Their recoverable amounts are based on certain similar key assumptions. The value in use calculations use cash flow projections based on financial budgets approved by management covering a 5-year period. The rates used to discount the projected cash flows of OYY Group and Baike Group are 12% and 18% (2013: 12% and 19%) per annum respectively. Both sets of cash flows beyond the 5-year period are extrapolated based on past trends of pricing cycle of the Group's pharmaceutical products. Another key assumption for both value in use calculations is the budgeted gross margin, which is determined based on the units' past performance and management's expectations for the market development. Management believes that any reasonably possible changes in any of these assumptions would not cause the aggregate carrying amount of OYY Group and Baike Group to exceed the aggregate recoverable amount of these units.

18. OTHER INTANGIBLE ASSETS

THE GROUP

	License and patent *HK$'000*	**Development costs** *HK$'000*	**Total** *HK$'000*
COST			
At 1 January 2013	2,037	28,611	30,648
Exchange adjustments	1,293	898	2,191
Addition	—	17,315	17,315
Acquired on acquisition of subsidiaries *(note 39)*	96,725	—	96,725
Disposal of subsidiaries *(note 40)*	—	(1,232)	(1,232)
At 31 December 2013	100,055	45,592	145,647
Exchange adjustments	(2,501)	(1,170)	(3,671)
Addition	—	6,539	6,539
At 31 December 2014	97,554	50,961	148,515
AMORTISATION			
At 1 January 2013	326	7,176	7,502
Exchange adjustments	52	203	255
Provided for the year	3,421	8,104	11,525
Eliminated on disposal of subsidiaries *(note 40)*	—	(1,232)	(1,232)
At 31 December 2013	3,799	14,251	18,050
Exchange adjustments	(218)	(456)	(674)
Provided for the year	9,851	9,999	19,850
At 31 December 2014	13,432	23,794	37,226
CARRYING VALUES			
At 31 December 2014	84,122	27,167	111,289
At 31 December 2013	96,256	31,341	127,597

Development costs mainly represent costs internally generated or techniques and formulae acquired from third parties for the development of products and production technology.

The above intangible assets have finite useful lives and are amortised on a straight-line basis over the following periods:

License and patent	3 to 10 years
Development costs	5 to 10 years

19. INTEREST IN AN ASSOCIATE

	2014	**2013**
	HK$'000	*HK$'000*
Cost of unlisted investment in an associate *(note 40)*	56,362	—
Share of post-acquisition profit	375	—
Exchange adjustments	(5)	—
	56,732	—

As at 31 December 2014, the Group held 40% of the registered capital of Siping City Fine Chemicals Product Co. Ltd. ("Siping") upon disposal of its 20% equity interest in Siping on 1 November 2014 as set out in note 40. Siping is a sino-foreign equity joint venture company established in the PRC to manufacture and sell pharmaceutical products.

Summarised financial information in respect of the Group's associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

The associate is accounted for using the equity method in these consolidated financial statements since the above-mentioned disposal.

	2014
	HK$'000
Current assets	163,109
Non-current assets	99,306
Current liabilities	120,586
Non-current liabilities	—

	1.11.2014 to 31.12.2014
	HK$'000
Revenue	51,863
Profit for the year	936
Other comprehensive expenses for the year	(12)
Total comprehensive income for the year	924

Reconciliation of the above summarised financial information to the carrying amount of the interest in Siping recognised in the consolidated financial statements:

	2014
	HK$'000
Net assets of Siping	141,829
Proportion of the Group's ownership interest in Siping	40%
Carrying amount of the Group's interest in Siping	56,732

20. INTEREST IN A JOINT VENTURE

	2014	2013
	HK$'000	*HK$'000*
Cost of unlisted investment in a joint venture	36,495	36,495
Share of post-acquisition losses	(17,438)	(18,026)
Exchange adjustments	(890)	(431)
	18,167	18,038

At 31 December 2014 and 2013, the Group held 50% of the registered capital and voting rights of Hebei Huarong Pharmaceutical Co., Ltd. ("Huarong") which is a sino-foreign equity joint venture company established in the PRC to manufacture and sell vitamin B12 products.

Summarised financial information in respect of the Group's joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

The joint venture is accounted for using the equity method in these consolidated financial statements.

	2014	2013
	HK$'000	*HK$'000*
Current assets	134,979	117,679
Non-current assets	146,199	179,900
Current liabilities	236,149	251,195
Non-current liabilities	8,695	10,308
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	5,559	21,832
Current financial liabilities (excluding trade and other payables and provisions)	91,250	57,692
Revenue	364,356	294,468
Profit (loss) for the year	1,175	(28,090)
Other comprehensive expenses for the year	(917)	(674)
Total comprehensive income (expenses) for the year	258	(28,764)

The above profit (loss) for the year includes the following:

	2014	2013
	HK$'000	*HK$'000*
Depreciation and amortisation	23,961	31,296
Interest income	72	78
Finance costs	4,084	6,342
Income tax expense	1,372	2,708

Reconciliation of the above summarised financial information to the carrying amount of the interest in Huarong recognised in the consolidated financial statements:

	2014	2013
	HK$'000	*HK$'000*
Net assets of Huarong	36,334	36,076
Proportion of the Group's ownership interest in Huarong	50%	50%
Carrying amount of the Group's interest in Huarong	18,167	18,038

21. INVENTORIES

	2014	2013
	HK$'000	*HK$'000*
Raw materials	321,479	399,989
Work in progress	159,909	204,011
Finished goods	1,324,361	1,251,188
	1,805,749	1,855,188

22. TRADE AND OTHER RECEIVABLES

	2014	2013
	HK$'000	*HK$'000*
Trade receivables	1,699,086	1,720,828
Less: allowance for doubtful debts	(4,395)	(1,588)
	1,694,691	1,719,240
Prepayment for purchase of raw material	183,695	126,911
Deposits and prepayment for utilities	40,093	28,942
Other tax recoverable	28,672	62,879
Others	59,561	91,989
	2,006,712	2,029,961

The Group allows a general credit period of up to 90 days to its trade customers. The following is an aged analysis of trade receivables (net of allowance for doubtful debts) presented based on the invoice dates at the end of the reporting period which approximated the respective revenue recognition dates:

	2014	2013
	HK$'000	*HK$'000*
0 to 90 days	1,479,654	1,484,861
91 to 180 days	210,236	174,391
181 to 365 days	4,801	11,377
Over 365 days	—	48,611
	1,694,691	1,719,240

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period.

Trade receivables disclosed below include amounts that are past due at the end of the reporting period for which the Group had not recognised an allowance for doubtful debts because there had not been significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the group to the counterparty.

Ageing of trade receivables which are past due but not impaired

	2014	**2013**
	HK$'000	*HK$'000*
91 to 180 days	210,236	174,391
181 to 365 days	4,801	11,377
Over 365 days	—	48,611
	215,037	234,379

Movements in the allowance for doubtful debts

	2014	**2013**
	HK$'000	*HK$'000*
Balance at beginning of the year	1,588	1,361
Impairment loss recognised on trade receivables	2,883	190
Exchange adjustments	(76)	37
Balance at end of the year	4,395	1,588

As at 31 December 2014, the Group's trade receivables denominated in USD is approximately HK$526,859,000 (2013: HK$515,623,000).

23. BILLS RECEIVABLES

Bills receivables represent bills on hand. All bills receivables of the Group are with a maturity period of less than 180 days (2013: 180 days) and not yet due at the end of the reporting period, and management considers the default rate is low based on historical information and experience.

24. RELATED PARTIES DISCLOSURES

During the year, the Group had significant transactions and balances with related parties. Other than those transactions with related parties as disclosed in note 39 and the consolidated statement of changes in equity, the Group had also entered into the following transactions. The significant transactions with these companies during the year, and the balances with them at the end of the reporting period, are as follows:

(i) Related companies

Name of company	Nature of transactions/balances	2014	2013
		HK$'000	*HK$'000*
The Group			
SPG *(note c)*, and its subsidiaries and associates (the "SPG Group")	Purchase of pharmaceutical products	387,525	276,796
	Sale of pharmaceutical products	203,564	257,570
	Rental expense	16,622	9,602
	Purchase of steam	13,273	—
	Warehouse service income	13,079	—
	Balance due from/to the SPG Group		
	— trade receivables aged 0-90 days	92,471	77,284
	— trade payables aged 0-90 days	26,483	47,607
	— other payables — current *(note b)*	277,894	468,425
	— dividend payable	—	6,754

Name of company	Nature of transactions/balances	2014	2013
		HK$'000	*HK$'000*
Guangdong Titan Pharmaceutical Co., Ltd. ("Guangdong Titan"), a wholly-owned subsidiary of a non-controlling interest of Siping (ceased to be a related party since 1 November 2014)	Sale of finished goods	143,552	120,769
	Balance due from Guangdong Titan — trade receivables aged 0-90 days	N/A	44,853
Total	Balance due from/to		
	— trade receivables	92,471	122,137
	— trade payables	26,483	47,607
	— other payables *(note b)*	277,894	468,425
	— dividend payables	—	6,754
The Company			
SPG Group	Balance due to the SPG Group — other payables *(note b)*	279,637	292,445

As at 31 December 2014, SPG had also given corporate guarantees to banks in the PRC to secure loan facilities to the extent of approximately HK$112,500,000 (2013: HK$346,154,000) granted to the Group. As at 31 December 2014, the extent of utilisation by the Group amounted to approximately HK$112,500,000 (2013: HK$346,154,000).

(ii) A joint venture

Name of company	Nature of transactions/balances	2014	2013
		HK$'000	*HK$'000*
Huarong	Purchase of raw materials	8,997	10,407
	Provision of utility services by the Group	50,691	47,138
	Sales of raw materials	4,059	7,220
	Sales of others	—	215
	Balance due from/to Huarong		
	— other receivables *(note a)*	76,450	91,519
	— trade payables aged 0-90 days	—	2,007

(iii) An associate

Name of company	Nature of transactions/balances	2014	2013
		HK$'000	*HK$'000*
Siping	Purchase of raw materials	4,430	—
	Balance due to Siping — trade payables aged 0-90 days	576	—

Notes:

a. Amounts are unsecured, non-interest bearing and repayable on demand.

b. Amounts are unsecured, non-interest bearing and repayable on demand except that on 31 May 2012, SPG agreed to change the maturity of a balance of RMB97,705,193 (equivalent to approximately HK$104,503,000) to 31 May 2014. Accordingly, the balance was presented as amount due to a related party under current liabilities as at 31 December 2013. Imputed interest is computed using the prevailing market interest rate of 6.56% per annum for comparable long term borrowings on 31 May 2012. The discount as at 31 May 2012 amounting to approximately HK$14,649,000 was recorded as a capital contribution in the consolidated statement of changes in equity. During the year, the balance was fully repaid and imputed interest arising on loan from SPG of approximately HK$3,126,000 (2013: HK$7,404,000) is recorded as finance costs in the consolidated statement of profit or loss and other comprehensive income.

c. SPG is a wholly-owned subsidiary of Massive Top Limited which is a shareholder of the Company and has significant influence over the Group.

(iv) Compensation of Key Management Personnel

In addition, the remuneration of key management personnel, which represents the Company's Directors of the Group during the year is as follows:

	2014	2013
	HK$'000	*HK$'000*
Short-term benefits	12,514	20,507
Post-employment benefits	924	914
Share-based payment expenses	45,032	108,581
	58,470	130,002

25. AMOUNTS DUE FROM/TO SUBSIDIARIES

Except for an amount of approximately HK$359,643,000 (2013: HK$359,643,000) due from a subsidiary which is not recoverable in the next twelve months from the end of the reporting period, the remaining amounts are unsecured, interest-free and recoverable (repayable) on demand.

26. BANK BALANCES/RESTRICTED BANK DEPOSITS

Bank balances and restricted bank deposits carry interest at market interest rates, ranging from 0.01% to 1.1% (2013: 0.01% to 1.64%) per annum.

As at 31 December 2014 and 2013, restricted bank deposits represent deposits required to be placed in banks for securing short term banking facilities and are classified as current assets. The restricted bank deposits will be released upon settlement of relevant short term bank facilities.

The bank balances and restricted bank deposits that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	The Group		The Company	
	2014	**2013**	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
HK$	24,515	90,249	18,612	68,202
USD	44,074	52,244	4,567	4,436

27. TRADE AND OTHER PAYABLES

	2014	**2013**
	HK$'000	*HK$'000*
Trade payables	955,617	935,534
Customer deposits and advance from customers	373,342	280,999
Other tax payables	53,984	37,313
Freight and utilities charges payable	28,430	27,727
Construction cost and acquisition of property, plant and equipment payable	601,792	548,376
Government grants *(note 31)*	88,596	182,235
Staff welfare payable	131,792	141,077
Selling expense payable	60,260	73,000
Provision for litigation *(note 41)*	783	45,999
Other	35,130	30,939
	2,329,726	2,303,199

The following is an aged analysis of trade payables presented based on the invoice dates at the end of the reporting period:

	2014	**2013**
	HK$'000	*HK$'000*
0 to 90 days	703,652	658,963
91 to 180 days	104,716	78,391
More than 180 days	147,249	198,180
	955,617	935,534

The general credit period on purchases of goods is up to 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

28. BILLS PAYABLES

All bills payables of the Group are aged within 180 days (2013: 180 days) and not yet due at the end of the reporting period.

29. UNSECURED BANK LOANS

	The Group		The Company	
	2014	**2013**	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Unsecured				
— floating-rate HK$ bank loans	609,000	572,000	609,000	572,000
— floating-rate USD bank loans	237,120	101,400	237,120	101,400
— floating-rate RMB bank loans	17,250	487,180	—	—
— fixed-rate RMB bank loans	362,500	179,486	—	—
	1,225,870	1,340,066	846,120	673,400
The above borrowings are repayable as follows:				
Within one year	624,070	659,946	244,320	203,280
More than one year, but not more than two years	491,800	383,120	491,800	173,120
More than two years, but not more than five years	110,000	297,000	110,000	297,000
	1,225,870	1,340,066	846,120	673,400
Less: Amounts due within one year shown under current liabilities	(624,070)	(659,946)	(244,320)	(203,280)
Amounts shown under non-current liabilities	601,800	680,120	601,800	470,120

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's bank loans are as follows:

Effective interest rate:	**2014**	**2013**
Floating-rate HK$ bank loans	From 1.8% to 2.98% per annum	From 1.78% to 3.13% per annum
Floating-rate USD bank loans	From 2.65% to 3.17% per annum	From 2.98% to 3.23% per annum
Floating-rate RMB bank loans	From 6.15% to 6.4% per annum	From 4.2% to 6.56% per annum
Fixed-rate RMB bank loans	From 3.25% to 6.0% per annum	From 3.25% to 5.70% per annum

The floating-rate of HK$, USD and RMB bank loans are subject to interest at HIBOR plus a spread, LIBOR plus a spread and PRC Benchmark Rate plus a spread, respectively.

The Group's bank loans that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	The Group		The Company	
	2014	**2013**	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
HK$	609,000	572,000	609,000	572,000
USD	237,120	101,400	237,120	101,400

At the end of the reporting period, the Group had the following undrawn loan facilities:

	The Group		The Company	
	2014	**2013**	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Floating-rate HK$ bank loans	180,000	150,000	180,000	150,000
Floating-rate USD bank loans	—	156,000	—	156,000
	180,000	306,000	180,000	306,000

As at 31 December 2014, SPG had given guarantee of approximately HK$112,500,000 (2013: HK$346,154,000) to secure borrowings of the Group.

30. DEFERRED TAXATION

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2014	**2013**
	HK$'000	*HK$'000*
Deferred tax asset	34,922	43,071
Deferred tax liability	(29,645)	(33,117)
	5,277	9,954

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the year are as follows:

	Inventories	Properties, plant and equipments	Prepaid lease payment	Other intangible assets	Tax loss	Undistributed profit of subsidiaries	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2013	27,560	(25,347)	(907)	37,396	33	(27,882)	10,853
Credit (charge) to profit or loss	814	4,091	155	(14,655)	(34)	25,475	15,846
Acquisitions of subsidiaries *(note 39)*	—	5,050	1,171	(13,754)	—	—	(7,533)
Disposal of subsidiaries *(note 40)*	—	(2,984)	(3,151)	(3,017)	—	—	(9,152)
Exchange adjustments	686	(579)	(48)	535	1	(655)	(60)
At 31 December 2013	29,060	(19,769)	(2,780)	6,505	—	(3,062)	9,954
Credit (charge) to profit or loss	2,405	4,648	290	(12,549)	—	1,256	(3,950)
Disposal of subsidiaries *(note 40)*	—	(852)	384	—	—	—	(468)
Exchange adjustments	(756)	436	66	(5)	—	—	(259)
At 31 December 2014	30,709	(15,537)	(2,040)	(6,049)	—	(1,806)	5,277

At the end of the reporting period, the Group has unused tax losses of approximately HK$345,517,000 (2013: HK$235,259,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. Most of the unrecognised tax losses will expire in various dates up to 2018.

The unused tax losses will be expired as follow:

	2014	2013
	HK$'000	*HK$'000*
2016	38,896	38,896
2017	196,363	196,363
2018	110,258	—
	345,517	235,259

Under the EIT Law of PRC, withholding tax is imposed on dividends distributed in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. PRC withholding tax is applicable to dividends payable to investors that are "non-PRC tax resident enterprises", which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends have their sources within the PRC. Under such circumstances, dividends distributed from the PRC subsidiaries in respect of profits earned from 1 January 2008 onwards to non-PRC tax resident group entities shall be subject to the withholding income tax at 10% or a lower tax rate, if applicable.

Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately HK$3,371,329,000 (2013: HK$2,323,201,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

There was no other significant deferred taxation for the year or at the end of the reporting period.

31. GOVERNMENT GRANTS

	2014	**2013**
	HK$'000	*HK$'000*
Current (included in other payables in note 27)		
— Acquisition of property, plant and equipment *(note a)*	8,030	6,467
— Other subsidies *(note b)*	80,566	175,768
	88,596	182,235
Non-current		
— Acquisition of property, plant and equipment *(note a)*	115,761	52,059
	204,357	234,294

Notes:

a. Government grants include cash subsidies received from PRC government by the Group which were specific for the purchase of plant and machineries. The Group has complied with the conditions attaching to the grants as at the end of the reporting periods and transferred to profit or loss over the useful lives of the related assets. During the year, the Group recognised income of approximately HK$7,299,000 (2013: HK$5,412,000).

b. Other subsidies are generally provided in relation to development of pharmaceutical products or improvement of production efficiency. Since the Group has not complied with the conditions attaching to certain of grants at the end of the reporting period and the grants are refundable in accordance with contract terms, amounts are included as payables. During the year, the Group recognised income of approximately HK$78,248,000 (2013: HK$133,767,000).

32. SHARE CAPITAL

	Number of shares	Share capital *HK$'000*
Ordinary shares		
Authorised		
At 1 January 2013, 31 December 2013 and 1 January 2014		
— Ordinary shares of HK$0.1 each	30,000,000,000	3,000,000
At 31 December 2014 *(note)*	N/A	N/A
Issued and fully paid		
At 1 January 2013		
— Ordinary shares of HK$0.1 each	2,725,421,698	272,542
Conversion of convertible bonds *(note 33)* on:		
— 13 May 2013	1,100,000,000	110,000
— 17 October 2013	1,760,934,973	176,094
At 31 December 2013 and 1 January 2014	5,586,356,671	558,636
Transfer pursuant to the new Hong Kong Companies Ordinance on 3 March 2014 *(note)*	—	8,700,054
Conversion of convertible bonds on 9 May 2014 *(note 33)*	321,661,732	561,041
At 31 December 2014	5,908,018,403	9,819,731

Note:

On 3 March 2014, the new Hong Kong Companies Ordinance Chapter 622 (the "new CO") came into effect. The new CO abolishes the concepts of nominal (par) value, share premium and authorised share capital for all shares of Hong Kong incorporated companies. All amounts received for issuing equity shares of a company should be recorded as share capital. Pursuant to the adoption of the new CO, the balance of share premium was transferred to share capital.

33. CONVERTIBLE BONDS

On 29 October 2012, the Company issued two tranches of convertible bonds with respective principal amounts of US$774,029,472.70 (equivalent to HK$6,037,429,887.06) ("Tranche I Convertible Bonds") and US$86,003,274.70 (equivalent to HK$670,825,542.66) ("Tranche II Convertible Bonds").

Details of the convertible bonds and the fair value measurements are set out in the Group's consolidated financial statements for the year ended 31 December 2013.

The movement of the convertible bonds is set out below:

	Tranche I Convertible Bonds HK$'000	Tranche II Convertible Bonds HK$'000	Total HK$'000
At 1 January 2013	5,717,242	561,041	6,278,283
Conversion to ordinary shares *(Note a)*	(5,717,242)	—	(5,717,242)
At 31 December 2013	—	561,041	561,041
Conversion to ordinary shares *(Note b)*	—	(561,041)	(561,041)
At 31 December 2014	—	—	—

Notes:

(a) On 13 May 2013 and 17 October 2013, the convertible bonds holder exercised the conversion rights and converted the Tranche I Convertible Bonds into 1,100,000,000 shares and 1,760,934,973 shares of the Company respectively.

(b) On 9 May 2014, the convertible bonds holder exercised the conversion rights and converted the Tranche II Convertible Bonds into 321,661,732 shares of the Company.

In accordance with the terms and conditions of the Convertible Bonds, the conversion price of the Convertible Bonds was adjusted from HK$2.15 per share to HK$2.0855 per share since 17 June 2013 upon payment of the final dividend for the year ended 31 December 2012.

34. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted on 6 July 2004 for the purpose of providing incentive to directors (or any persons proposed to be appointed as such, whether executive or non-executive) and employees (whether full-time or part-time) of each member of the Group; eligible business consultants, professionals and other advisers who have rendered service or will render service to the Group as determined by the board of directors. The Scheme shall be valid and effective for a period of 10 years from its adoption and has expired on 5 July 2014.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Scheme shall not in aggregate exceed 10% of the shares of the Company in issue at the date of approval of the Scheme. The maximum entitlement for any one participant is that the total number of shares issued or to be issued upon exercise of the options granted to each participant in any twelve-month period shall not exceed 1% of the total number of shares in issue.

Any grant of options to a participant who is a director, chief executive or substantial shareholder (all within the meaning as ascribed under the Listing Rules) of the Company or their respective associates must be approved by the independent non-executive directors (excluding the independent non-executive director who is the grantee). Where the granting of options to a participant who is an independent non-executive director or a substantial shareholder would result in the shares of the Company issued and to be issued upon exercise of all options already granted and to be granted to such participant in the twelve-month period up to and including the date of such grant exceeding 0.1% of the total number of shares in issue and having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK$5,000,000, such proposed grant must be approved by the shareholders of the Company in general meeting.

Options granted have to be taken up within a period of 30 days from the date of offer upon payment of HK$1. The subscription price is determined by the board of directors and shall be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the offer date; (ii) and the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of a share. Options granted are exercisable for a period to be notified by the board of directors to each grantee and such period shall expire not later than 10 years from the date of grant of options.

On 17 April 2013, the Company granted a total of 150,000,000 options to its directors and eligible employees. The options granted will fully vest on the first anniversary of the date of grant. The closing price of the Company's shares on 17 April 2013, the date of grant, was HK$3.98. The fair values of the options determined at the date of grant using the Binomial model were approximately HK$181,433,000.

The following assumptions were used to calculate the fair values of share options:

Date of Grant	17 April 2013
Grant date share price	HK$3.98
Exercise price	HK$3.98
Expected life	7.5 years
Expected volatility	35.392%
Dividend yield	2.57%
Risk-free interest rate	0.905%

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

At the end of each reporting period, the Group will revise its estimates of the number of options that are expected to vest ultimately. The impact of the revision of the estimates, if any, is recognised in profit and loss, with a corresponding adjustment to the share options reserve.

During the year, HK$53,187,000 (2013: HK$128,246,000) share-based payment expense is recognised in profit and loss and included in administrative expense, with a corresponding income in the share option reserve.

Except those share options granted on 17 April 2013, no other share options have been exercised, granted nor lapsed during both years. As at 31 December 2014, the number of share options outstanding is 150,000,000 (2013: 150,000,000).

35. INVESTMENTS IN SUBSIDIARIES

	2014	**2013**
	HK$'000	*HK$'000*
Unlisted investments, at cost	10,039,183	9,813,085

Particulars of the Company's subsidiaries as at 31 December 2014 and 2013 are set out in note 43.

36. RESERVES OF THE COMPANY

	Share premium	Other reserve	Convertible bonds	Share option reserve	Accumulated profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2013	3,268,906	835	6,278,283	—	388,261	9,936,285
Dividends recognised as distribution	—	—	—	—	(382,542)	(382,542)
Profit for the year	—	—	—	—	599,046	599,046
Conversion of convertible bonds	5,431,148	—	(5,717,242)	—	—	(286,094)
Recognition of equity-settled share-based payment expenses	—	—	—	128,246	—	128,246
At 31 December 2013	8,700,054	835	561,041	128,246	604,765	9,994,941
Dividends recognised as distribution	—	—	—	—	(472,641)	(472,641)
Profit for the year	—	—	—	—	473,287	473,287
Conversion of convertible bonds	—	—	(561,041)	—	—	(561,041)
Recognition of equity-settled share-based payment expenses	—	—	—	53,187	—	53,187
Transfer pursuant to the new Hong Kong Companies Ordinance on 3 March 2014	(8,700,054)	—	—	—	—	(8,700,054)
At 31 December 2014	—	835	—	181,433	605,411	787,679

37. OPERATING LEASE COMMITMENTS

The Group as lessee

	The Group	
	2014	**2013**
	HK$'000	*HK$'000*
Minimum lease payments paid under operating leases during the year in respect of warehouse	31,268	15,461

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

	The Group		The Company	
	2014	**2013**	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	24,462	23,551	2,430	2,281
In the second to fifth year inclusive	22,332	38,965	2,937	8,000
Over five years	5,931	—	—	—
	52,725	62,516	5,367	10,281

Operating lease payments represent rentals payable by the Group and the Company for certain of its warehouses and office premises. Leases are negotiated and rentals are fixed for an average of four years.

38. CAPITAL AND OTHER COMMITMENTS

At the end of the reporting period, the Group had the following capital commitments:

	The Group	
	2014	**2013**
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	410,416	312,326
Other commitments *(note)*	154,295	104,367

Note: Amount refers to commitments arising from research and development projects.

The Company had no capital and other commitments at the end of both reporting period.

39. ACQUISITION OF SUBSIDIARIES

For the year ended 31 December 2013

On 25 June 2013, the Group entered into an agreement with SPG and China Charmaine to acquire the entire equity interest in CSPC Baike (Yantai) Biopharmaceutical Co., Ltd. ("Baike Yantai") and its 94.16% owned subsidiary, CSPC Baike (Shandong) Biopharmaceutical Co., Ltd. ("Baike Shandong") (collectively referred to as "Baike Group") for a cash consideration of RMB106,000,000 (equivalent to approximately HK$133,858,000).

This acquisition was completed on 22 August 2013 and accounted for using the purchase method of accounting. The amount of goodwill arising as a result of the acquisition was approximately HK$18,508,000. Baike Group is engaged in manufacture and sale of two oncology drugs and was acquired so as to further strengthen the Group's innovative drug business and its product portfolio.

Consideration transferred

	HK$'000
Cash	133,858

Acquisition-related costs amounting to approximately HK$177,000 were excluded from the consideration transferred and were recognised as an expense in the current year, within the "administrative expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Property, plant and equipment	120,314
Prepaid lease payments	20,092
Intangible assets	96,725
Inventories	9,689
Trade and other receivables	10,242
Bills receivables	316
Bank balances and cash	5,931
Trade and other payable	(139,338)
Deferred tax liabilities	(7,533)
Total net assets acquired	116,438

The fair values of trade and other receivables at the date of acquisition amounted to approximately HK$10,242,000. The gross contractual amounts of those trade and other receivables acquired amounted to approximately HK$29,598,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to approximately HK$19,356,000.

The fair values of property, plant and equipment, prepaid lease payments and intangible assets were estimated by applying depreciated replacement cost approach, market approach (with reference to recent market prices for similar land in similar locations) and income approach, respectively.

Goodwill arising on acquisition

	HK$'000
Consideration transferred	133,858
Plus: non-controlling interests (5.84% in Baike Shandong)	5,057
Less: net assets acquired	(116,438)
	22,477

Goodwill arose in the acquisition of Baike Group because the consideration paid for the business combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Baike Group. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Non-controlling interests

The non-controlling interests in Baike Group recognised at the acquisition date were measured by reference to the non-controlling interests' proportionate share of the recognised amount of the net assets of Baike Group and amounted to approximately HK$5,057,000.

Net cash outflow on acquisition of Baike Group

	HK$'000
Cash consideration paid	133,858
Less: bank balances and cash acquired	(5,931)
	127,927

Baike Group did not have any significant contribution to the Group's revenue or results for the year ended 31 December 2013.

40. DISPOSAL OF SUBSIDIARIES

For the year ended 31 December 2014

On 1 November 2014, the Group disposed of its 20% equity interest in Siping, a non wholly-owned subsidiary of the Group as to 60% immediately before this transaction for a consideration of RMB22,000,000 (equivalent to approximately HK$27,500,000), to an independent third party, resulting in loss of control over Siping, and a gain on such disposal of HK$511,000 during the year.

Upon the completion of this disposal, Siping ceased to be a subsidiary of the Company. Accordingly, the Group's remaining 40% equity interest in Siping was classified as 'interest in an associate' at the date of loss of control and accounted for using equity method in accordance with HKAS 28 *Investments in Associates and Joint Ventures* during the period subsequent to the disposal.

For the year ended 31 December 2013

The Group disposed of the following subsidiaries:

(a) On 4 June 2013, the Group entered into an agreement with an independent third party to dispose of its entire equity interest in CSPC Zhongrun Pharmaceutical (Inner Mongolia) Co., Ltd. ("NMG Zhongrun") and its subsidiaries (collectively referred to as "NMG Zhongrun Group") for a cash consideration of RMB288,000,000 (equivalent to approximately HK$364,557,000). The disposal was completed on 18 June 2013 on which date the Group lost control over the NMG Zhongrun Group.

(b) On 25 September 2013, the Group entered into an agreement with an independent third party to dispose of its 90% equity interest in CSPC Cenway (Tianjin) Pharmaceutical Co., Ltd. ("Tianjin Cenway") and its subsidiary (collectively referred to as "Tianjin Cenway Group") for a cash consideration of RMB120,000,000 (equivalent to approximately HK$151,899,000).

The NMG Zhongrun Group and Tianjin Cenway Group were principally engaged in the manufacture and sales of penicillin intermediates and bulk drugs, cephalosporin intermediates which was included in Antibiotics segment as disclosed in note 7. After the disposals, the Group still continues to carry out the manufacture and sale of antibiotics products in other subsidiaries, which was hence not classified as discontinued operations within the scope of HKFRS 5 *Non-current Assets Held for Sales and Discontinued Operations*.

The net assets at the date of disposal of the subsidiaries disposed of during both years were as follows:

	2014		**2013**	
		NMG Zhongrun Group	**Tianjin Cenway Group**	
	Siping			**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Consideration:				
Cash received	27,500	364,557	151,899	516,456
Analysis of assets and liabilities over which control was lost:				
Property, plant and equipment	76,981	1,059,463	189,383	1,248,846
Prepaid lease payments	21,970	11,790	27,535	39,325
Inventories	38,359	191,383	55,769	247,152
Trade and other receivables	106,056	523,878	53,903	577,781
Bill receivables	46,016	77,171	2,886	80,057
Tax recoverable	64	—	2,332	2,332
Deferred tax assets	468	6,407	2,745	9,152
Restricted bank deposits	—	6,329	3,165	9,494
Bank balances and cash	9,509	88,792	43,627	132,419
Trade and other payable *(Note)*	(120,280)	(1,632,986)	(234,469)	(1,867,455)
Bill payables	—	(37,721)	—	(37,721)
Tax liabilities	(738)	(365)	—	(365)
Unsecured bank loans	(37,500)	(37,975)	(15,823)	(53,798)
Net assets disposed of	140,905	256,166	131,053	387,219

Note: In 2013, intragroup balances due from NMG Zhongrun Group and Tianjin Cenway Group to the Group amounting to approximately HK$887,845,000 and HK$177,886,000, respectively, were included in trade and other payables and settled in December 2013.

	2014	2013
	HK$'000	*HK$'000*
Gain on disposal of subsidiaries:		
Cash consideration	27,500	516,456
Fair value of retained interest classified as associate *(note 19)*	56,362	—
Net assets disposed of	(140,905)	(387,219)
Non-controlling interests	57,554	24,991
Gain on disposal	511	154,228
Net cash inflow arising on disposal:		
Cash consideration	27,500	516,456
Less: bank balances and cash disposed of	(9,509)	(132,419)
	17,991	384,037

The subsidiaries disposed of during both years did not have any significant contribution to the results and cash flows of the Group during the period prior to the disposals.

41. CONTINGENT LIABILITIES

The Company and CSPC Weisheng Pharmaceutical (Shijiazhuang) Co. Ltd. ("Weisheng", a wholly-owned subsidiary of the Company) are named as, among others, defendants in a number of antitrust complaints filed in the United States in relation to the exports of vitamin C to the United States and elsewhere in the world. Details of the complaints and the development in prior years are set out in the Company's consolidated financial statements for the year ended 31 December 2013.

On 15 March 2013, the Company, Weisheng, the direct purchaser class and injunctive class in the direct purchaser action entered into a settlement agreement for US$22.5 million to resolve all the claims in their entirety and terminate the litigation in the direct purchaser action. On 16 October 2013, the court granted approval of the settlement agreement and dismissed the Company and Weisheng as to the direct purchaser action. The first instalment of the settlement amounting to US$20 million has been paid by the Company and Weisheng on 13 April 2013 and the remaining US$2.5 million was settled on 9 October 2014.

On 13 November 2013, the Company, Weisheng and the putative indirect purchaser class in the indirect purchaser actions entered into a settlement agreement for US$2.2 million to fully and finally resolve all the claims in the indirect purchaser actions. On 16 May 2014, the Court granted approval of the settlement agreement and dismissed the Company and Weisheng as to the indirect purchase actions. The settlement amount of US$2.2 million has been paid by the Company and Weisheng on 9 January 2014.

The provision of litigation has been included in other payables (note 27) which represents the remaining unpaid settlement amounts (all settlement amounts have been paid as at 31 December 2014) and related legal cost.

42. EMPLOYEE RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group in funds under the control of trustees. Contributions to the scheme are made based on a certain percentage of the employees' relevant payroll costs.

The employees of the subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. The relevant subsidiaries are required to make contributions to the retirement benefit scheme based on certain percentage of payroll costs to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

During the year, the contributions made by the Group relating to the above arrangements were HK$106,704,000 (2013: HK$99,455,000), of which HK$774,000 (2013: HK$826,000) was attributable to the Mandatory Provident Fund Scheme in Hong Kong.

43. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries are as follows:

Name of subsidiary	Place of incorporation/ registration and operations	Kind of legal status	Nominal value of issued and fully paid share capital/ registered capital	Percentage of nominal value of issued share capital/ registered capital held by the Company				Principal activity
				Directly %		Indirectly %		
				2014	2013	2014	2013	
China Pharmaceutical Group Limited	Hong Kong	Limited liability	HK$3	100	100	—	—	Inactive
Tin Lon Investment Limited	Hong Kong	Limited liability	HK$2	100	100	—	—	Investment holding
Dragon Merit Holdings Limited	Hong Kong	Limited liability	HK$1	—	—	100	100	Investment holding
Robust Sun	The BVI	Limited liability	US$2	100	100	—	—	Investment holding
Weisheng	The PRC	Foreign investment enterprise with limited liability	US$27,345,500	100	100	—	—	Manufacture and sale of pharmaceutical products
CSPC Hebei Zhongnuo Pharmaceutical (Shijiazhuang) Co., Ltd	The PRC	Sino-foreign equity joint venture	RMB906,300,300	88.82	88.82	10.57	10.57	Manufacturing and sale of pharmaceutical products
CSPC Zhongqi Pharmaceutical Technology (Shijiazhuang) Co., Ltd.	The PRC	Foreign investment enterprise with limited liability	RMB39,754,680	100	100	—	—	Provision of pharmaceutical research and development services
CSPC Hebei Zhongrun Huanbao Co., Ltd.	The PRC	Foreign investment enterprise with limited liability	RMB5,000,000	—	—	100	100	Sewage and pharmaceutical by-products treatment

Name of subsidiary	Place of incorporation/ registration and operations	Kind of legal status	Nominal value of issued and fully paid share capital/ registered capital	Percentage of nominal value of issued share capital/ registered capital held by the Company				Principal activity
				Directly %		Indirectly %		
				2014	2013	2014	2013	
Zhongrun Huanbao Technology (Shijiazhuang) Co., Ltd. (Newly established in 2014)	The PRC	Foreign investment enterprise with limited liability	RMB1,000,000	—	—	100	—	Sewage and pharmaceutical by-products treatment
CSPC Yinhu Pharmacentical. Co., Ltd	The PRC	Foreign investment enterprise with limited liability	RMB150,000,000	—	—	90	90	Manufacture and sale of pharmaceutical products
Siping *(note a)*	The PRC	Sino-foreign equity joint venture	RMB39,529,435	40	40	—	20	Manufacture and sale of pharmaceutical products
Unigene *(note b)*	The PRC	Sino-foreign equity joint venture	US$7,000,000	100	78.57	—	—	Provision of pharmaceutical research and development services
CSPC Zhongzheng Pharmaceutical Logistic Company Limited	The PRC	Sino-foreign equity joint venture	RMB50,000,000	—	—	99	99	Storage, sourcing and distribution
CSPC Zhongnuo Pharmaceutical Import and Export Trading Co., Ltd.	The PRC	Foreign investment enterprise with limited liability	RMB1,000,000	—	—	100	100	Trading of pharmaceutical products
CSPC Zhongnuo Pharmaceutical (Taizhou) Co., Ltd.	The PRC	Foreign investment enterprise with limited liability	RMB45,000,000	—	—	100	100	Manufacture and sale of pharmaceutical products
CSPC NBP Pharmaceutical Co., Ltd.	The PRC	Foreign investment enterprise with limited liability	RMB380,000,000	50	50	50	50	Manufacture and sales of pharmaceutical products
OYY	The PRC	Foreign investment enterprise with limited liability	RMB150,000,000	—	—	100	100	Manufacture and sales of pharmaceutical products
CSPC Ouyi Pharmaceutical Import and Export Trade Co., Ltd.	The PRC	Foreign investment enterprise with limited liability	RMB100,000	—	—	100	100	Trading of pharmaceutical products
CSPC XNW Pharmaceutical Joint-stock Co., Ltd.	The PRC	Sino-foreign equity joint venture	RMB150,000,000	—	—	98.69	98.69	Manufacture and sales of pharmaceutical products

Name of subsidiary	Place of incorporation/ registration and operations	Kind of legal status	Nominal value of issued and fully paid share capital/ registered capital	Percentage of nominal value of issued share capital/ registered capital held by the Company				Principal activity
				Directly %		Indirectly %		
				2014	2013	2014	2013	
Huasheng	The PRC	Sino-foreign equity joint venture	RMB4,000,000	—	—	100	100	Manufacture and sales of pharmaceutical products
Shiyao Ouyi International Pharmaceutical Co., Ltd. ("OIP") *(note c)*	The PRC	Foreign investment enterprise with limited liability	RMB50,000,000	—	—	—	100	Inactive
Baike Yantai (note d)	The PRC	Sino-foreign equity joint venture	RMB 223,000,000	68.61	30	31.39	70	Investment and property holding
Baike Shandong	The PRC	Foreign investment enterprises with limited liability	RMB 161,547,580	—	—	94.16	94.16	Manufacture and sales of pharmaceutical products
Conjupro Bioerapecitics Inc.	U.S.A	Limited liability	USD 3,285,750	—	—	100	100	Provision of pharmaceutical research and development services
CSPC Medsolution (Ghana) Limited	Ghana	Limited liability	GHS437,400	—	—	100	100	Trading of pharmaceutical products

Notes:

a. On 1 November 2014, the Group disposed of its 20% equity interest in Siping and Siping ceased to be a subsidiary of the Company after the disposal as set out in note 40.

b. On 19 March 2014, the Group's shareholding in Unigene increased from 78.57% to 100% upon acquisition of additional interest in Unigene.

c. OIP, an inactive subsidiary of the Company, was dissolved on 25 November 2014.

d. During the year, the company injected additional capital of RMB123,000,000 into Baike Yantai and accordingly holds 68.61% direct equity interest in Baike Yantai.

None of the subsidiaries had any debentures outstanding at the end of the year or at any time during the year.

At the end of the reporting period, the Group does not have significant non-controlling interests and accordingly, no details of non-controlling interests are presented.

3. UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2015

Set out below is the full text of the unaudited financial statements of the Group for the six months ended 30 June 2015 as extracted from the 2015 interim report of the Company.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the six months ended 30 June 2015

		For the six months ended 30 June	
		2015	**2014**
	Notes	*HK$'000*	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	5,730,375	5,342,470
Cost of sales		(3,153,649)	(3,321,420)
Gross profit		2,576,726	2,021,050
Other income		36,518	90,530
Selling and distribution expenses		(1,100,322)	(846,327)
Administrative expenses		(265,624)	(302,889)
Other expenses		(176,331)	(160,918)
Operating profit		1,070,967	801,446
Finance costs		(27,885)	(29,231)
Share of results of			
— an associate		141	—
— a joint venture		4,196	(526)
Profit before tax	*4*	1,047,419	771,689
Income tax expense	*5*	(217,399)	(162,263)
Profit for the period		830,020	609,426
Other comprehensive expense:			
Items that will not be reclassified to profit or loss:			
Exchange differences arising on translation of financial statements to presentation currency		—	(216,076)
Share of exchange differences of a joint venture		—	(444)
Other comprehensive expense for the period		—	(216,520)
Total comprehensive income for the period		830,020	392,906

		For the six months ended 30 June	
		2015	**2014**
	Notes	*HK$'000*	*HK$'000*
		(Unaudited)	(Unaudited)
Profit for the period attributable to:			
Owners of the Company		822,014	600,665
Non-controlling interests		8,006	8,761
		830,020	609,426
Total comprehensive income for the period attributable to:			
Owners of the Company		822,014	386,683
Non-controlling interests		8,006	6,223
		830,020	392,906
		HK cents	*HK cents*
Earnings per share	*7*		
— Basic		13.91	10.17
— Diluted		13.76	10.07

Condensed Consolidated Statement of Financial Position

As at 30 June 2015

	Notes	As at 30 June 2015 HK$'000 (Unaudited)	As at 31 December 2014 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	8	5,155,044	5,049,087
Prepaid lease payments		497,424	498,522
Goodwill		125,060	125,060
Other intangible assets		108,102	111,289
Interest in an associate		56,873	56,732
Interest in a joint venture		22,363	18,167
Available-for-sale investment		—	1,705
Deferred tax assets		37,255	34,922
		6,002,121	5,895,484
Current assets			
Inventories		2,173,892	1,805,749
Trade and other receivables	9	2,033,712	2,006,712
Bills receivables	9	1,319,367	1,079,359
Trade receivables due from related companies	10	114,358	92,471
Trade receivable due from an associate	10	19,638	—
Amount due from a joint venture	10	69,552	76,450
Prepaid lease payments		15,769	14,928
Tax recoverable		2,420	2,754
Held for trading investments		766	703
Restricted bank deposits	11	56,558	58,199
Bank balances and cash		1,874,566	1,468,421
		7,680,598	6,605,746
Current liabilities			
Trade and other payables	12	2,483,977	2,329,726
Bills payables	12	104,563	227,150
Trade payables due to related companies	10	92,484	26,483
Trade payable due to an associate	10	—	576
Amounts due to related companies	10	456,551	277,894
Tax liabilities		84,520	116,597
Borrowings	13	594,869	624,070
		3,816,964	3,602,496
Net current assets		3,863,634	3,003,250
Total assets less current liabilities		9,865,755	8,898,734

	Notes	As at 30 June 2015 HK$'000 (Unaudited)	As at 31 December 2014 HK$'000 (Audited)
Non-current liabilities			
Deferred tax liabilities		59,939	29,645
Borrowings	*13*	1,216,622	601,800
Government grants		200,948	115,761
		1,477,509	747,206
Net assets		8,388,246	8,151,528
Capital and reserves			
Share capital	*14*	9,819,731	9,819,731
Reserves		(1,509,365)	(1,740,577)
Equity attributable to owners of the Company		8,310,366	8,079,154
Non-controlling interests		77,880	72,374
Total equity		8,388,246	8,151,528

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015

	Equity attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Other reserve HK$'000 *(note i)*	Statutory reserve HK$'000 *(note ii)*	Capital contribution reserve HK$'000 *(note iii)*	Convertible bonds HK$'000 *(note iv)*	Share options reserve HK$'000	Translation reserve HK$'000	Accumulated profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2014 (Audited)	558,636	8,700,054	(5,523,729)	244,994	45,564	561,041	128,246	263,637	2,474,177	7,452,620	144,180	7,596,800
Profit for the period	–	–	–	–	–	–	–	–	600,665	600,665	8,761	609,426
Other comprehensive expense for the period	–	–	–	–	–	–	–	(213,982)	–	(213,982)	(2,538)	(216,520)
Total comprehensive (expense) income for the period	–	–	–	–	–	–	–	(213,982)	600,665	386,683	6,223	392,906
Dividends recognised as distribution *(note 6)*	–	–	–	–	–	–	–	–	(472,641)	(472,641)	–	(472,641)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(17,997)	(17,997)
Transfer to statutory reserve	–	–	–	6,397	–	–	–	–	(6,397)	–	–	–
Transfer pursuant to the new Hong Kong Companies Ordinance on 3 March 2014 *(note 14)*	8,700,054	(8,700,054)	–	–	–	–	–	–	–	–	–	–
Conversion of convertible bonds	561,041	–	–	–	–	(561,041)	–	–	–	–	–	–
Recognition of equity-settled share-based payments expenses	–	–	–	–	–	–	53,187	–	–	53,187	–	53,187
Acquisition of additional interest in a subsidiary *(note v)*	–	–	–	–	–	–	–	–	814	814	(7,054)	(6,240)
At 30 June 2014 (Unaudited)	9,819,731	–	(5,523,729)	251,391	45,564	–	181,433	49,655	2,596,618	7,420,663	125,352	7,546,015
At 1 January 2015 (Audited)	9,819,731	–	(5,523,729)	514,760	45,564	–	181,433	35,269	3,006,126	8,079,154	72,374	8,151,528
Profit and total comprehensive income for the period	–	–	–	–	–	–	–	–	822,014	822,014	8,006	830,020
Dividends recognised as distribution *(note 6)*	–	–	–	–	–	–	–	–	(590,802)	(590,802)	–	(590,802)
Dividends paid to a non-controlling interest	–	–	–	–	–	–	–	–	–	–	(2,500)	(2,500)
Transfer to statutory reserve	–	–	–	3,923	–	–	–	–	(3,923)	–	–	–
At 30 June 2015 (Unaudited)	9,819,731	–	(5,523,729)	518,683	45,564	–	181,433	35,269	3,233,415	8,310,366	77,880	8,388,246

Notes:

(i) The balance in other reserve mainly included an amount of HK$5,038,291,000 which represents the difference between the fair value of the deemed consideration under the reverse acquisition of HK$3,288,998,000 and the fair value of the consideration paid by the Company of HK$8,327,289,000 in the reverse acquisition on 29 October 2012.

(ii) The statutory reserves were appropriated from the profit after tax of the Company's subsidiaries in the People's Republic of China (the "PRC") under the laws and regulations of the PRC.

(iii) The balance in capital contribution reserve represents the deemed contribution by Shijiazhuang Pharmaceutical Group Company Limited ("SPG") which comprise (1) the difference between the carrying amount of the net assets of entities comprising Robust Sun Holdings Limited ("Robust Sun") and its subsidiaries (collectively referred to as the "Robust Sun Group") and the consideration paid to SPG and its subsidiaries (collectively referred to as the "SPG Group") during group reorganisation under Robust Sun Group in 2012 and (2) the imputed interest arising on loan from SPG (see note 10 for details).

(iv) Details of the convertible bonds are set out in note 33 to the Group's consolidated financial statements for the year ended 31 December 2014. On 9 May 2014, the convertible bonds holder exercised the conversion rights and converted the convertible bonds into 321,661,732 shares of the Company.

(v) On 29 January 2014, the Group entered into equity transfer agreements with China Charmaine Pharmaceutical Company Limited ("China Charmaine") to acquire 21.43% equity interest in Unigene Biotechnology Company Limited ("Unigene"). The transaction was completed on 19 March 2014. Upon completion of this acquisition, Unigene became wholly-owned subsidiary of the Company. Accordingly, the differences between the carrying amounts of net assets attributable to the additional interests acquired at the date of acquisition and the fair value of consideration paid by the Company for this acquisition were debited/credited to accumulated profits.

Condensed Consolidated Statement of Cash Flows
For the six months ended 30 June 2015

	For the six months ended 30 June	
	2015	**2014**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash from operating activities	694,372	1,009,912
Net cash used in investing activities:		
Purchases of property, plant and equipment	(475,789)	(370,847)
Purchases of intangible assets	(7,293)	(2,130)
Proceeds on disposal of property, plant and equipment	8,607	7,316
Repayment from (advance to) a joint venture	6,898	(9,849)
Interest received	4,670	2,873
Proceeds on disposal of available-for-sale investment	2,063	—
Acquisition of additional interest in a subsidiary	—	(6,240)
Other investing cash flows	1,641	(9,490)
	(459,203)	(388,367)
Net cash from (used in) financing activities:		
Repayments of bank loans	(680,890)	(249,988)
Dividend paid	(590,802)	(472,641)
Repayment of loans from a related company	(58,489)	—
Dividend paid to non-controlling interests	(2,500)	(17,997)
New loans raised from bank	1,025,000	231,949
New loans raised from a related company	300,000	—
Advance from (repayment to) related parties	178,657	(273,955)
	170,976	(782,632)
Net increase (decrease) in cash and cash equivalents	406,145	(161,087)
Cash and cash equivalents at 1 January	1,468,421	1,187,751
Effect of foreign exchange rate changes	—	(27,680)
Cash and cash equivalents at 30 June, represented by bank balances and cash	1,874,566	998,984

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Company's condensed consolidated financial statements:

- Amendments to HKAS19 *Defined Benefit Plans: Employee Contributions*;
- Amendments to HKFRSs Annual Improvements to HKFRSs 2010-2012 Cycle and
- Amendments to HKFRSs Annual Improvements to HKFRSs 2011-2013 Cycle

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

The Group's operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the board of directors, being chief operating decision makers, for the purpose of resources allocation and assessment of segment performance.

The Group's reportable and operating segments for financial reporting purposes are as follows:

(a) Finished drugs

(b) Antibiotics (intermediates and bulk drugs)

(c) Vitamin C (bulk drugs)

(d) Caffeine and others (bulk drugs)

All reportable and operating segments are engaged in the manufacture and sales of pharmaceutical products.

The following is an analysis of the Group's revenue and results by reportable and operating segments:

For the six months ended 30 June 2015 (Unaudited)

	Finished Drugs	Antibiotics	Vitamin C	Caffeine and others	Segment total	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
SEGMENT REVENUE							
External sales	3,799,520	974,490	610,241	346,124	5,730,375	—	5,730,375
Inter-segment sales	—	26,797	2,391	2,067	31,255	(31,255)	—
TOTAL REVENUE	3,799,520	1,001,287	612,632	348,191	5,761,630	(31,255)	5,730,375
Inter-segment sales are charged at prevailing market rates.							
SEGMENT PROFIT (LOSS)	944,501	140,016	(32,119)	61,242			1,113,640
Unallocated income							5,028
Unallocated expenses							(47,701)
Operating profit							1,070,967
Finance costs							(27,885)
Share of results of							
— an associate							141
— a joint venture							4,196
Profit before tax							1,047,419

For the six months ended 30 June 2014 (Unaudited)

	Finished Drugs	Antibiotics	Vitamin C	Caffeine and others	Segment total	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
SEGMENT REVENUE							
External sales	3,189,617	1,173,402	656,137	323,314	5,342,470	—	5,342,470
Inter-segment sales	—	23,676	4,273	3,627	31,576	(31,576)	—
TOTAL REVENUE	3,189,617	1,197,078	660,410	326,941	5,374,046	(31,576)	5,342,470
Inter-segment sales are charged at prevailing market rates.							
SEGMENT PROFIT (LOSS)	789,265	75,250	(18,464)	58,100			904,151
Unallocated income							2,873
Unallocated expenses							(105,578)
Operating profit							801,446
Finance costs							(29,231)
Share of results of a joint venture							(526)
Profit before tax							771,689

Segment profit (loss) represents the profit earned/loss recognised by each segment without allocation of interest income, finance costs, central administrative expenses, share of results of an associate and a joint venture. This is the measure reported to the board of directors for the purposes of resource allocation and performance assessment.

4. PROFIT BEFORE TAX

	For the six months ended 30 June	
	2015	**2014**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit before tax has been arrived at after charging (crediting):		
Amortisation of intangible assets (included in cost of sales)	10,480	9,790
Amortisation of prepaid lease payments	7,346	7,704
Depreciation of property, plant and equipment	284,398	294,000
Total depreciation and amortisation	302,224	311,494
Loss (gain) on disposal of property, plant and equipment (included in other expenses/other income)	2,400	(2,828)
Government grant income *(note ii)*	(9,462)	(67,150)
Interest income	(4,670)	(2,873)
Reversal of write-down of inventories (included in cost of sales)	—	(9,873)
Net foreign exchange (gain) losses	(2,674)	1,344
Impairment loss on trade receivables	8,199	989
Research and development expenses (included in other expenses)	171,325	155,631
Share-based payments expenses (included in administrative expenses)	—	53,187

Notes:

(i) For the six months ended 30 June 2014 and 2015, cost of inventories recognised as an expense approximated cost of sales as shown in the condensed consolidated statement of profit or loss and other comprehensive income.

(ii) Government grants include cash subsidies from PRC government which are specific for (i) the acquisition of plant and machineries and are recognised over the useful lives of the related assets and (ii) the development of pharmaceutical products or improvement of production efficiency which are recognised upon compliance with the attached condition.

5. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
The tax charge comprises:		
Current taxation		
— PRC Enterprise Income Tax	189,438	144,361
Deferred taxation	27,961	17,902
	217,399	162,263

The Company and its subsidiaries incorporated in Hong Kong are subject to 16.5% of the estimated assessable profit under Hong Kong Profits Tax. No Hong Kong Profits Tax has been recognised as the Company and its subsidiaries incorporated in Hong Kong had no assessable income for both periods.

The basic tax rate of the Company's PRC subsidiaries is 25% under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law. Certain subsidiaries of the Company are qualified as advanced technology enterprises and have obtained approvals from the relevant tax authorities for the applicable tax rate reduced to 15% for a period of 3 years up to 2017.

Under the EIT Law of PRC, withholding tax is imposed on dividends distributed in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. PRC withholding tax is applicable to dividends payable to investors that are "non-PRC tax resident enterprises", which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends have their sources within the PRC. Under such circumstances, dividends distributed from the PRC subsidiaries in respect of profits earned from 1 January 2008 onwards to non-PRC tax resident group entities shall be subject to the withholding income tax at 10% or a lower tax rate, if applicable.

Deferred taxation has not been provided for in the condensed consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately HK$3,732,107,000 (2014: HK$3,373,329,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

6. DIVIDENDS

During the six months ended 30 June 2015, final dividend of HK10 cents (2014: HK8 cents) per share was distributed to shareholders in respect of the year ended 31 December 2014. The aggregate amount of final dividend distributed and paid in the current period amounted to approximately HK$590,802,000 (2014: HK$472,641,000).

The directors do not declare the payment of an interim dividend for the six months ended 30 June 2015 (2014: nil).

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	For the six months ended 30 June	
	2015	**2014**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share	822,014	600,665

	For the six months ended 30 June	
	2015	**2014**
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	5,908,018	5,908,018
Effect of dilutive potential ordinary shares: Share options granted by the Company	65,284	59,249
Weighted average number of ordinary shares for the purpose of diluted earnings per share	5,973,302	5,967,267

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group had addition of property, plant and equipment of approximately HK$401,362,000 (2014: HK$396,660,000) in order to upgrade its manufacturing capabilities.

In addition, the Group disposed of certain property, plant and equipment with a carrying amount of approximately HK$11,007,000 (2014: HK$4,488,000), resulting in a loss of approximately HK$2,400,000 (2014: gain of approximately HK$2,828,000).

9. TRADE AND OTHER RECEIVABLES/BILLS RECEIVABLES

	As at 30 June 2015 *HK$'000* (Unaudited)	**As at 31 December 2014** *HK$'000* (Audited)
Trade receivables	1,781,890	1,699,086
Less: allowance for doubtful debts	(12,594)	(4,395)
	1,769,296	1,694,691
Prepayment for purchase of raw materials	175,374	183,695
Deposits and prepayment for utilities	20,984	40,093
Other tax recoverable	25,980	28,672
Others	42,078	59,561
	2,033,712	2,006,712

The Group allows a general credit period of up to 90 days to its trade customers. The following is an aged analysis of trade receivables (net of allowance for doubtful debts) presented based on invoice dates at the end of the reporting period which approximated the respective revenue recognition dates:

	As at 30 June 2015 *HK$'000* (Unaudited)	**As at 31 December 2014** *HK$'000* (Audited)
0 to 90 days	1,584,497	1,479,654
91 to 180 days	171,106	210,236
181 to 365 days	13,693	4,801
	1,769,296	1,694,691

Bills receivables represent bills on hand. All bills receivables of the Group are with a maturity period of less than 180 days (31 December 2014: 180 days) and not yet due at the end of the reporting period, and management considers the default rate is low based on historical information and experience.

10. RELATED PARTIES DISCLOSURES

During the period, the Group had significant transactions and balances with related parties. Other than acquisition of additional interest in a subsidiary in January 2014 as disclosed in note (v) to the condensed consolidated statement of changes in equity, the Group had also entered into the following transactions. The significant transactions with these companies during the period, and balances with them at the end of the reporting period, are as follows:

(I) Related Companies

Name of company	Nature of transactions/balances	For the six months ended 30 June 2015 HK$'000 (Unaudited)	For the six months ended 30 June 2014 HK$'000 (Unaudited)
SPG and its subsidiaries and associates *(note i)*	Purchase of pharmaceutical products	93,139	100,404
	Rental expense	8,207	7,865
	Interest on borrowings	2,731	—
	Sales of pharmaceutical products	103,528	93,952
	Purchase of steam	5,005	7,481
	Warehouse service income	3,904	—

	As at 30 June 2015 HK$'000 (Unaudited)	As at 31 December 2014 HK$'000 (Audited)
Balance due from/to the SPG Group		
— trade receivables aged 0-90 days	114,358	92,471
— trade payables aged 0-90 days	92,484	26,483
— other payables — current *(note ii)*	456,551	277,894
— unsecured borrowings — current *(note iii)*	73,022	—
— unsecured borrowings — non-current *(note iii)*	168,489	—

As at 30 June 2015, SPG has also given corporate guarantees to banks in the PRC to secure loan facilities to the extent of approximately HK$525,000,000 (31 December 2014: HK$112,500,000) granted to the Group. As at 30 June 2015, the extent of utilisation by the Group amounted to approximately HK$525,000,000 (31 December 2014: HK$112,500,000).

		For the six months ended 30 June	
		2015	2014
		HK$'000	*HK$'000*
		(Unaudited)	(Unaudited)
Guangdong Titan Pharmaceutical Co., Ltd., a wholly-owned subsidiary of a non-controlling interest of Siping City Fine Chemicals Product Co. Ltd. ("Siping") (ceased to be a related party since 1 November 2014)	Sales of finished goods	—	119,450

Notes:

(i) SPG is owned as to 40% by True Ally Holdings Limited ("True Ally") and 60% by Beijing Zhongyihe Hezhong Investment Management Centre (Limited Partnership)("Zhongyihe"). True Ally and Zhongyihe are both shareholders of the Company and collectively have significant influence over the Group.

(ii) Amounts are unsecured, non-interest bearing and repayable on demand except that on 31 May 2012, SPG agreed to change the maturity of a balance of RMB97,705,193 (equivalent to approximately HK$104,503,000) to 31 May 2014. Imputed interest is computed using the prevailing market interest rate of 6.56% per annum for comparable long term borrowings on 31 May 2012. During the six month ended 30 June 2014, the balance was fully repaid and imputed interest arising on loan from SPG of approximately HK$3,126,000 was recorded as finance costs in the condensed consolidated statement of profit or loss and other comprehensive income.

(iii) The details of these loans from a related company are set out in note 13 to the condensed consolidated financial statements.

(II) A Joint Venture

		For the six months ended 30 June	
Name of company	**Nature of transactions/balances**	**2015**	**2014**
		HK$'000	*HK$'000*
		(Unaudited)	(Unaudited)
Hebei Huarong Pharmaceutical Co., Ltd. ("Huarong")	Purchase of raw materials	10,373	7,754
	Provision of utility services	24,934	20,930

		As at 30 June 2015	As at 31 December 2014
		HK$'000	HK$'000
		(Unaudited)	(Audited)
	Balance due from Huarong — other receivables *(note)*	69,552	76,450

Note: Amounts are unsecured, non-interest bearing and repayable on demand.

(III) An Associate

Name of company	Nature of transactions/balances	For the six months ended 30 June 2015 HK$'000 (Unaudited)	2014 HK$'000 (Unaudited)
Siping	Purchase of raw materials	3,411	—
	Sales of raw materials	20,192	—

	As at 30 June 2015 HK$'000 (Unaudited)	As at 31 December 2014 HK$'000 (Audited)
Balance due from/to Siping		
— trade receivables aged 0-90 days	19,638	—
— trade payables aged 0-90 days	—	576

(IV) Compensation of Key Management Personnel

The remuneration of key management personnel, which represents the Company's directors of the Group during the period is as follows:

	For the six months ended 30 June 2015 HK$'000 (Unaudited)	2014 HK$'000 (Unaudited)
Short-term benefits	6,046	5,814
Post-employment benefits	471	468
Share-based payments expenses	—	45,032
	6,517	51,314

11. RESTRICTED BANK DEPOSITS

As at 30 June 2015, the Group had restricted bank deposits of approximately HK$56,558,000 (31 December 2014: HK$58,199,000) placed in banks to secure short-term banking facilities granted to the Group and the deposits were therefore classified as current assets.

12. TRADE AND OTHER PAYABLES/BILLS PAYABLES

	As at 30 June 2015 HK$'000 (Unaudited)	As at 31 December 2014 HK$'000 (Audited)
Trade payables	946,626	955,617
Other tax payables	91,766	53,984
Freight and utilities charges payables	32,306	28,430
Construction cost and acquisition of property, plant and equipment payable	527,365	601,792
Government grants	115,365	88,596
Customer deposits and advance from customers	429,596	373,342
Staff welfare payable	131,239	131,792
Selling expense payable	152,435	60,260
Others	57,279	35,913
	2,483,977	2,329,726

The following is an aged analysis of trade payables presented based on the invoice dates at the end of the reporting period:

	As at 30 June 2015 HK$'000 (Unaudited)	As at 31 December 2014 HK$'000 (Audited)
0 to 90 days	788,259	703,652
91 to 180 days	69,555	104,716
More than 180 days	88,812	147,249
	946,626	955,617

All bills payables of the Group are aged within 180 days and not yet due at the end of the reporting period.

13. BORROWINGS

An analysis of borrowings of the Group is as follows:

	As at 30 June 2015 HK$'000 (Unaudited)	As at 31 December 2014 HK$'000 (Audited)
Current portion		
— Unsecured bank loans *(note i)*	521,847	624,070
— Loans from a related company *(note ii)*	73,022	—
	594,869	624,070
Non-current portion		
— Unsecured bank loans *(note i)*	1,048,133	601,800
— Loans from a related company *(note ii)*	168,489	—
	1,216,622	601,800
Total	1,811,491	1,225,870

Note:

(i) During the period, the Group obtained new unsecured bank loans of approximately HK$1,025,000,000 (2014: HK$231,949,000) which are repayable within 1 to 3 years and repaid unsecured bank loans of approximately HK$680,890,000 (2014: HK$249,988,000).

(ii) During the period, the Group obtained new unsecured loans from a related company of approximately HK$300,000,000 (2014: nil) which are repayable within 1 to 4 years and repaid unsecured loans from a related company of approximately HK$58,489,000 (2014: nil).

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	As at 30 June 2015	As at 31 December 2014
Effective interest rate:		
Floating-rate HK$ bank loans	**From 2.03% to 2.98% per annum**	From 1.8% to 2.98% per annum
Floating-rate US$ bank loans	**From 2.68% to 3.18% per annum**	From 2.65% to 3.17% per annum
Floating-rate RMB bank loans	**3.65% per annum**	From 6.15% to 6.4% per annum
Fixed-rate RMB bank loans	**5.08% per annum**	From 3.25% to 6.0% per annum
Fixed-rate RMB loans from a related company	**4.6% per annum**	N/A

The floating-rate of HK$, US$ and RMB bank loans are subject to interest at HIBOR plus a spread, LIBOR plus a spread and PRC Base Rate plus a spread, respectively.

14. SHARE CAPITAL

	Number of shares	**Share capital** *HK$'000*
Ordinary shares		
Authorised		
At 1 January 2014		
— Ordinary shares of HK$0.1 each	30,000,000,000	3,000,000
At 30 June 2014, 1 January 2015 and 30 June 2015 *(note a)*	N/A	N/A
Issued and fully paid		
At 1 January 2014	5,586,356,671	558,636
Transfer pursuant to the new Hong Kong Companies Ordinance on 3 March 2014 *(note a)*	—	8,700,054
Conversion of convertible bonds on 9 May 2014 *(note b)*	321,661,732	561,041
At 30 June 2014, 1 January 2015 and 30 June 2015	5,908,018,403	9,819,731

Notes:

(a) On 3 March 2014, the new Hong Kong Companies Ordinance Chapter 622 (the "new CO") came into effect. The new CO abolishes the concepts of nominal (par) value, share premium and authorised share capital for all shares of Hong Kong incorporated companies. All amounts received for issuing equity shares of a company should be recorded as share capital. Pursuant to the adoption of the new CO, the balance of share premium was transferred to share capital.

(b) Details of the convertible bonds and movement of convertible bonds in 2014 are set out in note 33 to the Group's consolidated financial statements for the year ended 31 December 2014. On 9 May 2014, the convertible bonds holder exercised the conversion rights and the convertible bonds with carrying amount of HK$561,041,000 were converted into 321,661,732 shares of the Company.

15. SHARE OPTION SCHEME

The Company's share option scheme was adopted on 6 July 2004 for the purpose of providing incentive to directors (or any persons proposed to be appointed as such, whether executive or non-executive) and employees (whether full-time or part-time) of each member of the Group; eligible business consultants, professionals and other advisers who have rendered service or will render service to the Group as determined by the board of directors. The scheme shall be valid and effective for a period of 10 years from its adoption and has expired on 5 July 2014.

On 17 April 2013, the Company granted a total of 150,000,000 options to its directors and eligible employees. The options granted will fully vest on the 1st anniversary of the date of grant. The closing price of the Company's shares on 17 April 2013, the date of grant, was HK$3.98. The fair values of the options determined at the date of grant using the Binomial model were approximately HK$181,433,000.

The following assumptions were used to calculate the fair values of share options:

Date of grant	17 April 2013
Grant date share price	HK$3.98
Exercise price	HK$3.98
Expected life	7.5 years
Expected volatility	35.392%
Dividend yield	2.57%
Risk-free interest rate	0.905%

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

At the end of each reporting period, the Group shall revise its estimates of the number of options that are expected to vest ultimately. The impact of the revision of the estimates, if any, would be recognised in profit and loss, with a corresponding adjustment to the share options reserve. On 17 April 2014, the share options granted were fully vested and there is no exercise of share option after vesting date.

During the period ended 30 June 2014, HK$53,187,000 share-based payment expense was recognised in profit and loss and included in administrative expenses, with a corresponding increase in the share options reserve.

Except those share options granted on 17 April 2013, no other share options have been exercised, granted nor lapsed during both periods. As at 30 June 2015, the number of share options outstanding is 150,000,000 (2014: 150,000,000).

16. CAPITAL AND OTHER COMMITMENTS

At the end of the reporting period, the Group had the following capital commitments:

	As at 30 June 2015	**As at 31 December 2014**
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	581,823	410,416
Other commitment *(note)*	148,008	154,295

Note: Amount refers to commitment arising from research and development projects.

17. EVENT AFTER THE END OF THE REPORTING PERIOD

On 16 June 2015, the Group entered into an agreement with existing non-controlling shareholders of Siping to dispose of its remaining 40% equity interest for a cash consideration of RMB38,400,000 (equivalent to approximately HK$48,000,000). The disposal was completed on 28 July 2015. Siping ceased to be an associate upon the completion.

4. STATEMENT OF INDEBTEDNESS

At the close of business on 30 September 2015, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had the following outstanding borrowings:

	HK$'000
Bank loans (unsecured)	1,513,413
Loans from a related company (unsecured)	241,362
Amounts due to related companies (unsecured)	108,793
	1,863,568

Save as disclosed above and apart from intra-group liabilities, at the close of business on 30 September 2015, the Group did not have any debt securities issued and outstanding, debt securities authorised or otherwise created but unissued, term loans, debentures, loan capital, bank overdrafts, liabilities under acceptance or acceptance credits, hire purchase or finance lease obligations, mortgages, charges, guarantees or other material contingent liabilities.

5. MATERIAL CHANGE

On 26 May 2015, the Company published an announcement disclosing its unaudited consolidated results for the three months ended 31 March 2015. For the three months ended 31 March 2015, the Group recorded a turnover of HK$2,782,136,000 and a profit attributable to owners of the Company of HK$400,326,000.

On 25 August 2015, the Company published an announcement disclosing its unaudited consolidated results for the six months ended 30 June 2015 together with a management discussion and analysis. For the six months ended 30 June 2015, the Group recorded a turnover of HK$5,730,375,000 and a profit attributable to owners of the Company of HK$822,014,000.

Save as disclosed above, the Directors confirm that, as at the Latest Practicable Date, there are no material changes in the financial or trading position or outlook of the Group since 31 December 2014, the date to which the latest published audited financial statements of the Group were made up.

The following is the text of a letter and valuation certificates, prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer and consultant, in connection with its valuation as at 30 September 2015 of the property interests held by CSPC Pharmaceutical Group Limited.

JLL 仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
6/F Three Pacific Place 1 Queen's Road East Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Licence No.: C-030171

20 November 2015

The Board of Directors
CSPC Pharmaceutical Group Limited
Suite 3206, 32/F
Central Plaza, 18 Harbour Road
Wan Chai
Hong Kong

Dear Sirs,

In accordance with the instructions of CSPC Pharmaceutical Group Limited (the "**Company**") and its subsidiaries (hereinafter together referred to as the "**Group**") in the People's Republic of China (the "**PRC**"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing our opinion of the market value of the property interests as at 30 September 2015 (the "**Valuation Date**"). The property comprises 30 properties located in various provinces of the PRC.

Our valuation is carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Due to the nature of the buildings and structures of the property and the particular location in which it is situated, there are unlikely to be relevant market comparable sales and rents readily available, the property interests have been valued by the Cost Approach with reference to its depreciated replacement cost.

Depreciated replacement cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization." It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement of the improvements, less deduction for physical deterioration and all relevant forms of obsolescence and optimization. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business. In our valuation, it applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interest valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the Code on Takeover and Mergers issued by The Securities and Futures Commission of Hong Kong; the RICS Valuation - Professional Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Company, and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of various title documents relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interest in the PRC and any material encumbrance that might be attached to the property interest or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisers – He Bei Jue Ce Lawyer Office, as at the Valuation Date concerning the validity of the property interests in the PRC.

We have no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the property but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the property. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the property is free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

The site inspection was carried out on 14 to 16 October 2015 by Ms. Gloria Wang, Ms. Josephine Ho, Mr. Jack Ye and Mr. Eron Chen. Ms. Gloria Wang is a qualified China Real Estate Appraiser who has 8 years of property valuation experiences in the PRC, Mr. Jack Ye is a China Certified Public Valuer and has 9 years' experience in property valuation in the PRC, Ms. Josephine Ho and Mr. Eron Chen have 1 years' experience in property valuation in the PRC.

All monetary figures stated in this report are in Renminbi (RMB).

As advised by the Company, the potential tax liabilities which would arise if the property interests of the Company specified in this report were to be sold mainly include business tax (5% of the transaction amount), land appreciation tax (30% to 60% of appreciated amount) and stamp duty (0.05% of the transaction amount). As confirmed by the Company, they have no intention to sell the properties as those properties are mainly occupied for the production of pharmaceutical products. Therefore, the possibility of incurrence of such tax liabilities is very small.

Our valuation certificates are attached.

Yours faithfully,
for and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Gilbert C.H. Chan
MRICS MHKIS RPS(GP)
Director

Note:

Gilbert C.H. Chan is a Chartered Surveyor who has 22 years' experience in the valuation of properties in Hong Kong and 21 years of property valuation experience in the Asia-Pacific region including but not limited to the PRC. He has been working with Jones Lang LaSalle Corporate Appraisal and Advisory Limited since 2008

SUMMARY OF VALUES

Abbreviation:

Group I: Property interests held and occupied by the Group in the PRC
Group II: Property interests to be acquired by the Group in the PRC
Group III: Properties interests held for investment by the Group in the PRC
Group IV: Properties interests held under development by the Group in the PRC
—: Not Available or Not Applicable

No.	**Property** [1]	**Market value in existing state as at the valuation date** *RMB* **Group I:**	**Market value in existing state as at the valuation date** *RMB* **Group II:**	**Market value in existing state as at the valuation date** *RMB* **Group III:**	**Market value in existing state as at the valuation date** *RMB* **Group IV:**	**The total market value in existing stateas at the valuation date** *RMB* **Total of the property:**
1.	A parcel of land, 21 buildings and various structures located at No. 36 of Fuqiang West Road, Luancheng County, Shijiazhuang City, Hebei Province, The PRC	241,700,000 98.69% interest attributable to the Company: 238,533,730				238,533,730
2.	A parcel of land, 3 construction-in-progress, 10 buildings and various structures located at No.88 of Yangzi Road, and the Intersection of Yangtze Road and Qingyuan Street, Economic and Technological Development Zone, Shijiazhuang City, Hebei Province, The PRC	108,320,000 100% interest attributable to the Company: 108,320,000			13,140,000 100% interest attributable to the Company: 13,140,000	121,460,000
	Sub Total	**346,853,730**			**13,140,000**	**359,993,730**

No.	Property [1]	Market value in existing state as at the valuation date *RMB* Group I:	Market value in existing state as at the valuation date *RMB* Group II:	Market value in existing state as at the valuation date *RMB* Group III:	Market value in existing state as at the valuation date *RMB* Group IV:	The total market value in existing stateas at the valuation date *RMB* Total of the property:
3.	A building located at No. 276 of West Zhongshan Road, Qiaoxi District, Shijiazhuang City, Hebei Province, The PRC	6,750,000 100% interest attributable to the Company: 6,750,000				6,750,000
4.	A structure located at No. 276 of West Zhongshan Road, Qiaoxi District, Shijiazhuang City, Hebei Province, The PRC	113,000 100% interest attributable to the Company: 113,000				113,000
5.	A parcel of land, 35 buildings and various structures located at No. 276 of West Zhongshan Road, Qiaoxi District, Shijiazhuang City, Hebei Province, The PRC	86,350,000 100% interest attributable to the Company: 86,350,000		1,240,000		87,590,000
	Sub Total	**93,213,000**		**1,240,000**		**94,453,000**

No.	Property [1]	Market value in existing state as at the valuation date *RMB* Group I:	Market value in existing state as at the valuation date *RMB* Group II:	Market value in existing state as at the valuation date *RMB* Group III:	Market value in existing state as at the valuation date *RMB* Group IV:	The total market value in existing stateas at the valuation date *RMB* Total of the property:
6.	21 buildings and various structures located at No. 99 of Hainan Road, Economic and Technological Development Zone, Shijiazhuang City, Hebei Province, The PRC	No Commercial value				No Commercial Value
7.	A parcel of land and various structures located at the South of Shihuo North Road, Xinhua District, Shijiazhuang City, Hebei Province, The PRC	6,450,000 100% interest attributable to the Company: 6,450,000				6,450,000
8.	2 parcels of land located at the West of Pagoda Zhongda Street, East of Taxi Street, south of Yangzi Road and North and West of Hainan Road respectively, Economic and Technological Development Zone, Shijiazhuang City, Hebei Province, The PRC	50,370,000 100% interest attributable to the Company: 50,370,000				50,370,000
	Sub Total	**56,820,000**				**56,820,000**

No.	Property [1]	Market value in existing state as at the valuation date *RMB* Group I:	Market value in existing state as at the valuation date *RMB* Group II:	Market value in existing state as at the valuation date *RMB* Group III:	Market value in existing state as at the valuation date *RMB* Group IV:	The total market value in existing stateas at the valuation date *RMB* Total of the property:
9.	A construction-in-progress located at No.88 of Yangzi Road, Economic and Technological Development Zone, Shijiazhuang City, Hebei Province, The PRC	No commercial value				No commercial value
10.	A building located at Industrial Zone, Douyuzhen Town, Luancheng County, Shijiazhuang City, Hebei Province, The PRC	No commercial value				No commercial value
11.	4 parcels of land, 45 buildings and various structures located at No. 226 and No. 236 of Huanghe Avenue, Economic and Technological Development Zone, Shijiazhuang City, Hebei Province, The PRC	346,610,000 100% interest attributable to the Company: 346,610,000				346,610,000
	Sub Total	**346,610,000**				**346,610,000**

No.	Property [1]	Market value in existing state as at the valuation date *RMB* Group I:	Market value in existing state as at the valuation date *RMB* Group II:	Market value in existing state as at the valuation date *RMB* Group III:	Market value in existing state as at the valuation date *RMB* Group IV:	The total market value in existing stateas at the valuation date *RMB* Total of the property:
12.	2 parcels of land, 2 buildings and various structures located at the East of Qinling Street, South of Huai He Road and East to Taihang Street, South to Guihua Branch Road, Advanced Technology Zone, Shijiazhuang City, Hebei Province, The PRC	42,720,000 98.3993% interest attributable to the Company: 42,036,181	No commercial value			42,036,181
13.	A parcel of land, a building and various structures located at No. 30, Gong Nong Road, Qiaoxi District, Shijiazhuang City, Hebei Province, The PRC	27,970,000 99.3932% interest attributable to the Company: 27,800,278				27,800,278
14.	2 parcels of land, 5 buildings and various structures located at North 2nd Ring Road East, Changan District, Shijiazhuang City, Hebei Province, The PRC	16,960,000 99.3932% interest attributable to the Company: 16,857,087				16,857,087
15.	2 buildings located at No. 47 Fengshou Road, Chang'an District, Shijiazhuang City, Hebei Province, The PRC	7,080,000 99.3932% interest attributable to the Company: 7,037,039				7,037,039
	Sub Total	**93,730,585**				**93,730,585**

No.	Property [1]	Market value in existing state as at the valuation date *RMB* Group I:	Market value in existing state as at the valuation date *RMB* Group II:	Market value in existing state as at the valuation date *RMB* Group III:	Market value in existing state as at the valuation date *RMB* Group IV:	The total market value in existing stateas at the valuation date *RMB* Total of the property:
16.	A parcel of land, a building and various structures located at No. 188 Gongnong Road, Qiaoxi District, Shijiazhuang City Hebei Province, The PRC	6,940,000 99.3932% interest attributable to the Company: 6,897,888				6,897,888
17.	9 buildings and various structures located at the No. 6 of Xin Shi Zhong Road, Qiaoxi District, Shijiazhuang City, Hebei Province, The PRC	No commercial value				No commercial value
18.	A parcel of land, a construction-in-progress, 11 buildings and various structures located at the intersection of Taxi Street and Yangzi Road, Economic and Technological Development Zone, Shijiazhuang City, Hebei Province, The PRC	102,710,000 99.3932% interest attributable to the Company: 102,086,756				102,086,756
19.	2 parcels of land, 70 buildings and various structures located at Nos. 36 and 47 of Fengshou Road, Chang'an District, Shijiazhuang City, Hebei Province, The PRC	270,020,000 99.3932% interest attributable to the Company: 268,381,519				268,381,519
	Sub Total	**377,366,163**				**377,366,163**

No.	Property [1]	Market value in existing state as at the valuation date *RMB* Group I:	Market value in existing state as at the valuation date *RMB* Group II:	Market value in existing state as at the valuation date *RMB* Group III:	Market value in existing state as at the valuation date *RMB* Group IV:	The total market value in existing stateas at the valuation date *RMB* Total of the property:
20.	A building located at the South of North 2nd Ring Road East, Chang'an District, Shijiazhuang City, Hebei Province, The PRC	No Commercial value				No commercial value
21.	A building and various structures located at the intersection of Taxi Street and Yangzi Road, Economic and Technological Development Zone, Shijiazhuang City Hebei Province, The PRC	3,700,000 99.3932% interest attributable to the Company: 3,677,548				3,677,548
22.	10 residential units located at the Dongfang Wensha Town, No. 9 of Yaocheng Avenue, China Medical City, Taizhou City, Jiangsu Province, The PRC	5,400,000 99.3932% interest attributable to the Company: 5,367,233				5,367,233
23.	A parcel of land and 2 construction-in-progress located at the North of Yaocheng Avenue and the West of Shengbei Road, Taizhou Medical High-tech Zone, Taizhou City, Jiangsu Province, The PRC	38,474,000 100% interest attributable to the Company: 38,474,000			7,018,000 100% interest attributable to the Company: 7,018,000	45,492,000
	Sub Total	**47,518,781**			**7,018,000**	**54,536,781**

No.	Property [1]	Market value in existing state as at the valuation date *RMB* Group I:	Market value in existing state as at the valuation date *RMB* Group II:	Market value in existing state as at the valuation date *RMB* Group III:	Market value in existing state as at the valuation date *RMB* Group IV:	The total market value in existing stateas at the valuation date *RMB* Total of the property:
24.	A residential unit located at Unit No. 3, 6/F, Building No. 18 Yuncheng City, Shanxi Province, The PRC	No commercial value				No commercial value
25.	3 construction-in-progress, 34 buildings and various structures located at Industrial Zone, Yanhu District, Yuncheng City, Shanxi Province, The PRC	18,570,000 89.4539% interest attributable to the Company: 16,611,589				16,611,589
26.	A parcel of land located at West of Yun Lin Road, Yuncheng City, Shanxi Province, The PRC	3,080,000 89.4539% interest attributable to the Company: 2,755,180				2,755,180
27.	3 parcels of land located at the North of Sushui Aveune, Industrial Zone, Yanhu District, Yuncheng City, Shanxi Province, The PRC	54,330,000 89.4539% interest attributable to the Company: 48,600,304	No commercial value			48,600,304
	Sub Total	**67,967,073**				**67,967,073**

No.	Property [1]	Market value in existing state as at the valuation date *RMB* Group I:	Market value in existing state as at the valuation date *RMB* Group II:	Market value in existing state as at the valuation date *RMB* Group III:	Market value in existing state as at the valuation date *RMB* Group IV:	The total market value in existing stateas at the valuation date *RMB* Total of the property:
28.	A parcel of land, 7 buildings and various structures located at No. 7 of Jiangshuiquan Road, Lixia District, Jinan City, Shandong Province, The PRC	19,190,000 100% interest attributable to the Company: 19,190,000				19,190,000
29.	A parcel of land, 6 buildings and various structures located at South of Jin Bu Street and east of Dayao Road , Muping District, Yantai City, Shandong Province, The PRC	14,510,000 100% interest attributable to the Company: 14,510,000				14,510,000
30.	Unit 101, Level 1, Zhao Feng Yuan Yi Qu, Feng Tai Qu, Beijing, The PRC	3,630,000 100% interest attributable to the Company: 3,630,000				3,630,000
	Sub Total	**37,330,000**				**37,330,000**
	Total	**1,467,409,332**	**No Commercial value**	**1,240,000**	**20,158,000**	**1,488,807,332**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2015 *RMB*
1.	A parcel of land 21 buildings and various structures located at No. 36 of Fuqiang West Road, Luancheng County, Shijiazhuang City, Hebei Province, The PRC	The property comprises a parcel of land with a site area of approximately 112,060.10 sq.m. 21 buildings and various structures erected thereon which were completed in various stages between 1993 and 2008. The buildings have a total gross floor area of approximately 37,372.79 sq.m. The buildings mainly include industrial buildings, warehouse, office, canteen and car parking spaces. The land use rights of the property have been granted on 26 August 2008 for a term expiring on 22 October 2031 for industrial use.	The property is currently occupied by the CSPC XNW Pharmaceutical Joint Stock Company, Limited for production, warehouse and office purpose.	241,700,000 98.69% interest attributable to the Company: 238,533,730

Notes:

1. CSPC XNW Pharmaceutical Joint Stock Company Limited (石藥集團新諾威製藥股份有限公司, "CSPC XNW") is a 98.69% interest indirectly owned subsidiary of CSPC Pharmaceutical Group Limited.

2. Pursuant to a State-owned Land Use Rights Certificate – Luan Guo Yong (2008) Di No. 29, the land use rights of the parcel of land with a site area of approximately 112,060.10 sq.m. has been granted to CSPC XNW for a term of 23 years with the expiry date as at 22 October 2031 for industrial use.

3. Pursuant to a Building Ownership Certificate – Luan Fang Quan Zheng Zi Di No. 014000204301400150, 21 buildings with a total gross floor area of approximately 37,372.79 sq.m. are owned by CSPC XNW.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers as at the Valuation Date, which contains, *inter alia*, the following:

   a. With the land use rights terms and the permitted use in accordance with the land use rights certificates, CSPC XNW owns the legal and valid state-owned land use rights of this parcel of land, and freely use, transfer, let and mortgage the land parcel without further obtaining the approval, permit and consent of any government authorities;

   b. CSPC XNW has obtained the Building Ownership Title Certificate as mentioned in note 3 and is the only legal user of the property. The rights to occupy and use the property are protected by the PRC laws; and

   c. CSPC XNW has the rights to freely use, transfer, let and mortgage the property without further obtaining the approval, permit and consent of any government authorities.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2015 *RMB*
2.	A parcel of land, 3 construction-in-progress, 10 buildings and various structures located at No. 88 of Yangzi Road and the Intersection of Yangtze Road and Qingyuan Street, Economic and Technological Development Zone, Shijiazhuang City, Hebei Province, The PRC	The property comprises a parcel of land with a site area of approximately 99,304.00 sq.m, 3 industrial complexes under construction (the "CIPs") thereon, 10 buildings and various structures erected thereon which were completed in various stages between 2005 and 2015. The buildings have a total gross floor area of approximately 49,155.59 sq.m. The buildings mainly include workshops, canteen and a complex building. As advised by the company, the CIPs are scheduled to be completed in January 2016. Upon completion, the CIPs will have a total gross floor area of approximately 8,491.03 sq.m. The total estimated construction cost is RMB229,980,000.00, of which RMB13,137,145.20 had been incurred up to the Valuation Date. The land use rights of the property have been granted on 31 January 2006 for a term expiring on 20 December 2053 for industrial use.	The property is currently occupied by the CSPC NBP Pharmaceutical Co., Ltd for production, residential and office purposes.	121,460,000 100% interest attributable to the Company: 121,460,000

Notes:

1. CSPC NBP Pharmaceutical Co., Ltd (石藥集團恩必普藥業有限公司, "CSPC NBP") is a 100% interest indirectly owned subsidiary of CSPC Pharmaceutical Group Limited.

2. Pursuant to a State-owned Land Use Rights Certificate – Gao Guo Yong (2007) Di No. 063, the land use right of the parcel of land with a site area of approximately 99,304.00 sq.m. has been granted to CSPC NBP for a term of 47 years with the expiry date as at 20 December 2053 for industrial use.

3. Pursuant to a Building Ownership Certificate – Gao Cheng Fang Quan Zheng Liang Cun Zi Di No. 1145000038, 5 buildings with a total gross floor area of approximately 23,007.49 sq.m. are owned by CSPC NBP.

4. For the remaining 5 buildings with a total gross floor area of 26,148.10 sq.m and various structures, we have not been provided with any title certificate. In the valuation of this property, we have attributed no commercial value to the buildings and various structures which have not obtained any proper title certificate. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings as at Valuation Date would be RMB44,000,000 assuming all relevant title certificates have been obtained and the buildings could be freely transferred.

5. Pursuant to a Land Use and Planning Permit — Shi Kai Gui (200310) in favour of CSPC NBP, the construction works of the CIPs have been approved.

6. Upon completion of the development, the estimated completed value of the CIPs would be RMB273,670,000.

7. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers as at the Valuation Date, which contains, *inter alia*, the following:

    a. With the land use rights terms and the permitted use in accordance with the land use rights certificates, CSPC NBP owns the legal and valid state-owned land use rights of this parcel of land, and freely use, transfer, let and mortgage the land parcel without further obtaining the approval, permit and consent of any government authorities;

    b. CSPC NBP has obtained the Building Ownership Title Certificates as mentioned in note 3 and is the only legal user of the property. The rights to occupy and use the property are protected by the PRC laws; and

    c. CSPC NBP has the rights to freely use, transfer, let and mortgage the property without further obtaining the approval, permit and consent of any government authorities;

    d. CSPC NBP has obtained the relevant land use and planning permit for the CIPS of the property through applicable PRC laws and regulations. There are no material restrictions on the development of the CIPs. The PRC legal advisers are not aware of any material special or general conditions affecting the development of the CIPs.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2015 *RMB*
3.	A building located at No. 276 of West Zhongshan Road, Qiaoxi District, Shijiazhuang City, Hebei Province, The PRC	The property comprises a building which was completed in 2001. The building has a gross floor area of approximately 4,843.58 sq.m.	The property is currently occupied by the CSPC Zhongqi Pharmaceutical Technology (Shijiazhuang) Co., Ltd for research and development purpose.	6,750,000 100% interest attributable to the Company: 6,750,000

Notes:

1. CSPC Zhongqi Pharmaceutical Technology (Shijiazhuang) Co., Ltd (石藥集團中奇製藥技術(石家莊)有限公司) is a 100% interest directly owned subsidiary of CSPC Pharmaceutical Group Limited.

2. Pursuant to a Building Ownership Certificate – Shi Fang Quan Zheng Xi Zi Di No. 450000109, a building with a gross floor area of approximately 4,843.58 sq.m. is owned by CSPC Zhongqi Pharmaceutical Technology (Shijiazhuang) Co., Ltd.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers as at the Valuation Date, which contains, *inter alia*, the following:

   a. The parcel of land which the property erected thereon is owned by CSPC Ouyi Pharmaceutical Co., Ltd (石藥集團歐意藥業有限公司) and is currently used by CSPC Zhongqi Pharmaceutical Technology (Shijiazhuang) Co., Ltd on a rent-free basis. The rights to occupy and use the land are protected by the PRC laws;

   b. CSPC Zhongqi Pharmaceutical Technology (Shijiazhuang) Co., Ltd has obtained the Building Ownership Title Certificates as mentioned in note 2 and is the only legal user of the property. The rights to occupy and use the property are protected by the PRC laws; and

   c. CSPC Zhongqi Pharmaceutical Technology (Shijiazhuang) Co., Ltd has the rights to freely use, transfer, let and mortgage the property without further obtaining the approval, permit and consent of any government authorities.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2015 *RMB*
4.	A structure located at No. 276 of West Zhongshan Road, Qiaoxi District, Shijiazhuang City, Hebei Province, The PRC	The property comprises a structure erected thereon which was completed in 2004. The structure mainly include road.	The property is currently occupied by the CSPC Huasheng Pharmaceutical Co., Ltd for production purpose.	113,000 100% interest attributable to the Company: 113,000

Notes:

1. CSPC Huasheng Pharmaceutical Co., Ltd（石家莊製藥集團華盛製藥有限公司）is a 100% interest indirectly owned subsidiary of CSPC Pharmaceutical Group Limited.

2. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers as at the Valuation Date, which contains, *inter alia*, the following:

   a. Pursuant to a tenancy agreement entered between CSPC Ouyi Pharmaceutical Co., Ltd and CSPC Huasheng Pharmaceutical Co., Ltd dated 1 January 2014, with the property interest invested to construct and use by CSPC Huasheng Pharmaceutical Co., Ltd, there is no legal impediment against the use of the property within the tenancy period.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2015 *RMB*
5.	A parcel of land, 35 buildings and various structures located at No. 276 of West Zhongshan Road, Qiaoxi District, Shijiazhuang City, Hebei Province, The PRC	The property comprises a parcel of land with a site area of approximately 83,811.90 sq.m., 35 buildings and various structures erected thereon which were completed in various stages between 1968 and 2011. The buildings have a total gross floor area of approximately 50,703.84 sq.m. The buildings mainly include roads, bridges, pump stations and pools. The land use rights of the property have been granted on 31 July 2004 for a term expiring on 27 April 2055 for industrial use.	The property is currently occupied partially by the CSPC Ouyi Pharmaceutical Co., Ltd for production, warehouse and office purpose and partially leased out for production and office purpose.	87,590,000 100% interest attributable to the Company: 87,590,000

Notes:

1. CSPC Ouyi Pharmaceutical Co., Ltd（石藥集團歐意藥業有限公司, "CSPC OYY") is a 100% interest indirectly owned subsidiary of CSPC Pharmaceutical Group Limited.

2. Pursuant to a State-owned Land Use Rights Certificates – Qiao Xi Guo Yong (2009) Di No. 00148, the land use right of the parcel of land with a site area of approximately 83,811.90 sq.m. has been granted to CSPC OYY for a term of 51 years with expiry dates as at 27 April 2055.

3. Pursuant to 10 Building Ownership Certificates – Shi Fang Quan Zheng Xi Zi Di No. 450000375, No. 450000378, No. 450000379, No. 450000380, No. 450000381, No. 450000382, No. 450000383, No. 450000384, No. 450000385 and No. 450000386, 35 buildings with a total gross floor area of approximately 50,703.84 sq.m. are owned by CSPC OYY.

4. Pursuant to a tenancy agreement dated 1 January 2014, the buildings and structures of part of the Property with a gross floor area of approximately 1,500 sq.m. is leased to CSPC Huasheng Pharmaceutical Co., Ltd for a term of 3 years from 1 January 2014 and expiring on 31 December 2016 at a total annual rent of RMB360,000.

5. Pursuant to a tenancy agreement dated 25 September 2006, the buildings and structures of part of the Property with a gross floor area of approximately 120 sq.m. is leased to CSPC Zhongnuo Pharmaceutical Import and export trading Co., Ltd. for a term of 20 years from 1 October 2006 and expiring on 30 September 2026 at a total annual rent of RMB50,000.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers as at the Valuation Date, which contains, *inter alia*, the following:

   a. With the land use rights terms and the permitted use in accordance with the land use rights certificates, CSPC OYY owns the legal and valid state-owned land use rights of this parcel of land, and freely use, transfer, let and mortgage the land parcel without further obtaining the approval, permit and consent of any government authorities;

   b. CSPC OYY has obtained the Building Ownership Title Certificates as mentioned in note 3 and is the only legal user of the property. The rights to occupy and use the property are protected by the PRC laws; and

   c. CSPC OYY has the rights to freely use, transfer, let and mortgage the property without further obtaining the approval, permit and consent of any government authorities.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2015 *RMB*
6.	21 buildings and various structures located at No. 99 of Hainan Road, Economic and Technological Development Zone, Shijiazhuang City, Hebei Province, The PRC	The property comprises 21 buildings and various structures erected thereon which were completed in various stages between 2012 and 2015. The buildings have a total gross floor area of approximately 89,501.00 sq.m. The buildings mainly include industrial buildings, warehouse and canteen. The structures mainly include wells and pools.	The property is currently partially occupied by the CSPC Ouyi Pharmaceutical Co., Ltd for production and warehouse purpose and partially leased out for production purpose.	No commercial value 100% interest attributable to the Company: No commercial value

Notes:

1. CSPC Ouyi Pharmaceutical Co., Ltd (石藥集團歐意藥業有限公司), "CSPC OYY") is a 100% interest indirectly owned subsidiary of CSPC Pharmaceutical Group Limited.

2. For the buildings with a total gross floor area of approximately 89,501.00 sq.m. and various structures, we have not been provided with any title certificate. In the valuation of this property, we have attributed no commercial value to the buildings and various structures which have not obtained any proper title certificate. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the building as at the Valuate Date would be RMB243,940,000 assuming all relevant title certificates have been obtained and the buildings could be freely transferred.

3. Pursuant to a tenancy agreement dated 1 August 2015, the buildings and structures of part of the Property with a gross floor area of approximately 2,566 sq.m. is leased to CSPC Huasheng Pharmaceutical Co., Ltd for a term of 3 years and 1 month from 1 August 2015 and expiring on 31 August 2018 at a total annual rent of RMB615,840.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers as at the Valuation Date, which contains, *inter alia*, the following:

   CSPC OYY has the rights to freely use, transfer, let and mortgage the property without further obtaining the approval, permit and consent of any government authorities.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2015 *RMB*
7.	A parcel of land and various structures located at the South of Shihuo North Road, Xinhua District, Shijiazhuang City, Hebei Province, The PRC	The property comprises a parcel of land with a site area of approximately 20,234.50 sq.m. and various structures erected thereon which were completed in 2006. The land use rights of the property has been granted on 31 July 2004 for a term expiring on 10 November 2043 for warehouse use.	The property is currently occupied by the CSPC Ouyi Pharmaceutical Co., Ltd for warehouse purpose.	6,450,000 100% interest attributable to the Company: 6,450,000

Notes:

1. CSPC Ouyi Pharmaceutical Co., Ltd（石藥集團歐意藥業有限公司, "CSPC OYY") is a 100% interest indirectly owned subsidiary of CSPC Pharmaceutical Group Limited.

2. Pursuant to a State-owned Land Use Rights Certificate – Xin Hua Guo Yong (2010) Di No. 00001, the land use right of the parcel of land with a site area of approximately 20,234.50 sq.m. has been granted to CSPC OYY for a term of 39 years with the expiry date as at 10 November 2043 for warehouse use.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers as at the Valuation Date, which contains, *inter alia*, the following:

    a. With the land use rights terms and the permitted use in accordance with the land use rights certificates, CSPC OYY owns the legal and valid state-owned land use rights of this parcel of land, and freely use, transfer, let and mortgage the land parcel without further obtaining the approval, permit and consent of any government authorities;

    b. CSPC OYY has the rights to freely use, transfer, let and mortgage the property without further obtaining the approval, permit and consent of any government authorities.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2015 *RMB*
8.	2 parcels of land located at the West of Pagoda Zhongda Street, East of Taxi Street, south of Yangzi Road and North and West of Hainan Road respectively, Economic and Technological Development Zone, Shijiazhuang City, Hebei Province, The PRC.	The property comprises 2 parcels of land with a total site area of approximately 136,896.00 sq.m. The land use right of the property have been granted on 25 February 2012 for a term expiring on 24 February 2061 for warehouse use.	The property is currently occupied by the CSPC Ouyi Pharmaceutical Co., Ltd for production purpose.	50,370,000 100% interest attributable to the Company: 50,370,000

Notes:

1. CSPC Ouyi Pharmaceutical Co., Ltd (石藥集團歐意藥業有限公司, "CSPC OYY") is a 100% interest indirectly owned subsidiary of CSPC Pharmaceutical Group Limited.

2. Pursuant to 2 State-owned Land Use Rights Certificates – Gao Guo Yong (2011) Di No. 22 and No. 23, the land use rights of the 2 parcels of land have been granted to CSPC OYY with the particulars as follows:

Site Area	:	136,896.00 sq.m.
Land Use	:	Industrial
Date of Acquisition	:	25 February 2012
Land Premium	:	RMB49,508,797.87

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers as at the Valuation Date, which contains, *inter alia*, the following:

   a. With the land use rights terms and the permitted use in accordance with the land use rights certificates, CSPC OYY owns the legal and valid state-owned land use rights of this parcel of land, and freely use, transfer, let and mortgage the land parcel without further obtaining the approval, permit and consent of any government authorities;

   b. CSPC OYY has the rights to freely use, transfer, let and mortgage the property without further obtaining the approval, permit and consent of any government authorities.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2015 *RMB*
9.	A construction in progress located at No. 88 Yangzi Road, Economic and Technological Development Zone, Shijiazhuang City, Hebei Province, the PRC	The property comprises an industrial complex under construction (the "CIP") on a parcel of land with a site area of 99,304 sq.m. As advised by the Company, the CIP is scheduled to be completed in July 2016. Upon completion, the CIP will have a total gross floor area of approximately 14,467.80 sq.m. The total estimated construction cost is RMB52,726,322.00, of which RMB49,609,425.92 had been incurred up to the Valuation Date.	The property is currently under construction.	No Commercial Value 100% interest attributable to the Company: No commercial value

Notes:

1. Unigene Biotechnology Co.,Ltd（優金生物技術有限公司）is a 100% interest directly owned subsidiary of CSPC Pharmaceutical Group Limited.

2. Pursuant to one State-owned Land Use Rights Certificate – Gao Guo Yong (2007) Di No. 063, the land use right of a parcel of land with a total site area of approximately 99,304.00 sq.m. has been granted to CSPC NBP Pharmaceutical Co., Ltd for a term of 47 years with the expiry date as at 20 December 2053 for industrial use.

3. For the construction in progress with a gross floor area of approximately 14,467.80 sq.m., we have not been provided with any construction work planning permit. In the valuation of this property, we have attributed no commercial value to the building which has not obtained any proper construction work planning permit. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the CIP as at the Valuation Date would be RMB49,610,000 assuming all relevant construction work planning permit has been obtained and the CIP could be freely transferred.

4. Upon completion of the development, the estimated completed value of the CIPs would be RMB52,726,322.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers as at the Valuation Date, which contains, *inter alia*, the following:

   a. The parcel of land which the property erected thereon is owned by CSPC NBP Pharmaceutical Co., Ltd and is currently used by Unigene Biotechnology Co., Ltd on a rent-free basis. The rights to occupy and use the land are protected by the PRC laws.

   b. There are no material restrictions on the development of the CIPs. The PRC legal advisers are not aware of any material special or general conditions affecting the development of the CIPs.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2015 *RMB*
10.	A building located at Industrial Zone, Douyuzhen Town, Luancheng County, Shijiazhuang City, Hebei Province, The PRC	The property comprises an industrial building which was completed in 2004. The building has a total gross floor area of approximately 3,321.28 sq.m.	The property is currently occupied by the CSPC Hebei Zhongrun Huanbao Co., Ltd for production purpose.	No commercial value 100% interest attributable to the Company: No commercial value

Notes:

1. CSPC Hebei Zhongrun Huanbao Co., Ltd (河北中潤生態環保有限公司, "CSPC HZH") is a 100% interest indirectly owned subsidiary of CSPC Pharmaceutical Group Limited.

2. For the building with a gross floor area of approximately 3,321.28 sq.m., we have not been provided with any title certificate. In the valuation of this property, we have attributed no commercial value to the building which has not obtained any proper title certificate. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the building as at the Valuation Date would be RMB1,970,000 assuming all relevant title certificates have been obtained and the building could be freely transferred.

3. Pursuant to a tenancy agreement dated 3 February 2014, the parcel of land which the property erected thereon with a land area of approximately 11,479.88 sq.m. is leased to CSPC HZH from 石家庄泰和化工有限公司 for a term of 10 years from 3 February 2014 and expiring on 3 February 2024 at a total annual rent of RMB154,980.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers as at the Valuation Date, which contains, *inter alia*, the following:

   a. CSPC HZH has the rights to freely use, transfer, let and mortgage the property within the lease period of land.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2015 *RMB*
11.	4 parcels of land, 44 buildings and various structures located at No. 226 and No. 236 of Huanghe Avenue, Economic and Technological Development Zone, Shijiazhuang City, Hebei Province, The PRC	The property comprises 4 parcels of land with a total site area of approximately 228,506.81 sq.m, 44 buildings and various structures erected thereon which were completed in various stages between 1996 and 2011. The buildings have a total gross floor area of approximately 219,588.82 sq.m. The buildings mainly include industrial buildings, office, security room and canteen. The land use rights of the property have been granted for various terms expiring on 7 April 2025, 19 May 2032 and 25 December 2032 for industrial use.	The property is currently occupied by the CSPC Weisheung Pharmaceutical (Shijiazhuang) Co., Ltd for production, warehouse and office purpose.	346,610,000 100% interest attributable to the Company: 346,610,000

Notes:

1. CSPC Weisheung Pharmaceutical (Shijiazhuang) Co., Ltd (石藥集團維生藥業(石家莊)有限公司, "CSPC WP") is a 100% interest directly owned subsidiary of CSPC Pharmaceutical Group Limited.

2. Pursuant to 2 State-owned Land Use Rights Certificates – Shi Kai (Dong) Guo Yong (2005) Di No. 103 and Shi Kai (Dong) Guo Yong (2007) Di No. 119, the land use rights of the 2 parcels of land with a total site area of approximately 168,289.75 sq.m. have been granted to CSPC WP for a term with the expiry date as at 7 April 2025, for industrial use.

3. Pursuant to 2 State-owned Land Use Rights Certificates — Gao Xin Guo Yong (2010) Di No. 00046 and No. 00056, the land use rights of the property have been granted to CSPC WP with the particulars as follows:

Site Area	:	60,217.06 sq.m.
Land Use	:	Industrial
Date of Acquisition	:	28 October 2010 and 22 December 2010
Land Premium	:	RMB12,054,686

4. Pursuant to 13 Building Ownership Certificates – Shi Fang Quan Zheng Kai Zi Di No. 760000014, No. 760000018, No. 760000021, No. 760000022, No. 760000068, No. 760000069, No. 760000070, No. 760000071, No. 760000072, No. 760000073, No. 760000074, No. 760000077, No. 760000083, 21 buildings with a total gross floor area of approximately 113,652.44 sq.m. are owned by CSPC WP.

5. For the remaining 23 buildings with a total gross floor area of approximately 105,936.38 sq.m., we have not been provided with any title certificate. In the valuation of this property, we have attributed no commercial value to the building which has not obtained any proper title certificate. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the building (excluding the land) as at the Valuation Date would be RMB277,420,000 assuming all relevant title certificates have been obtained and the building could be freely transferred.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers as at the Valuation Date, which contains, *inter alia*, the following:

   a. With the land use rights terms and the permitted use in accordance with the land use rights certificates, CSPC WP owns the legal and valid state-owned land use rights of this parcel of land, and freely use, transfer, let and mortgage the land parcel without further obtaining the approval, permit and consent of any government authorities;

   b. CSPC WP has obtained the Building Ownership Title Certificates as mentioned in note 3 and is the only legal user of the property. The rights to occupy and use the property are protected by the PRC laws; and

   c. CSPC WP has the rights to freely use, transfer, let and mortgage the property without further obtaining the approval, permit and consent of any government authorities.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2015 *RMB*
12.	2 parcels of land, 2 buildings and various structures located at the East of Qinling Street, South of Huai He Road, and East to Taihang Street, South to Guihua Branch Road and, Advanced Technology Zone, Shijiazhuang City, Hebei Province, The PRC	The property comprises 2 parcels of land with a total site area of approximately 89,549.02 sq.m., 2 buildings and various structures erected thereon which were completed in 2012. The buildings have a total gross floor area of approximately 32,849.14 sq.m. The buildings mainly include warehouse and office. The land use rights of 1 parcel of land of the property have been granted on 20 September 2012 for a term expiring on 29 August 2062 for industrial use.	The property is currently occupied by the CSPC Zhongchen Pharmaceutical Logistic Company Limited for warehouse and office purpose.	42,720,000 98.3993% interest attributable to the Company: 42,036,181

Notes:

1. CSPC Zhongchen Pharmaceutical Logistic Company Limited（石藥集團中誠醫藥物流有限公司）is a 98.3993% interest indirectly owned subsidiary of CSPC Pharmaceutical Group Limited.

2. Pursuant to a State-owned Land Use Rights Certificate – Gao Xin Guo Yong (2012) Di No. 00032, the land use right of the parcel of land has been granted to CSPC Zhongchen Pharmaceutical Logistic Company Limited with the particulars as follows:

Site Area	:	58,750.1 sq.m.
Land Use	:	Industrial
Date of Acquisition	:	20 September 2012
Land Premium	:	RMB41,427,370.85

3. For the parcel of land with a site area of approximately 30,798.92 sq.m. and 2 buildings with a total gross floor area of approximately 32,849.14 sq.m. and various structures, we have not been provided with any title certificate. In the valuation of this property, we have attributed no commercial value to the land, building and various structures which have not obtained any proper title certificate. However, for reference purpose, we are of the opinion that the reference value of the land and depreciated replacement cost of the building as at the Valuation Date would be RMB94,330,000 (which 98.3993% interest attributed to the company: RMB92,820,000) assuming all relevant title certificates have been obtained and the land and building could be freely transferred.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers as at the Valuation Date, which contains, *inter alia*, the following:

   a. With the land use rights terms and the permitted use in accordance with the land use rights certificates, CSPC Zhongchen Pharmaceutical Logistic Company Limited owns the legal and valid state-owned land use rights of this parcel of land, and freely use, transfer, let and mortgage the land parcel without further obtaining the approval, permit and consent of any government authorities;

   b. CSPC Zhongchen Pharmaceutical Logistic Company Limited has the rights to freely use, transfer, let and mortgage the property without further obtaining the approval, permit and consent of any government authorities.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2015 *RMB*
13.	A parcel of land, a building and various structures located at No. 30, Gong Nong Road, Qiaoxi District, Shijiazhuang City, Hebei Province, The PRC	The property comprises a parcel of land with a site area of approximately 4,916.19 sq.m., a building and various structures erected thereon which were completed in various stages between 2004 and 2009. The building has a gross floor area of approximately 1,315.00 sq.m and mainly includes warehouse. The land use rights of the property have been granted on 9 July 2003 for a term expiring on 8 July 2073 for residential use.	The property is currently occupied by the CSPC Hebei Zhongnuo Pharmaceutical Co., Ltd for warehouse purpose.	27,970,000 99.3932% interest attributable to the Company: 27,800,278

Notes:

1. CSPC Hebei Zhongnuo Pharmaceutical Co., Ltd (石藥集團中諾藥業(石家莊)有限公司(中諾生產區), "CSPC HZP") is a 99.3932% interest indirectly owned subsidiary of CSPC Pharmaceutical Group Limited.

2. Pursuant to a State-owned Land Use Rights Certificate – Qiao Xi Guo Yong (2004) Di No. 00025, the land use rights of the parcel of land with a site area of approximately 4,916.19 sq.m. has been granted to CSPC HZP for a term with the expiry date as at 8 July 2073 for residential use.

3. For the building with a gross floor area of approximately 1,315.00 sq.m. and various structures, we have not been provided with any title certificate. In the valuation of this property, we have attributed no commercial value to the building and various structures which has not obtained any proper title certificate. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the building as at the Valuation Date would be RMB5,240,000 (which 99.3932% interest attributable to the Company: RMB5,210,000) assuming all relevant title certificates have been obtained and the building could be freely transferred.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers as at the Valuation Date, which contains, *inter alia*, the following:

   a. With the land use rights terms and the permitted use in accordance with the land use rights certificates, CSPC HZP owns the legal and valid state-owned land use rights of this parcel of land, and freely use, transfer, let and mortgage the land parcel without further obtaining the approval, permit and consent of any government authorities;

   b. CSPC HZP has the rights to freely use, transfer, let and mortgage the property without further obtaining the approval, permit and consent of any government authorities.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2015 *RMB*
14.	2 parcels of land, 5 buildings and various structures located at the North 2nd Ring Road East, Changan District, Shijiazhuang City, Hebei Province, The PRC	The property comprises 2 parcels of land with a total site area of approximately 19,212.46 sq.m., 5 buildings and various structures erected thereon which were completed in various stages between 1996 and 2010. The buildings have a total gross floor area of approximately 11,285.50 sq.m and mainly includes industrial building and warehouse. The land use rights of the property have been granted on 9 March 2005 for a term expiring on 8 March 2055 and granted on 21 June 2007 for a term expiring on 20 June 2057 for industrial use.	The property is currently occupied by the CSPC Hebei Zhongnuo Pharmaceutical Co., Ltd for production and warehouse purpose.	16,960,000 99.3932% interest attributable to the Company: 16,857,087

Notes:

1. CSPC Hebei Zhongnuo Pharmaceutical Co., Ltd (石藥集團中諾藥業(石家莊)有限公司(中諾生產區), "CSPC HZP") is a 99.3932% interest indirectly owned subsidiary of CSPC Pharmaceutical Group Limited.

2. Pursuant to 2 State-owned Land Use Rights Certificates – Chang An Guo Yong (2008) Di Nos. 00017 and 00018 , the land use rights of the 2 parcels of land with a total site area of approximately 19,212.46 sq.m. have been granted to CSPC HZP for a term with the expiry date as at 8 March 2055 and 20 June 2057 for industrial use.

3. For the buildings with a total gross floor area of approximately 11,285.50 sq.m. and various structures, we have not been provided with any title certificate. In the valuation of this property, we have attributed no commercial value to the building and various structures which has not obtained any proper title certificate. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings as at the Valuation Date would be RMB36,130,000 (which 99.3932% interest attributable to the company: RMB35,910,000) assuming all relevant title certificates have been obtained and the buildings could be freely transferred.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers as at the Valuation Date, which contains, *inter alia*, the following:

   a. With the land use rights terms and the permitted use in accordance with the land use rights certificates, CSPC HZP owns the legal and valid state-owned land use rights of these parcels of land, and freely use, transfer, let and mortgage the land parcels without further obtaining the approval, permit and consent of any government authorities; and

   b. CSPC HZP has the rights to freely use, transfer, let and mortgage the property without further obtaining the approval, permit and consent of any government authorities.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2015 *RMB*
15.	2 buildings located at No. 47 Fengshou Road, Chang'an District, Shijiazhuang City, Hebei Province, The PRC	The property comprises 2 buildings which were completed in various stages between 1993 and 2005. The buildings have a total gross floor area of approximately 6,085.00 sq.m. The buildings mainly include workshops.	The property is currently occupied by the CSPC Hebei Zhongnuo Pharmaceutical Co., Ltd for production purpose.	7,080,000 99.3932% interest attributable to the Company: 7,037,039

Notes:

1. CSPC Hebei Zhongnuo Pharmaceutical Co., Ltd (石藥集團中諾藥業(石家莊)有限公司(中諾生產區), "CSPC HZP") is a 99.3932% interest indirectly owned subsidiary of CSPC Pharmaceutical Group Limited.

2. Pursuant to a Building Ownership Certificate – Shi Fang Quan Zheng Chang Zi Di No. 160000050, 2 buildings with a total gross floor area of approximately 6,085.00 sq.m. are owned by CSPC HZP.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers as at the Valuation Date, which contains, *inter alia*, the following:

    a. CSPC HZP has obtained the Building Ownership Title Certificates as mentioned in note 3 and is the only legal user of the property. The rights to occupy and use the property are protected by the PRC laws; and

    b. CSPC HZP has the rights to freely use, transfer, let and mortgage the property without further obtaining the approval, permit and consent of any government authorities.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2015 *RMB*
16.	A parcel of land, a building and various structures located at No. 188 Gongnong Road, Qiaoxi District, Shijiazhuang City Hebei Province, The PRC	The property comprises a parcel of land with a site area of approximately 1,376.12 sq.m. and a building which was completed in 2004. The building has a gross floor area of approximately 3,684.00 sq.m. and mainly include office. The land use rights of the property have been granted for a term expiring on 1 February 2054 for industrial use.	The property is currently occupied partially by the CSPC Hebei Zhongnuo Pharmaceutical Co., Ltd for office purpose.	6,940,000 99.3932% interest attributable to the Company: 6,897,888

Notes:

1. CSPC Hebei Zhongnuo Pharmaceutical Co., Ltd (石藥集團中諾藥業(石家莊)有限公司(中諾生產區), "CSPC HZP") is a 99.3932% interest indirectly owned subsidiary of CSPC Pharmaceutical Group Limited.

2. Pursuant to a State-owned Land Use Rights Certificate – Qiao Xi Guo Yong (2004) Di No. 016, the land use rights of the parcel of land with a site area of approximately 1,376.12 sq.m. has been granted to CSPC HZP for a term of 50 years with the expiry date as at 1 February 2054 for industrial use.

3. Pursuant to a Building Ownership Certificate – Shi Fang Quan Zheng Chang Zi Di No. 460000005, a building with a gross floor area of approximately 3,684.00 sq.m. is owned by CSPC HZP.

4. Pursuant to a tenancy agreement dated 25 June 2013, a land with a site area of approximately 14,332.7 sq.m. is leased to CSPC Hebei Zhongnuo Pharmaceutical Co., Ltd from CSPC Pharmaceutical Group Limited for a term of 3 years from 25 June 2013 and expiring on 24 June 2016 at a total annual rent of RMB3,827,700.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers as at the Valuation Date, which contains, *inter alia*, the following:

   a. With the land use rights terms and the permitted use in accordance with the land use rights certificates, CSPC HZP owns the legal and valid state-owned land use rights of this parcel of land, and freely use, transfer, let and mortgage the land parcel without further obtaining the approval, permit and consent of any government authorities;

   b. CSPC HZP has obtained the Building Ownership Title Certificates as mentioned in note 3 and is the only legal user of the property. The rights to occupy and use the property are protected by the PRC laws; and

   c. CSPC HZP has the rights to freely use, transfer, let and mortgage the property without further obtaining the approval, permit and consent of any government authorities.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2015 *RMB*
17.	9 buildings and various structures located at the No. 6 of Xin Shi Zhong Road, Qiaoxi District, Shijiazhuang City, Hebei Province, The PRC	The property comprises 9 buildings and various structures erected thereon which were completed in various stages between 1998 and 2012. The buildings have a total gross floor area of approximately 12,236.91 sq.m. The buildings mainly include workshops.	The property is currently occupied by the CSPC Hebei Zhongnuo Pharmaceutical Co., Ltd for production and warehouse purpose.	No commercial value 99.3932% interest attributable to the Company: No Commercial value

Notes:

1. CSPC Hebei Zhongnuo Pharmaceutical Co., Ltd (石藥集團中諾藥業(石家莊)有限公司(中諾生產區), "CSPC HZP") is a 99.3932% interest indirectly owned subsidiary of CSPC Pharmaceutical Group Limited.

2. For the buildings with a total gross floor area of approximately 12,236.91 sq.m. and various structures, we have not been provided with any title certificate. In the valuation of this property, we have attributed no commercial value to the buildings and various structures which have not obtained any proper title certificate. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings as at the Valuation Date would be RMB13,750,000 (which 99.3932% interest attributable to the company: RMB13,666,565) assuming all relevant title certificates have been obtained and the building could be freely transferred.

3. Pursuant to a tenancy agreement dated 1 August 2014, a land with site area of approximately 30,105.02 sq.m. is leased to CSPC Hebei Zhongnuo Pharmaceutical Co., Ltd from CSPC Pharmaceutical Group Limited for a term of 3 years from 1 August 2014 and expiring on 31 July 2017 at a total annual rent of RMB1,656,400.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers as at the Valuation Date, which contains, *inter alia*, the following:

   a. Pursuant to a tenancy agreement entered between CSPC Hebei Zhongnuo Pharmaceutical Co., Ltd and CSPC Pharmaceutical Group Limited dated 1 August 2014, with the property interest invested to construct and use by CSPC Hebei Zhongnuo Pharmaceutical Co., Ltd, there is no legal impediment against the use of the property within the tenancy period.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2015 *RMB*
18.	A parcel of land, a construction-in-progress, 11 buildings and various structures located at the intersection of Taxi Street and Yangzi Road, Economic and Technological Development Zone, Shijiazhuang City, Hebei Province, The PRC	The property comprises a parcel of land with a site area of approximately 66,301.00 sq.m., an industrial complex under construction (the "CIP"), 11 buildings and various structures erected thereon which were completed in various stages between 2006 and 2012. The buildings have a total gross floor area of approximately 45,645.30 sq.m. The buildings mainly include offices, workshops and warehouses. As advised by the Company, the CIP is scheduled to be completed in December 2015. Upon completion, the CIP will have a total gross floor area of approximately 36,000 sq.m. The total estimated construction cost is RMB108,980,000.00, of which RMB62,119,000.00 had been incurred up to the date of valuation. The land use rights of the property have been granted for a term expiring on 20 December 2053 for industrial use.	The property is currently occupied partially by the CSPC Hebei Zhongnuo Pharmaceutical Co., Ltd for office, production and warehouse purpose.	102,710,000 99.3932% interest attributable to the Company: 102,086,756

Notes:

1. CSPC Hebei Zhongnuo Pharmaceutical Co., Ltd (石藥集團中諾藥業(石家莊)有限公司(中諾生產區), "CSPC HZP") is a 99.3932% interest indirectly owned subsidiary of CSPC Pharmaceutical Group Limited.

2. Pursuant to a State-owned Land Use Rights Certificate – Gao Guo Yong (2007) Di No. 064, the land use rights of the parcel of land with a site area of approximately 66,301.00 sq.m. has been granted to CSPC HZP for a term of 50 years with the expiry date as at 20 December 2053 for industrial use.

3. Pursuant to a Building Ownership Certificate – Gao Cheng Fang Quan Zheng Liang Cun Zi Di No. 1145000037-01, 8 buildings with a total gross floor area of approximately 36,321.30 sq.m. are owned by CSPC HZP.

4. For the remaining 3 buildings with a total gross floor area of 9,324.00 sq.m and various structures, we have not been provided with any title certificate. In the valuation of this property, we have attributed no commercial value to the buildings and various structures which have not obtained any proper title certificate. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings as at the Valuation Date would be RMB24,930,000 (which 99.3932% interest attributable to the Company: RMB24,778,725) assuming all relevant title certificates have been obtained and the buildings could be freely transferred.

5. For the contruction-in-progress with a gross floor area of approximately 36,000.00 sq.m., we have not been provided with any construction work planning permit. In the valuation of this property, we have attributed no commercial value to the building which has not obtained any proper construction work planning permit. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the CIP as at the date of valuation would be RMB103,530,000 (which 99.3932% interest attributable to the Company: RMB102,901,780) assuming all relevant construction work planning permit has been obtained and the CIP could be freely transferred.

6. Upon completion of the development, the estimated completed value of the CIPs would be RMB132,650,000.

7. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers as at the Valuation Date, which contains, *inter alia*, the following:

   a. With the land use rights terms and the permitted use in accordance with the land use rights certificates, CSPC HZP owns the legal and valid state-owned land use rights of this parcel of land, and freely use, transfer, let and mortgage the land parcel without further obtaining the approval, permit and consent of any government authorities;

   b. CSPC HZP has obtained the Building Ownership Title Certificates as mentioned in note 3 and is the only legal user of the property. The rights to occupy and use the property are protected by the PRC laws; and

   c. CSPC HZP has the rights to freely use, transfer, let and mortgage the property without further obtaining the approval, permit and consent of any government authorities.

   d. There are no material restrictions on the development of the CIPs. The PRC legal advisers are not aware of any material special or general conditions affecting the development of the CIPs.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2015 *RMB*
19.	2 parcels of land, 70 buildings and various structures located at Nos. 36 and 47 of Fengshou Road, Chang'an District, Shijiazhuang City, Hebei Province, The PRC	The property comprises 2 parcels of land with a total site area of approximately 123,898.50 sq.m., 70 buildings and various structures erected thereon which were completed in various stages between 1996 and 2010. The buildings have a total gross floor area of approximately 175,438.60 sq.m. The buildings mainly include workshops, warehouses and offices. The land use rights of the property have been granted for a term expiring on 19 September 2046 and 19 January 2052 for industrial use.	The property is currently occupied by the CSPC Hebei Zhongnuo Pharmaceutical Co., Ltd for production purpose.	270,020,000 99.3932% interest attributable to the Company: 268,381,519

Notes:

1. CSPC Hebei Zhongnuo Pharmaceutical Co., Ltd (石藥集團中諾藥業(石家莊)有限公司(原料)), "CSPC HZP") is a 99.3932% interest indirectly owned subsidiary of CSPC Pharmaceutical Group Limited.

2. Pursuant to 2 State-owned Land Use Rights Certificates – Chang An Guo Yong (2009) Di No. 00156 and Chang An Guo Yong (2009) Di No. 00608, the land use rights of the parcels of land with a total site area of approximately 123,898.50 sq.m. have been granted to CSPC HZP for a term with expiry dates as at 19 January 2052 and 19 September 2046 respectively.

3. Pursuant to 13 Building Ownership Certificates – Shi Fang Quan Zheng Chang Zi Di No. 160000012, No. 160000013, No. 160000014, No. 160000015, No. 160000016, No. 160000017, No. 160000049, No. 160000050, No. 160000051, No. 160000052, No. 180000037, No. 180000038, No. 180000039, 55 buildings with a total gross floor area of approximately 154,673.36 sq.m. are owned by CSPC HZP.

4. For the remaining 15 buildings with a total gross floor area of 20,765.24 sq.m and various structures, we have not been provided with any title certificate. In the valuation of this property, we have attributed no commercial value to the buildings and various structures which have not obtained any proper title certificate. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings as at the Valuation Date would be RMB22,680,000 (which 99.3932% interest attributable to the Company: RMB22,542,378) assuming all relevant title certificates have been obtained and the building could be freely transferred.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers as at the Valuation Date, which contains, *inter alia*, the following:

   a. With the land use rights terms and the permitted use in accordance with the land use rights certificates, CSPC HZP owns the legal and valid state-owned land use rights of these parcels of land, and freely use, transfer, let and mortgage the land parcels without further obtaining the approval, permit and consent of any government authorities;

   b. CSPC HZP has obtained the Building Ownership Title Certificates as mentioned in note 3 and is the only legal user of the property. The rights to occupy and use the property are protected by the PRC laws; and

   c. CSPC HZP has the rights to freely use, transfer, let and mortgage the property without further obtaining the approval, permit and consent of any government authorities.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2015 *RMB*
20.	A building located at the South of North 2nd Ring Road East, Chang'an District, Shijiazhuang City, Hebei Province, The PRC	The property comprises a building erected thereon which was completed in 2000. The building has a gross floor area of approximately 300.00 sq.m. The building is an animal room.	The property is currently occupied by the CSPC Hebei Zhongnuo Pharmaceutical Co., Ltd for production purpose.	No commercial value 99.3932% interest attributable to the Company: No Commercial value

Notes:

1. CSPC Hebei Zhongnuo Pharmaceutical Co., Ltd (石藥集團中諾藥業(石家莊)有限公司(原料), "CSPC HZP") is a 99.3932% interest indirectly owned subsidiary of CSPC Pharmaceutical Group Limited.

2. For the building with a gross floor area of approximately 300.00 sq.m., we have not been provided with any title certificate. In the valuation of this property, we have attributed no commercial value to the building which has not obtained any proper title certificate. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the building as at the Valuation Date would be RMB278,000 (which 99.3932% interest attributable to the Company: RMB276,313) assuming all relevant title certificates have been obtained and the building could be freely transferred.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers as at the Valuation Date, which contains, *inter alia*, the following:

   a. CSPC HZP has the rights to freely use, transfer, let and mortgage the property without further obtaining the approval, permit and consent of any government authorities.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2015 *RMB*
21.	A building and various structures located at the intersection of Taxi Street and Yangei Road, Economic and Technological Development Zone, Shijiazhuang City Hebei Province, The PRC	The property comprises a building and various structures erected thereon which were completed in various stages between 2009 and 2010. The building has a gross floor area of approximately 4,533.00 sq.m. and mainly include workshop.	The property is currently occupied partially by the CSPC Hebei Zhongnuo Pharmaceutical Co., Ltd for production purpose.	3,700,000 99.3932% interest attributable to the Company: 3,677,548

Notes:

1. CSPC Hebei Zhongnuo Pharmaceutical Co., Ltd (石藥集團中諾藥業(石家莊)有限公司(原料), "CSPC HZP") is a 99.3932% interest indirectly owned subsidiary of CSPC Pharmaceutical Group Limited.

2. For the building with a gross floor area of approximately 4,533 sq.m and various structures, we have not been provided with any title certificate. In the valuation of this property, we have attributed no commercial value to the building which have not obtained any proper title certificate. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the building as at the Valuation Date would be RMB6,740,000 (which 99.3932% interest attributable to the company: RMB6,700,000) assuming all relevant title certificates have been obtained and the building could be freely transferred.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers as at the Valuation Date, which contains, *inter alia*, the following:

   a. CSPC HZP has the rights to freely use, transfer, let and mortgage the property without further obtaining the approval, permit and consent of any government authorities.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2015 *RMB*
22.	10 residential units located at the Dangfang Wensha Town, No. 9 of Yaocheng Avenue, China Medical City, Taizhou City, Jiangsu Province, The PRC	The property comprises 10 residential units with a total gross floor area of approximately 1,007.67 sq.m. which were completed in 2011.	The property is currently occupied partially by the CSPC Hebei Zhongnuo Pharmaceutical Co., Ltd for residential purpose.	5,400,000 99.3932% interest attributable to the Company: 5,367,233

Notes:

1. CSPC Hebei Zhongnuo Pharmaceutical Co., Ltd (石藥集團中諾藥業(石家莊)有限公司(中諾生產區), "CSPC HZP") is a 99.3932% interest indirectly owned subsidiary of CSPC Pharmaceutical Group Limited.

2. Pursuant to 10 Building Ownership Certificates – Tai Fang Quan Zheng Kai Fa Zi Di No. S0007425, S0007426, S0007427, S0007428, S0007429, S0007430, S0007431, S0007432, S0007433 and S0007434, 10 buildings are owned by CSPC HZP with the particulars as follows:

Total Gross floor Area	:	1,007.67 sq.m.
Date of Acquisition	:	30 November 2011
Cost of Acquisition	:	RMB3,860,531

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers as at the Valuation Date, which contains, *inter alia*, the following:

   a. CSPC HZP has obtained the Building Ownership Title Certificates as mentioned in note 2 and is the only legal user of the property. The rights to occupy and use the property are protected by the PRC laws; and

   b. CSPC HZP has the rights to freely use, transfer, let and mortgage the property without further obtaining the approval, permit and consent of any government authorities.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2015 *RMB*
23.	A parcel of land and 2 construction-in-progress located at the North of Yaocheng Avenue and the West of Shengbei Road, Taizhou Medical High-tech Zone, Taizhou City, Jiangsu Province, The PRC	The property comprises a parcel of land with a site area of approximately 115,537.00 sq.m. and 40 industrial complexes under construction (the "CIPs"). As advised by the Company, the CIPs are scheduled to be completed in April 2016. Upon completion, the CIP will have a total gross floor area of approximately 41,034.54 sq.m. The total estimated construction cost is RMB53,289,932.43, of which RMB19,056,100.00 had been incurred up to the Valuation Date. The land use rights of the property have been granted on 1 December 2011 for a term expiring on 30 November 2061 for industrial use.	The property is currently under construction.	45,492,000 100% interest attributable to the Company: 45,492,000

Notes:

1. CSPC Zhongnuo Pharmaceutical (Taizhou) Co., Ltd (石藥集團中諾藥業(泰州)有限公司, "CSPC ZNTZ") is a 100% interest owned subsidiary of CSPC Pharmaceutical Group Limited.

2. Pursuant to a State-owned Land Use Rights Certificate – Tai Zhou Guo Yong (2012) Di No. 19987, the land use right of the parcel of land has been granted to CSPC ZNTZ with the particulars as follows:

Site Area	:	115,537 sq.m.
Land Use	:	Industrial
Date of Acquisition	:	1 December 2011
Land Premium	:	RMB35,306,876

3. Pursuant to a construction work planning permit – Jian Zhu Gong Cheng Shi Gong Xu Ke Zheng No. 20130014, an industrial complex with a gross floor area of approximately 11,014.54 sq.m. has been approved for construction.

4. For the remaining 39 industrial complexes with a total gross floor area of approximately 30,020.00 sq.m., we have not been provided with any construction work planning permit. In the valuation of this property, we have attributed no commercial value to the building which has not obtained any proper construction work planning permit. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the CIP as at the Valuation Date would be RMB12,038,100 assuming all relevant construction work planning permit has been obtained and the CIP could be freely transferred.

5. Upon Completion of the development, the estimated completed value of the CIPs would be RMB91,760,000.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers as at the Valuation Date, which contains, *inter alia*, the following:

   a. With the land use rights terms and the permitted use in accordance with the land use rights certificates, CSPC ZNTZ owns the legal and valid state-owned land use rights of this parcel of land, and freely use, transfer, let and mortgage the land parcel without further obtaining the approval, permit and consent of any government authorities; and

   b. CSPC ZNTZ has the rights to freely use, transfer, let and mortgage the property without further obtaining the approval, permit and consent of any government authorities.

   c. There are no material restrictions on the development of the CIPs. The PRC legal advisers are not aware of any material special or general conditions affecting the development of the CIPs.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2015 *RMB*
24.	A residential unit located at Unit No. 3, 6/F, Building No. 18 Yuncheng City, Shanxi Province, The PRC	The property comprises a residential unit with a gross floor area of approximately 144.20 sq.m. which was completed in 2009. The building mainly include residential building.	The property is currently occupied by the CSPC Yinhu Pharmaceutical Co., Ltd for residential purpose.	No commercial value

Notes:

1. CSPC Yinhu Pharmaceutical Co., Ltd（石藥銀湖製藥有限公司, "CSPC YH") is an 89.4539% interest indirectly owned subsidiary of CSPC Pharmaceutical Group Limited.

2. We have not been provided with any title certificate. In the valuation of this property, we have attributed no commercial value to the building which has not obtained any proper title certificate. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the building as at the Valuation Date would be RMB534,000 (which 89.4539% interest attributed to the Company: RMB477,684) assuming all relevant title certificates have been obtained and the building could be freely transferred.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers as at the Valuation Date, which contains, *inter alia*, the following:

   a. CSPC YH has the rights to freely use, transfer, let and mortgage the property without further obtaining the approval, permit and consent of any government authorities.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2015 *RMB*
25.	3 construction-in-progress, 34 buildings and various structures located at Industrial Zone, Yanhu District, Yuncheng City, Shanxi Province, The PRC	The property comprises 3 industrial complexes under construction (the "CIPs") thereon, 34 buildings and various structures erected thereon which were completed in various stages between 2003 and 2014. As advised by the Company, the CIPs are scheduled to be completed in December 2016. Upon completion, the CIP will have a total gross floor area of approximately 21,600 sq.m. The total estimated construction cost is RMB60,000,000, of which RMB3,031,267.76 had been incurred up to the date of valuation. The buildings have a total gross floor area of approximately 79,657.37 sq.m. The buildings mainly include residential, workshops and warehouses.	The property is currently occupied by the CSPC Yinhu Pharmaceutical Co., Ltd for production, warehouse, and residential purpose.	18,570,000 89.4539% interest attributable to the Company: 16,611,589

Notes:

1. CSPC Yinhu Pharmaceutical Co., Ltd (石藥銀湖製藥有限公司, "CSPC YH") is an 89.4539% interest indirectly owned subsidiary of CSPC Pharmaceutical Group Limited.

2. Pursuant to a Building Ownership Certificate – Yun Cheng Shi Fang Quan Zheng Shi He Qu Zi Di No. 09203516, 14 buildings with a gross floor area of approximately 13,642.91 sq.m. are owned by CSPC YH.

3. For the remaining 20 buildings with a total gross floor area of approximately 66,014.46 sq.m. and various structures, we have not been provided with any title certificate. In the valuation of this property, we have attributed no commercial value to the buildings and various structures which have not obtained any proper title certificate. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings as at the Valuation Date would be RMB140,530,000 (which 89.4539% interest attributable to the Company: RMB125,709,566) assuming all relevant title certificates have been obtained and the buildings could be freely transferred.

4. For the CIPs with a total gross floor area of approximately 21,600.00 sq.m., we have not been provided with any construction work planning permit. In the valuation of this property, we have attributed no commercial value to the building which has not obtained any proper construction work planning permit. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the CIPs as at the date of valuation would be RMB3,030,000 (which 89.4539% interest attributable to the Company: RMB2,710,453) assuming all relevant construction work planning permit has been obtained and the CIPs could be freely transferred.

5. Upon completion of the development, the estimated completed value of the CIPs would be RMB129,187,100.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers as at the Valuation Date, which contains, *inter alia*, the following:

   a. CSPC YH has the rights to freely use, transfer, let and mortgage the property without further obtaining the approval, permit and consent of any government authorities.

   b. There are no material restrictions on the development of the CIPs. The PRC legal advisers are not aware of any material special or general conditions affecting the development of the CIPs.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2015 *RMB*
26.	A parcel of land located at West of Yun Lin Road, Yuncheng City, Shanxi Province, The PRC	The property comprises a parcel of land with a site area of approximately 18,126.75 sq.m The land use rights of the property have been granted on 3 June 2010 for a term of 42 years expiring on 5 December 2052 for industrial use.	The property is currently occupied by the CSPC Yinhu Pharmaceutical Co., Ltd for production purpose.	3,080,000 89.4539% interest attributable to the Company: 2,755,180

Notes:

1. CSPC Yinhu Pharmaceutical Co., Ltd (石藥銀湖製藥有限公司, "CSPC YH") is an 89.4539% interest indirectly owned subsidiary of CSPC Pharmaceutical Group Limited.

2. Pursuant to a State-owned Land Use Rights Certificate – Yun Zheng Guo Yong (2010) Di Nos. 00482, the land use rights of the parcel of land with a site area of approximately 18,126.75 sq.m. has been granted to CSPC YH for a term of 42 years with the expiry dates as at 5 December 2052 for industrial use.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers as at the Valuation Date, which contains, *inter alia*, the following:

   a. With the land use rights terms and the permitted use in accordance with the land use rights certificates, CSPC YH owns the legal and valid state-owned land use rights of this parcel of land, and freely use, transfer, let and mortgage the land parcel without further obtaining the approval, permit and consent of any government authorities; and

   b. CSPC YH has the rights to freely use, transfer, let and mortgage the property without further obtaining the approval, permit and consent of any government authorities.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2015 *RMB*
27.	3 parcels of land located at the North of Sushui Avenue, Industrial Zone, Yanhu District, Yuncheng City, Shanxi Province, The PRC	The property comprises 3 parcels of land with a total site area of approximately 405,940.09 sq.m. The land use rights of the property have been granted on 3 June 2010 for a term of 47 years expiring on 25 January 2057 and granted on 30 September 2010 for a term of 50 years expiring on 30 September 2060 for industrial use respectively.	The property is currently occupied by the CSPC Yinhu Pharmaceutical Co., Ltd for warehouse purpose.	54,330,000 89.4539% interest attributable to the Company: 48,600,304

Notes:

1. CSPC Yinhu Pharmaceutical Co., Ltd (石藥銀湖製藥有限公司, "CSPC YH") is a 89.4539% interest indirectly owned subsidiary of CSPC Pharmaceutical Group Limited.

2. Pursuant to 2 State-owned Land Use Rights Certificates – Yun Yan Guo Yong (2010) Di Nos. G011040043 and 026000077, the land use rights of the parcels of land with a total site area of approximately 262,606.04 sq.m. have been granted to CSPC YH for terms of 47 years and 50 years with the expiry dates as at 25 January 2057 and 30 September 2060 for industrial use respectively.

3. For the remaining parcel of land with a site area of approximately 143,334.05 sq.m., we have not been provided with any title certificate. In the valuation of this property, we have attributed no commercial value to the land which has not obtained any proper title certificate. However, the reference purpose, we are of the opinion that the reference value of the lands as at the Valuation Date would be RMB29,813,500 assuming all relevant title certificate has been obtained and the lands could be freely transferred.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers as at the Valuation Date, which contains, *inter alia*, the following:

   a. With the land use rights terms and the permitted use in accordance with the land use rights certificates, CSPC YH owns the legal and valid state-owned land use rights of these parcels of land, and freely use, transfer, let and mortgage the land parcels without further obtaining the approval, permit and consent of any government authorities; and

   b. CSPC YH has the rights to freely use, transfer, let and mortgage the property without further obtaining the approval, permit and consent of any government authorities.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2015 *RMB*
28.	A parcel of land, 7 buildings and various structures located at No. 7 of Jiangshuiquan Road, Lixia District, Jinan City, Shandong Province, The PRC	The property comprises a parcel of land with a site area of approximately 24,981.80 sq.m., 7 buildings and various structures erected thereon which were completed in various stages between 1999 and 2006. The buildings have a total gross floor area of approximately 3,819.47 sq.m. and mainly include warehouse and office. The land use rights of the property have been granted on 17 October 2000 for industrial use.	The property is currently occupied by the CSPC Baike (Shandong) Biopharmaceutical Co., Ltd for warehouse and office purpose.	19,190,000 100% interest attributable to the Company: 19,190,000

Notes:

1. CSPC Baike (Shandong) Biopharmaceutical Co., Ltd (石藥集團百克(山東)生物製藥有限公司, "CSPC BSB") is a 100% interest indirectly owned subsidiary of CSPC Pharmaceutical Group Limited.

2. Pursuant to a State-owned Land Use Rights Certificate – Li Xia Guo Yong (2000) Di No. 0100501, the land use rights of the parcel of land with a site area of approximately 24,981.80 sq.m. has been granted to CSPC BSB for a term with the expiry date as at 29 August 2062 for industrial use.

3. Pursuant to a Building Ownership Certificate – Ji Fang Quan Zheng Li She Zi Di No. 026355, 2 buildings with a total gross floor area of approximately 3,123.47 sq.m. are owned by CSPC BSB.

4. For the 5 buildings with a total gross floor area of approximately 696.00 sq.m., we have not been provided with any title certificate. In the valuation of this property, we have attributed no commercial value to the buildings which has not obtained any proper title certificate. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the building as at the Valuation Date would be RMB437,000 assuming all relevant title certificates have been obtained and the building could be freely transferred.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers as at the Valuation Date, which contains, *inter alia*, the following:

   a. With the land use rights terms and the permitted use in accordance with the land use rights certificates, CSPC BSB owns the legal and valid state-owned land use rights of this parcel of land, and freely use, transfer, let and mortgage the land parcel without further obtaining the approval, permit and consent of any government authorities;

   b. CSPC BSB has obtained the Building Ownership Title Certificates as mentioned in note 3 and is the only legal user of the property. The rights to occupy and use the property are protected by the PRC laws; and

   c. CSPC BSB has the rights to freely use, transfer, let and mortgage the property without further obtaining the approval, permit and consent of any government authorities.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2015 *RMB*
29.	A parcel of land, 6 buildings and various structures located at South of Jin Bu Street and east of Dayao Road, Muping District, Yantai City, Shandong Province, The PRC	The property comprises a parcel of land with a site area of approximately 45,776.88 sq.m. and 6 buildings erected thereon which were completed in various stages between 2012 and 2013. The buildings have a total gross floor area of approximately 14,470.46 sq.m. The buildings mainly include industrial building, canteen and office. The land use rights of the property have been granted on 29 September 2011 for a term expiring on 28 July 2061 for industrial use.	The property is currently occupied by the CSPC Baike (Yantai) Biopharmaceutical Co., Ltd for production and office purpose.	14,510,000 100% interest attributable to the Company: 14,510,000

Notes:

1. CSPC Baike (Yantai) Biopharmaceutical Co., Ltd (石藥集團百克(煙台)生物製藥有限公司, "CSPC BYB") is a 100% interest indirectly owned subsidiary of CSPC Pharmaceutical Group Limited.

2. Pursuant to a State-owned Land Use Rights Certificate – Yan Guo Yong (2011) Di No. 43854, the land use rights of the parcel of land with a site area of approximately 45,776.88 sq.m. has been granted to CSPC BYB for a term with the expiry date as at 28 July 2061 for industrial use.

3. For 6 buildings with a total gross floor area of approximately 14,470.46 sq.m. and various structures, we have not been provided with any title certificate. In the valuation of this property, we have attributed no commercial value to the buildings and varioius structures which has not obtained any proper title certificate. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings as at the Valuation Date would be RMB48,580,000 assuming all relevant title certificates have been obtained and the buildings could be freely transferred.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers as at the Valuation Date, which contains, *inter alia*, the following:

   a. With the land use rights terms and the permitted use in accordance with the land use rights certificates, CSPC BYB owns the legal and valid state-owned land use rights of this parcel of land, and freely use, transfer, let and mortgage the land parcel without further obtaining the approval, permit and consent of any government authorities; and

   b. CSPC BYB has the rights to freely use, transfer, let and mortgage the property without further obtaining the approval, permit and consent of any government authorities.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2015 *RMB*
30.	Unit 101, Level 1, Zhao Feng Yuan Yi Qu, Feng Tai Qu, Beijing, The PRC	The property comprises a residential unit erected thereon which was completed in 2002. The property has a gross floor area of approximately 125.26 sq.m.	The property is currently occupied by the CSPC Weisheung Pharmaceutical (Shijiazhuang) Co., Ltd for residential purpose.	3,630,000 100% interest attributable to the Company: 3,630,000

Notes:

1. CSPC Weisheung Pharmaceutical (Shijiazhuang) Co., Ltd (石藥集團維生藥業(石家莊)有限公司, "CSPC WP") is a 100% directly owned subsidiary of CSPC Pharmaceutical Group Limited.

2. Pursuant to the Building Ownership Certificate – Jing Fang Quan Zheng Feng Zi Di No. 247101, the property with a gross floor area of approximately 125.26 sq.m is owned by CSPC WP.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers as at the Valuation Date, which contains, *inter alia*, the following:

   a. CSPC WP has obtained the Building Ownership Title Certificates and is the only legal user of the property. The rights to occupy and use the property are protected by the PRC laws; and

   b. CSPC WP has the rights to freely use, transfer, let and mortgage the property without further obtaining the approval, permit and consent of any government authorities.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

This circular includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Group.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE SECURITIES

(a) Share Capital

Assuming there is no change in the number of Shares in issue from the Latest Practicable Date up to the completion date of the Exercise, the issued share capital of the Company (a) as at the Latest Practicable Date; and (b) after the completion of the full Exercise of the Existing Share Options are as follows:

(i) As at the Latest Practicable Date

Issued and fully paid or credited as fully paid

5,911,018,403 Shares

All of the Shares currently in issue rank pari passu in all respects with each other including, in particular, as to dividends, voting rights and capital.

(ii) After the completion of the Exercise

Issued and fully paid or credited as fully paid

Shares in issue as at the Latest Practicable Date	5,911,018,403
Existing Share Option Shares	141,000,000
Shares after completion of the Exercise of the Existing Share Options	6,052,018,403

All the issued Shares will rank pari passu with each other in all respects including, in particular, the rights in respect of capital, dividends and voting. The Existing Share Option Shares, when issued, will rank pari passu in all respects with the Shares in issue as at the date of the allotment and issue of the Existing Share Option Shares, and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment and issue other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the date of allotment and issue, provided always that when the date of Exercise falls on a date upon which the register of shareholders of the Company is closed, then the Exercise shall become effective on the first Business Day in Hong Kong on which the register of shareholders of the Company is re-opened.

Since 31 December 2014 (being the date to which the latest published audited accounts of the Group were prepared) and up to the Latest Practicable Date, 3,000,000 new ordinary Shares have been issued by the Company.

(b) Share options and convertible securities

As at the Latest Practicable Date, save for the options granted under the Existing Share Option Scheme adopted by the Group on 6 July 2004 under which 144,000,000 share options remain outstanding, the Company has no outstanding convertible securities, options, warrants or derivatives in issue which are convertible or exchangeable into ordinary Shares.

3. MARKET PRICE

The table below sets out the closing prices of the Shares on the Stock Exchange on (i) the last trading day of each of the calendar months during the period commencing six months immediately preceding the date of the Announcement and ending on the Latest Practicable Date; (ii) the last Business Day immediately preceding the date of the Announcement; and (iii) the Latest Practicable Date.

Date	**Closing price per Share** *HK$*
30 April 2015	8.06
29 May 2015	7.98
30 June 2015	7.66
31 July 2015	7.10
31 August 2015	7.10
30 September 2015	6.79
23 October 2015 (being the last Business Day immediately preceding the date of the Announcement)	7.10
30 October 2015	7.24
18 November 2015 (being the Latest Practicable Date)	7.03

The price of the Existing Share Option Shares is HK$3.98 per Share, representing a discount of approximately 43.39% to the closing price of the Shares of HK$7.03 on the Latest Practicable Date. The lowest and highest closing market prices of the Shares recorded on the Stock Exchange during the period commencing on 26 April 2015 (being the six months immediately preceding the date of the Announcement) and ending on the Latest Practicable Date were HK$6.45 per Share on 24 August 2015 and HK$8.12 per Share on 27 April 2015, respectively.

4. DISCLOSURE OF INTERESTS

(a) Directors' Interest

As at the Latest Practicable Date, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Director or chief executive of the Company was taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (the "Model Code"), to be notified to the Company and the Stock Exchange were as follows:

Long positions

Name of Director	Capacity in which interests are held	Number of issued ordinary shares held	Number of underlying shares subject to share options held	Total	Percentage of interest
Mr. Cai	Beneficial owner	6,538,000	80,000,000	86,538,000	1.46%
	Interest of controlled corporation	1,765,825,534 *(Note)*	—	1,765,825,534	29.87%
Mr. Chak Kin Man	Beneficial owner	4,000	3,000,000	3,004,000	0.05%
Mr. Pan Weidong	Beneficial owner	—	10,000,000	10,000,000	0.17%
Mr. Wang Huaiyu	Beneficial owner	—	15,000,000	15,000,000	0.25%
Mr. Lu Jianmin	Beneficial owner	—	10,000,000	10,000,000	0.17%
Mr. Wang Zhenguo	Beneficial owner	—	3,000,000	3,000,000	0.05%
Mr. Wang Jinxu	Beneficial owner	—	3,000,000	3,000,000	0.05%
Mr. Lu	Beneficial owner	—	3,000,000	3,000,000	0.05%

Note:

Mr. Cai is deemed to be interested in 1,765,825,534 shares, comprising (i) 493,880,000 shares directly held by True Ally, a direct wholly-owned subsidiary of Mr. Cai; (ii) 213,929,500 shares directly held by Key Honesty, an indirect wholly-owned subsidary of Mr. Cai; and (iii) 1,058,016,034 shares directly held by Massive Giant by virtue of his interests in a chain of corporations holding Massive Giant, namely Massive Top, of which March Rise, Zhongyihe and True Ally own 75%, 15% and 10%, respectively. March Rise in turn is owned as to 40% by True Ally and 60% by Zhongyihe, the general partner of which is Mr. Cai.

As at the Latest Practicable Date, save as disclosed above, none of the Directors nor chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Director or chief executive of the Company was taken or deemed to have under such provisions of the SFO); (ii) pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein; (iii) pursuant to the Model Code, to be notified to the Company and the Stock Exchange; or (iv) to be disclosed in this circular pursuant to the requirements of the Takeovers Code.

As at the Latest Practicable Date, save as disclosed in the notes to the section headed "5. Substantial Shareholders' Interest'' below, none of the Directors was a director or employee of a company which had any interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(b) Directors' Service Contracts

As at the Latest Practicable Date, the following Directors have entered into service contracts with the Company which are (i) entered into within six months before the Latest Practicable Date and/or (ii) fixed term contracts with more than 12 months to run irrespective of the notice period:

(a) Mr. Lu has entered into a service contract with the Company for a period of three years commencing from 7 September 2015 and expiring on 6 September 2018 and his appointment is subject to retirement and re-election at the annual general meeting in accordance with the articles of association of the Company. Mr. Lu is entitled to receive an annual director's fee of HK$60,000 (such amount may be adjusted from time to time by the Board as authorised by the Shareholders in an annual general meeting of the Company). No variable remuneration is payable under this contract.

(b) Mr. Cai has entered into a service contract with the Company for a period of three years commencing from 1 April 2015 and expiring on 31 March 2018, and his appointment is subject to retirement and re-election at the annual general meeting in accordance with the articles of association of the Company. Mr. Cai is entitled to receive an annual director's fee of HK$60,000 (such amount may be adjusted from time to time by the Board as authorised by the Shareholders in an annual general meeting of the Company). No variable remuneration is payable under this contract.

(c) Mr. Chak Kin Man has entered into a service contract with the Company for a period of three years commencing from 1 April 2015 and expiring on 31 March 2018, and his appointment is subject to retirement and re-election at the annual general meeting in accordance with the articles of association of the Company. Mr. Chak Kin Man is entitled to receive an annual director's fee of HK$60,000 (such amount may be adjusted from time to time by the Board as authorised by the Shareholders in an annual general meeting of the Company). No variable remuneration is payable under this contract.

(d) Mr. Pan Weidong has entered into a service contract with the Company for a period of three years commencing from 1 April 2015 and expiring on 31 March 2018, and his appointment is subject to retirement and re-election at the annual general meeting in accordance with the articles of association of the Company. Mr. Pan Weidong is entitled to receive an annual director's fee of HK$60,000 (such amount may be adjusted from time to time by the Board as authorised by the Shareholders in an annual general meeting of the Company). No variable remuneration is payable under this contract.

(e) Mr. Wang Huaiyu has entered into a service contract with the Company for a period of three years commencing from 1 April 2015 and expiring on 31 March 2018, and his appointment is subject to retirement and re-election at the annual general meeting in accordance with the articles of association of the Company. Mr. Wang Huaiyu is entitled to receive an annual director's fee of HK$60,000 (such amount may be adjusted from time to time by the Board as authorised by the Shareholders in an annual general meeting of the Company). No variable remuneration is payable under this contract.

(f) Mr. Lu Jianmin has entered into a service contract with the Company for a period of three years commencing from 1 April 2015 and expiring on 31 March 2018, and his appointment is subject to retirement and re-election at the annual general meeting in accordance with the articles of association of the Company. Mr. Lu Jianmin is entitled to receive an annual director's fee of HK$60,000 (such amount may be adjusted from time to time by the Board as authorised by the Shareholders in an annual general meeting of the Company). No variable remuneration is payable under this contract.

(g) Mr. Wang Zhenguo has entered into a service contract with the Company for a period of three years commencing from 1 April 2015 and expiring on 31 March 2018, and his appointment is subject to retirement and re-election at the annual general meeting in accordance with the articles of association of the Company. Mr. Wang Zhenguo is entitled to receive an annual director's fee of HK$60,000 (such amount may be adjusted from time to time by the Board as authorised by the Shareholders in an annual general meeting of the Company). No variable remuneration is payable under this contract.

(h) Mr. Wang Shunlong has entered into a service contract with the Company for a period of three years commencing from 1 April 2015 and expiring on 31 March 2018, and his appointment is subject to retirement and re-election at the annual general meeting in accordance with the articles of association of the Company. No fixed or variable remuneration is payable under this contract.

(i) Mr. Chan Siu Keung, Leonard has entered into a service contract with the Company for a period of three years commencing from 1 January 2014 and expiring on 31 December 2017, and his appointment is subject to retirement and re-election at the annual general meeting in accordance with the articles of association of the Company. Mr. Chan Siu Keung, Leonard is entitled to receive an annual director's fee of HK$250,000 (such amount may be adjusted from time to time by the Board as authorised by the Shareholders in an annual general meeting of the Company). No variable remuneration is payable under this contract.

(j) Mr. Lee Ka Sze, Carmelo has entered into a service contract with the Company for a period of three years commencing from 1 January 2014 and expiring on 31 December 2017, and his appointment is subject to retirement and re-election at the annual general meeting in accordance with the articles of association of the Company. Mr. Lee Ka Sze, Carmelo is entitled to receive an annual director's fee of HK$350,000 (such amount may be adjusted from time to time by the Board as authorised by the Shareholders in an annual general meeting of the Company). No variable remuneration is payable under this contract.

(k) Mr. Lo Yuk Lam has entered into a service contract with the Company for a period of three years commencing from 1 June 2014 and expiring on 31 May 2017, and his appointment is subject to retirement and re-election at the annual general meeting in accordance with the articles of association of the Company. Mr. Lo Yuk Lam is entitled to receive an annual director's fee of HK$120,000 (such amount may be adjusted from time to time by the Board as authorised by the Shareholders in an annual general meeting of the Company). No variable remuneration is payable under this contract.

(l) Mr. Chen Shilin has entered into a service contract with the Company for a period of three years commencing from 1 June 2014 and expiring on 31 May 2017, and his appointment is subject to retirement and re-election at the annual general meeting in accordance with the articles of association of the Company. Mr. Chen Shilin is entitled to receive an annual director's fee of HK$80,000 (such amount may be adjusted from time to time by the Board as authorised by the Shareholders in an annual general meeting of the Company). No variable remuneration is payable under this contract.

(m) Mr. Yu Jinming has entered into a service contract with the Company for a period of three years commencing from 1 June 2014 and expiring on 31 May 2017, and his appointment is subject to retirement and re-election at the annual general meeting in accordance with the articles of association of the Company. Mr. Yu Jinming is entitled to receive an annual director's fee of HK$80,000 (such amount may be adjusted from time to time by the Board as authorised by the Shareholders in an annual general meeting of the Company). No variable remuneration is payable under this contract.

As at the Latest Practicable Date, other than as disclosed above, none of the Directors had any existing or proposed service contract with the Company or any of its subsidiaries or associated companies:

(i) which (including both continuous and fixed term contracts) have been entered into or amended within six months before the Latest Practicable Date;

(ii) which are continuous contracts with a notice period of 12 months or more;

(iii) which are fixed term contracts with more than 12 months to run irrespective of the notice period; or

(iv) which are not expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

(c) Interests in the Group's assets, contract or arrangement significant to the Group

Woo, Kwan, Lee & Lo, a firm of solicitors of which Mr. Lee Ka Sze, Carmelo is a partner, rendered professional services to the Group for which it received normal remuneration.

As at the Latest Practicable Date, other than as disclosed above, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2014, being the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by, or leased to the Company or any of its subsidiaries, or are proposed to be acquired or disposed of by, or leased to, the Company or any of its subsidiaries.

As at the Latest Practicable Date and save as disclosed in this circular, none of the Directors was materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement is subsisting at the date of this circular and which is significant in relation to the business of the Group.

5. SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, the following persons and entities, other than a Director or chief executive of the Company, had an interest or short position in the shares and underlying shares in the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept under section 336 of the SFO.

Long positions

Name of shareholder	Capacity/Nature	Number of issued Shares held	Number of underlying shares subject to share options held	Total	Percentage of Shares in issue of the Company
Mr. Cai	Beneficial owner	6,538,000	80,000,000	86,538,000	1.46%
	Interest of controlled corporation *(Note 1)*	1,765,825,534	—	1,765,825,534	29.87%
True Ally	Beneficial owner	493,880,000	—	493,880,000	8.35%
	Interest in controlled corporation	1,271,945,534 *(Note 2)*	—	1,271,945,534	21.52%
Zhongyihe	Interest in controlled corporation	1,058,016,034 *(Note 3)*	—	1,058,016,034	17.90%
March Rise	Interest in controlled corporation	1,058,016,034 *(Note 3)*	—	1,058,016,034	17.90%
Massive Top	Interest in controlled corporation	1,058,016,034 *(Note 3)*	—	1,058,016,034	17.90%
Massive Giant	Beneficial owner	1,058,016,034 *(Note 3)*	—	1,058,016,034	17.90%
JPMorgan Chase & Co.	Beneficial owner	23,442,676	—	23,442,676	
	Investment manager	104,456,000	—	104,456,000	
	Custodian/approved lending agent	169,504,632	—	169,504,632	
		297,403,308	—	297,403,308	5.03%

Notes:

(1) Mr. Cai is deemed to be interested in 1,765,825,534 shares, comprising (i) 493,880,000 shares directly held by True Ally, a direct wholly-owned subsidiary of Mr. Cai; (ii) 213,929,500 shares directly held by Key Honesty, an indirect wholly-owned subsidary of Mr. Cai; and (iii) 1,058,016,034 shares directly held by Massive Giant by virtue of his interests in a chain of corporations holding Massive Giant, namely Massive Top, of which March Rise, Zhongyihe and True Ally own 75%, 15% and 10%, respectively. March Rise in turn is owned as to 40% by True Ally and 60% by Zhongyihe, the general partner of which is Mr. Cai.

(2) The interests comprise 213,929,500 shares directly held by Key Honesty, a direct wholly-owned subsidiary of True Ally, and 1,058,016,034 shares directly held by Massive Giant described in Note (3) below.

(3) The interests represent 1,058,016,034 shares directly held by Massive Giant, of which Massive Top owns 100%. Massive Top in turn is owned as to 75% by March Rise, 15% by Zhongyihe and 10% by True Ally. March Rise is owned as to 40% by True Ally and 60% by Zhongyihe.

Lending Pool

Name of shareholder	Capacity/Nature	Number of issued Shares held	Percentage of Shares in issue of the Company
JPMorgan Chase & Co.	Custodian/approved lending agent	169,504,632	2.86%

Save as disclosed above, the Directors are not aware of any person (not being Directors or the chief executive of the Company) who, as at the Latest Practicable Date, have an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was recorded in the register required to be kept under Section 336 of Part XV of the SFO or who (other than a member of the Group was) was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

6. SHAREHOLDINGS AND DEALINGS

(a) As at the Latest Practicable Date, the Management Group hold an aggregate of 1,772,363,534 Shares, representing approximately 29.98% of the existing total issued share capital of the Company as at the Latest Practicable Date. Save for the Existing Share Options as set out under the paragraph "Application for Whitewash Waiver" in pages 8 to 12 of this circular, the Management and parties in concert with any of them did not hold any other Shares, convertible securities, warrants, options or derivatives of the Company. None of the Management and their respective associates and parties acting in concert with any of them had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company during the period beginning six months immediately prior to the date of the Announcement and ending on the Latest Practicable Date.

(b) Save as disclosed in this circular, none of the Directors was interested in any shares, convertible securities, warrants, options or derivative in any company within the Management Group or similar rights which are convertible or exchangeable into shares in any company within the Management Group. None of the Directors has dealt in any shares, convertible securities, warrants, options or derivatives of any of the Management during the period beginning six months immediately prior to the date of the Announcement and ending on the Latest Practicable Date.

(c) As at the Latest Practicable Date, the Company has not dealt for value in the shares, convertible securities, warrants, options or derivatives in any company within the Management Group during the period beginning six months immediately prior to the date of the Announcement and ending on the Latest Practicable Date.

(d) Save as disclosed in the section headed "4. Disclosure of interests" in this appendix, none of the Directors was interested in any Shares, convertible securities, warrants, options or derivatives of the Company as at the Latest Practicable Date. None of the Directors had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company or any of the Management during the period beginning six months immediately prior to the date of the Announcement and ending on the Latest Practicable Date.

(e) There is no intention for any of the Shares allotted and issued to the Management and their respective associates and parties acting in concert with any of them in pursuance of the Exercise to be transferred, charged or pledged to any other persons.

(f) As at the Latest Practicable Date, there was no agreement, arrangement or understanding (including any compensation arrangement) between (i) the Management and their respective associates and parties acting in concert with any of them; and (ii) any Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Exercise and/or the Whitewash Waiver.

(g) Each of the Directors who has interest in the Shares (save for Mr. Cai, Mr. Pan Weidong, Mr. Wang Huaiyu, Mr. Lu Jianmin, Mr. Wang Zhenguo, Mr. Wang Jinxu, Mr. Lu, who are involved in the Exercise and/or the Whitewash Waiver and hence will abstain from voting on the relevant resolution in respect of the Whitewash Waiver at the EGM) has indicated that he intends, in respect of his beneficial shareholdings, to vote in favour of the relevant resolution in connection with the Whitewash Waiver to be proposed at the EGM.

(h) There is no benefit to be given to any Director as compensation for loss of office or otherwise in connection with the Exercise and/or the Whitewash Waiver.

(i) As at the Latest Practicable Date, none of the Directors had any material personal interest in any material contract.

(j) As at the Latest Practicable Date, none of the Company nor any Directors had borrowed or lent any Shares, convertible securities, warrants, options or derivatives in the Company or similar rights which are convertible or exchangeable into Shares.

(k) The Management Group and parties acting in concert with them had not borrowed or lent any ordinary Shares, convertible securities, warrants, options or derivatives in the Company or similar rights which are convertible or exchangeable into ordinary Shares.

7. MATERIAL CONTRACTS

During the two years immediately preceding the date of the Announcement and up to the Latest Practicable Date, the following contracts, not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group, have been entered into by the Group and are or may be material:

(a) an equity transfer agreement dated 29 January 2014 entered into between the Company and China Charmaine Pharmaceutical Company Limited（中國詩薇製藥有限公司）in relation to the acquisition of 21.43% equity interest in 優金生物技術有限公司 (Unigene Biotechnology Co., Ltd*) for a consideration of US$800,000;

* *for identification purpose only*

(b) an equity transfer agreement dated 1 November 2014 entered into between 石藥集團中諾藥業(石家庄)有限公司 (CSPC Hebei Zhongnuo Pharmaceutical (Shijiazhuang) Co., Ltd.*) (a subsidiary of the Company) and an independent third party in relation to the disposal of 20% equity interest in 四平市精細化學品有限公司 (Siping City Fine Chemicals Product Co. Ltd.*) ("**Siping**") for a consideration of RMB22,000,000;

(c) an equity transfer agreement dated 16 June 2015 entered into between the Company and a non-controlling shareholder of Siping in relation to the disposal of 37.916% equity interest in Siping for a consideration of RMB36,400,000;

(d) an equity transfer agreement dated 16 June 2015 entered into between the Company and a non-controlling shareholder of Siping in relation to the disposal of 0.521% equity interest in Siping for a consideration of RMB500,000;

(e) an equity transfer agreement dated 16 June 2015 entered into between the Company and a non-controlling shareholder of Siping in relation to the disposal of 0.521% equity interest in Siping for a consideration of RMB500,000;

(f) an equity transfer agreement dated 16 June 2015 entered into between the Company and a non-controlling shareholder of Siping in relation to the disposal of 0.521% equity interest in Siping for a consideration of RMB500,000; and

(g) an equity transfer agreement dated 16 June 2015 entered into between the Company and a non-controlling shareholder of Siping in relation to the disposal of 0.521% equity interest in Siping for a consideration of RMB500,000.

8. MATERIAL LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

* *for identification purpose only*

9. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given its opinion or advice which is contained in this circular:

Name	Qualification
China Galaxy International Securities (Hong Kong) Co., Limited	a corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
JLL	an independent professional valuer

As at the Latest Practicable Date, each of the experts mentioned above:

(a) did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;

(b) did not have any direct or indirect interest in any assets which have been acquired or disposed of by or leased to, or which were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2014, being the date up to which the latest published audited consolidated financial statements of the Group were made; and

(c) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of and references to its name and letter in the form and context in which they respectively appear.

The letter of advice given by the Independent Financial Advisor to the Independent Board Committee and the valuation report prepared by JLL were made on 20 November 2015 for incorporation in this circular.

10. GENERAL

(a) The registered office of the Company is situated at Suite 3206, 32nd Floor, Central Plaza, 18 Harbour Road, Wan Chai, Hong Kong.

(b) The headquarter and principal place of business of the Company in the PRC is at 226 Huanghe Road, High Technology Development District, Shijiazhuang, Hebei, PRC and the principal place of business of the Company in Hong Kong is at Suite 3206, 32nd Floor, Central Plaza, 18 Harbour Road, Wan Chai, Hong Kong.

(c) The company secretary of the Company is LEE Ka Sze, Carmelo.

(d) The auditor of the Company is Deloitte Touche Tohmatsu of 35/F, One Pacific Place, 88 Queensway, Hong Kong.

(e) The Hong Kong branch share registrar and transfer office of the Company is Tricor Secretaries Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(f) The Independent Financial Advisor is China Galaxy International Securities (Hong Kong) Co., Limited and its registered office is Unit 3501-3507, 35/F, Cosco Tower, Grand Millenium Plaza, 183 Queen's Road Central, Sheung Wan, Hong Kong.

(g) The address of Mr. Cai is Flat 3-301, Block 2, 7 Xiu Men Street, Shijiazhuang, Hebei, PRC.

(h) The address of Mr. Pan Weidong is Flat 1-302, Block 8, 261 Jian She Bei Street, Shijiazhuang, Hebei, PRC.

(i) The address of Mr. Wang Huaiyu is Flat 3-303, Block 6, 208 Yue Jin Road, Shijiazhuang, Hebei, PRC.

(j) The address of Mr. Lu Jianmin is Flat 1-501, Block 3, 7 Xiu Men Street, Qiao Dong District, Shijiazhuang, Hebei, PRC.

(k) The address of Mr. Wang Zhenguo is Flat 1-402, Block 2, 278 Zhong Shan Dong Road, Qiao Xi District, Shijiazhuang, Hebei, PRC.

(l) The address of Mr. Wang Jinxu is Flat 1-2C, Block 6, 10 Shi Fang Road, Qiao Dong District, Shijiazhuang, Hebei, PRC.

(m) The address of Mr. Lu is Flat 1-802, Block 40, Guo Ji Cheng Phase 3, 416 Huai Bei Road, Yu Hua District, Shijiazhuang, Hebei, PRC.

(n) The address of Ms. Tian Yumiao is Flat 2-302, Block 2, Lan Wan Jia Yuan, Fu Qiang Da Jie, Yu Hua District, Shijiazhuang, Hebei, PRC.

(o) The address of Mr. Liu Jian is Flat 1-401, Block 1, 691-1 Lian Meng Road, Xin Hua District, Shijiazhuang, Hebei, PRC.

(p) The address of Mr. Lei Jianjun is Flat 1-401, Block 2, 34 Ping An Street, Qiao Dong District, Shijiazhuang, Hebei, PRC.

(q) The address of Mr. Huang Yin is Flat 6-102, Block 56, 491 Zhong Shan Xi Road, Qiao Xi District, Shijiazhuang, Hebei, PRC.

(r) The address of Mr. Chen Xuejun is Flat 202-1, Block 2, 733 Xin Hua Road, Shijiazhuang, Hebei, PRC.

(s) The address of Mr. Li Chunlei is Flat 1-803, Block E3, Tan Gu Rui Cheng Xiao Qu, Shijiazhuang, Hebei, PRC.

(t) The address of Mr. Sun Jumin is Flat 1-202, Block 2, 1 Liu Yang Street, Qiao Dong District, Shijiazhuang, Hebei, PRC.

(u) The address of Mr. Zhang Heming is Flat 19-1701, Zhu Feng Guo Ji Hua Yuan, Zhu Feng Da Jie, Gao Xin District, Shijiazhuang, Hebei, PRC.

(v) The address of Mr. Kang Hui is Flat 4-501, Block 11, 61 Xin Shi Zhong Road, Qiao Xi District, Shijiazhuang, Hebei, PRC.

(w) The address of Mr. Min Longgang is Flat 2-503, Block 2, Yi Yao Quarter, 93 Yu Hua Xi Road, Qiao Xi District, Shijiazhuang, Hebei, PRC.

(x) The address of Ms. Wang Tao is Flat 1-401, Block 8, 276 Zhong Shan Xi Road, Qiao Xi District, Shijiazhuang, Hebei, PRC.

(y) The address of Mr. Zhang Dazhi is Flat 2-402, Block 1, 65 Shi Zhuang Road, Shijiazhuang, Hebei, PRC.

(z) Massive Giant is wholly owned by Massive Top. Massive Top is held as to 75% by March Rise, as to 15% by Zhongyihe and as to 10% by True Ally. March Rise is held as to 60% by Zhongyihe and as to 40% by True Ally. The general partner of Zhongyihe is Mr. Cai. True Ally is wholly owned by Mr. Cai. The directors of Massive Giant are Mr. Cai and Mr. Pan Weidong.

(aa) True Ally is wholly owned by Mr. Cai. The sole director of True Ally is Mr. Cai.

(bb) Key Honesty is wholly owned by True Ally, which in turn is wholly owned by Mr. Cai. The sole director of Key Honesty is Mr. Cai.

(cc) The English text of this circular shall prevail over the Chinese text in the case of inconsistency.

(dd) As at the Latest Practicable Date, the Board comprises 15 Directors, namely Mr. Cai, Mr. Chak Kin Man, Mr. Pan Weidong, Mr. Wang Shunlong, Mr. Wang Huaiyu, Mr. Lu Jianmin, Mr. Wang Zhenguo, Mr. Wang Jinxu and Mr. Lu as executive Directors; Mr. Lee Ka Sze, Carmelo as non-executive Director; and Mr. Chan Siu Keung, Leonard, Mr. Wang Bo, Mr. Lo Yuk Lam, Mr. Yu Jinming and Mr. Chen Shilin as independent non-executive Directors.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at Suite 3206, 32nd Floor, Central Plaza, 18 Harbour Road, Wan Chai, Hong Kong during normal business hours from 9:00 a.m. to 5:30 p.m. on any Business Day from the date of this circular up to and including the date of the EGM. Copies of the following documents will also be available for inspection on the website of the SFC at www.sfc.hk and the website of the Company at www.cspc.com.hk from the date of this circular up to and including the date of the EGM:

(a) the memorandum and articles of association of the Company;

(b) the annual reports of the Company for the years ended 31 December 2013 and 2014;

(c) the interim report of the Company for the six months ended 30 June 2015;

(d) the letter from the Board to the Independent Shareholders, the text of which is set out on pages 7 to 23 of this circular;

(e) the letter from the Independent Board Committee to Independent Shareholders, the text of which is set out on pages 24 to 25 of this circular;

(f) the letter from the Independent Financial Advisor to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 26 to 44 of this circular;

(g) the valuation report from JLL, the text of which is set out on pages III-1 to III-51 of this circular;

(h) the written consent from the Independent Financial Advisor as referred to in the paragraph headed "Qualification and consent of expert" in this appendix;

(i) the written consent from JLL as referred to in the paragraph headed "Qualification and consent of expert" in this appendix;

(j) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;

(k) the service contracts referred to in the paragraph headed "Directors' Service Contracts" in this appendix;

(l) this circular; and

(m) a copy of the rules of the New Share Option Scheme.

CSPC PHARMACEUTICAL GROUP LIMITED
石藥集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1093)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of CSPC Pharmaceutical Group Limited (the "**Company**") will be held at Suite 3206, 32nd Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Wednesday, 9 December 2015 at 10:30 a.m. or any adjournment thereof for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTION

1. "**THAT**:

   the whitewash waiver to be granted by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission (or any of his delegates) pursuant to Note 1 on Dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers (the "**Whitewash Waiver**") to waive the obligation of the Management to make a mandatory general offer for all the shares of the Company not already owned or agreed to be acquired by the Management Group pursuant to Rule 26 of the Hong Kong Code on Takeovers and Mergers as a result of the Exercise (as defined in the circular of the Company dated 20 November 2015) be and is hereby approved and that the directors of the Company be and are hereby authorised to execute all such documents and do all such acts and things as they consider desirable, necessary or expedient in connection therewith and to give effect to any matters relating to or in connection with the Whitewash Waiver."

2. “**THAT**:

(a) subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting the listing of, and permission to deal in, the shares of the Company (the “**Shares**”) to be issued and allotted pursuant to the exercise of any options granted under the new share option scheme of the Company (the “**New Share Option Scheme**”), the rules of which are contained in the document marked “A” produced to the meeting and signed by the chairman of the meeting for the purpose of identification, the New Share Option Scheme be and is hereby approved and adopted and the directors of the Company be and are hereby authorised to do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the New Share Option Scheme including but without limitation:

(i) to administer the New Share Option Scheme under which options will be granted to participants eligible under the New Share Option Scheme to subscribe for shares in the Company;

(ii) to modify and/or amend the New Share Option Scheme from time to time provided that such modification and/or amendment is effected in accordance with the provisions of the New Share Option Scheme relating to modification and/or amendment;

(iii) to grant options under the New Share Option Scheme and to issue and allot from time to time such number of shares of the Company during the Relevant Period (as hereinafter defined) as may be required to be issued pursuant to the exercise of the options under the New Share Option Scheme and subject to the Rules Governing the Listing of Securities on the Stock Exchange provided that the approval in paragraph (a)(iii) of this resolution shall authorise the directors of the Company during the Relevant Period (as hereinafter defined) to make or grant offers or agreements or options that would or might require shares of the Company to be allotted and/or rights or options to be granted in accordance with the New Share Option Scheme after the expiry of the Relevant Period (as hereinafter defined);

(iv) to make application at the appropriate time or times to the Stock Exchange and any other stock exchanges upon which the issued shares of the Company may for the time being be listed, for listing of and permission to deal in any Shares which may hereafter from time to time be issued and allotted pursuant to the exercise of the options under the New Share Option Scheme; and

(v) to consent, if it so deems fit and expedient, to such conditions, modifications and/or variations as may be required or imposed by the relevant authorities in relation to the New Share Option Scheme.

(b) for the purpose of this resolution,

"**Relevant Period**" means the period from the passing of this resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by law to be held;

(iii) the passing of a resolution by shareholders of the Company in general meeting revoking or varying the authority given by this resolution; and

(iv) the termination or the expiry of the New Share Option Scheme."

3. "**THAT** Mr. Lu Hua be re-elected as an executive director of the Company."

By order of the Board
CSPC Pharmaceutical Group Limited
CAI Dongchen
Chairman

Hong Kong, 20 November 2015

Registered Office:
Suite 3206
32nd Floor
Central Plaza
18 Harbour Road Wan Chai
Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company.

2. In order to be valid, the proxy form together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power of attorney, must be deposited at the Company's share registrar, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

3. Completion and return of the form of proxy will not preclude a member of the Company from attending and voting in person at the meeting convened or any adjournment thereof and in such event, the authority of the proxy shall be deemed to be revoked.

As at the date of this notice, the Board comprises Mr. CAI Dongchen, Mr. CHAK Kin Man, Mr. PAN Weidong, Mr. WANG Shunlong, Mr. WANG Huaiyu, Mr. LU Jianmin, Mr. WANG Zhenguo, Mr. WANG Jinxu and Mr. LU Hua as Executive Directors; Mr. LEE Ka Sze, Carmelo as Non-executive Director; and Mr. CHAN Siu Keung, Leonard, Mr. WANG Bo, Mr. LO Yuk Lam, Mr. YU Jinming and Mr. CHEN Shilin as Independent Non-executive Directors.