Hua Han Bio-Pharmaceutical Holdings Limited
華瀚生物製藥控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 587)

Annual Report
2008/2009

THE MISSION

Strive to be the leading pharmaceutical enterprise specialising in gynecological medicine, medicinal healthcare products for women and bio-pharmaceutical products in the People's Republic of China.

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. Zhang Peter Y. *(Chairman)*
Mr. Deng Jie
Mr. Long Xian Feng
Mr. Bian Shu Guang

Non-Executive Directors
Mr. Wee Ee Lim *(Mr. Chng Hwee Hong as his alternate)*
Mr. Tarn Sien Hao

Independent Non-Executive Directors
Professor Kung Hsiang Fu
Professor Tso Wung Wai
Mr. Hon Yiu Ming, Matthew

AUDIT COMMITTEE

Mr. Hon Yiu Ming, Matthew
(Chairman of audit committee)
Professor Tso Wung Wai
Professor Kung Hsiang Fu
Mr. Tarn Sien Hao

REMUNERATION COMMITTEE

Mr. Hon Yiu Ming, Matthew
(Chairman of remuneration committee)
Professor Tso Wung Wai
Professor Kung Hsiang Fu
Mr. Deng Jie
Mr. Wee Ee Lim *(Mr. Chng Hwee Hong as his alternate)*

COMPANY SECRETARY

Mr. Wong Ming Chun
(CPA, ACCA, ACS, ACIS, CFA)

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P. O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 3405, 34th Floor
China Merchants Tower, Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

PRINCIPAL BANKERS

Fubon Bank (Hong Kong) Limited

Bank of China
Guiyang Branch, Jiaxiu Sub-branch

LEGAL ADVISER AS TO HONG KONG LAWS

Chiu & Partners
41st Floor, Jardine House
1 Connaught Place
Central
Hong Kong

AUDITORS

Ernst & Young
Certified Public Accountants
18th Floor, Two International Finance Centre
8 Finance Street
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
P. O. Box 705
George Town
Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

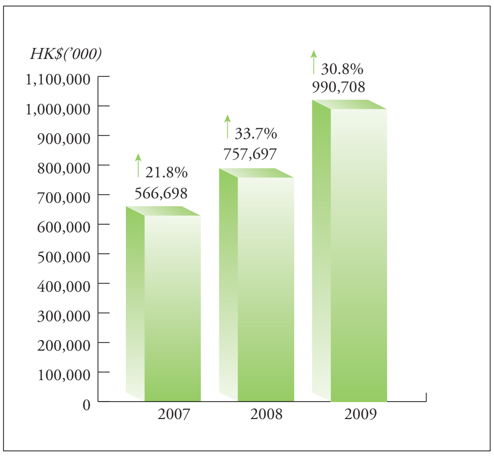
Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

FINANCIAL HIGHLIGHTS

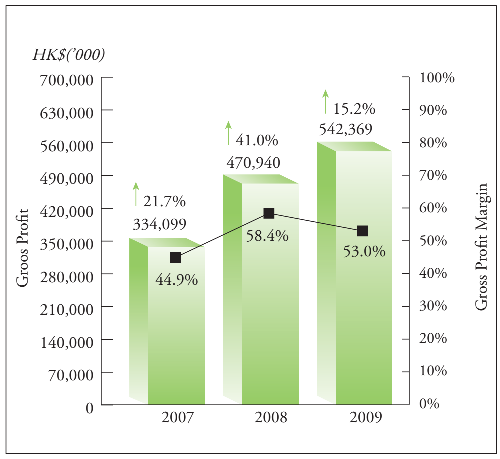
KEY FINANCIALS

	2009 HK$'000	2008 HK$'000	% Change
Turnover	**1,023,747**	806,204	↑ 27.0%
• Manufacturing	**990,708**	757,697	↑ 30.8%
• Trading	**33,039**	48,507	↓ 31.9%
Profit attributable to equity holders	**147,853**	144,184 (restated)	↑ 2.5%
Basic/diluted earnings per share (HK cents)	**13.92**	13.67	↑ 1.8%
Gearing ratio (%)	**4.4**	35.6	↓ 87.6%
Net Cash	**647,415**	351,680	↑ 84.1%

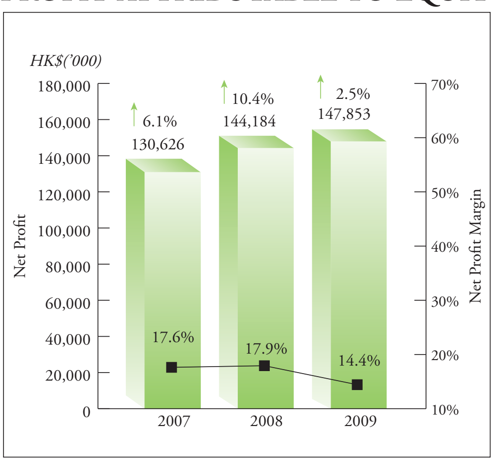
TURNOVER – MANUFACTURING



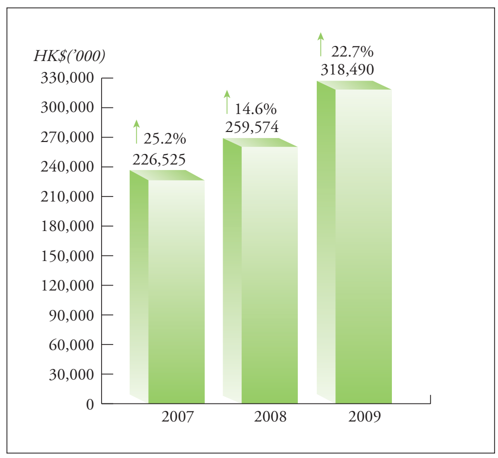
GROSS PROFIT



PROFIT ATTRIBUTABLE TO EQUITY HOLDERS



EBITDA



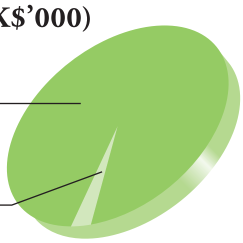
TURNOVER

2009 (figures below are in HK$'000)

990,708 (97%)

Prescription Drugs	446,680	(45%)
Over-The-Counter Drugs	170,361	(17%)
Medicinal Healthcare Products	373,667	(38%)

33,039 (3%)

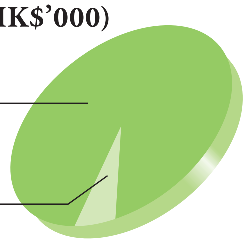


2008 (figures below are in HK$'000)

757,697 (94%)

Prescription Drugs	363,320	(48%)
Over-The-Counter Drugs	141,563	(19%)
Medicinal Healthcare Products	252,814	(33%)

48,507 (6%)



Manufacturing   Trading

CHAIRMAN'S STATEMENT

On behalf of the board of directors ("**Board**") of Hua Han Bio-Pharmaceutical Holdings Limited ("**Hua Han**", together with its subsidiaries, the "**Group**"), I am pleased to present the annual results of the Group for the year ended 30 June 2009 ("**Year**").

BUSINESS REVIEW

Guiyang De Chang Xiang Pharmaceutical Company Limited

Guizhou Hanfang Medicine Manufacture Co. Ltd.

During the year under review, results of the Group continued to report steady growth. Turnover for the year ended 30 June 2009 amounted to approximately HK$1,023.7 million, representing a growth of 27.0% as compared with HK$806.2 million for the preceding year. Profit attributable to shareholders amounted to approximately HK$147.9 million. Such growth was mainly attributable to the Group's determination in the execution of the basic strategic policy that built around its vision, concentrated and careful deployment of effort in hospital market, rapid increase in sales of the "**Magic (美即)**" product series, expansion in the over-the-counter ("**OTC**") market, integrated application of the Group's enterprise resources, strict control of production cost, steady implementation of products sales strategies, and sustained enhancement in operational efficiency.

OPERATION REVIEW

Prescription Drugs

Yeosure Series

Anti-tumour Medicines

During the Year, in order to cope with the international financial turmoil, the People's Republic of China ("**PRC**") government constantly put forth various measures and policies to promote domestic demand, improve people's livelihood, adjust industrial structure, and ensure the economic growth in a responsible manner. As a result, sustained and steady growth in the PRC economy was maintained. At the same time, with favorable factors such as one after another implementation of the newly launched state medical reform measures, constant increase in input of resources by the government, tremendous potential of the consumption power in pharmaceuticals in community and rural area starting to show its effect, and continued growth in size of domestic pharmaceutical market facilitated the sustained growth of the Group's business.

The Group dedicated to the persistent development and enhancement of its core competitiveness and maintained a steady development trend through continuous implementation of product differentiation and forward-looking strategies; defending its advanced strategic position by promptly tapped into the bio-pharmaceutical field; by enhancing the operational efficiency of its production and sales systems, the Group had consolidated the prescription drugs market, developed the "**OTC**" market, and strengthen its strong market position in medicinal healthcare products, which had enabled the continuous and rapid growth of the Group's prescription drugs, "**OTC**" products and "**Magic (美即)**" series products and maintained the Group's leading position in the market; meanwhile, the research and development works of the Group had entered into a new stage, many new drugs and healthcare products with exclusive intellectual property rights was in research and development stage, laying a solid foundation on the Group's subsequent development.

The above measures greatly enhanced the Group's competitive strength and innovation capacity, which in turn helped the Group in realising its strategy and maintained a stable growth rate of the Group's results as well as laying a solid foundation on the Group's future leap.

PROSPECTS

OTC Drugs

Fuke Zaizaowan & Fuke Zaizao capsules

Looking forward, there will be no fundamental change in factors like buoyant economic growth in the PRC, increasing input of resources into medical care and healthcare sectors by the State, expedition in urbanization process, aging population and greater awareness in health and medication. As a result, those factors will continue to drive the growth in domestic demand for pharmaceutical products. The launch of the new medical reforms and the establishment of Universal Health Care nurture a favourable environment for the regular development and rapid growth of the market of pharmaceutical products. As an anti-periodic industry, the pharmaceutical industry is currently facing an environment with favourable policies.

The launch of new medical reforms is expected to be the important foundation for supporting the long-term growth of the pharmaceutical industry. In the coming years, the government will implement the new medical system reform in full force aiming at attaining Universal Health Care and health fees will continue to maintain a fast growth rate, which will boost medical consumption of the society as a whole. Therefore, it is expected that the growth trend in pharmaceutical industry will be sustainable in the future, and its overall profitability would be maintained. The enhancement in the industry concentration made it more favourable for enterprises to implement cost control, thus obviously improving the profitability of advantageous enterprises.

Bio-pharmaceutical products

"Yi Fu" and "Yi Bei"

As the Group dedicated to become a leading manufacturer and provider of gynecological pharmaceutical products and feminine medicinal healthcare products as well as a manufacturer of newly emerged bio-pharmaceutical medicines in the PRC, the Group will capitalise on growth opportunities along with industrial development, conduct mergers and acquisitions and implement consolidation to enhance overall operational efficiency, thereby to intensify and further build up its current competitive advantages and calmly cope with various challenges. By focusing on the core market, subdividing the product market and further penetrating into the hospital market, the Group will rapidly explore the healthcare products and "**OTC**" market. Through aggressively increasing the investment in "**Magic（美即）**" and other high growth product series, and timely and quick launch of new emerging business (the most recognisable one being the State category one new bio-pharmaceutical medicine – **Human Nerve Growing Factor Injection（人神經生長因子注射液）**), the Group will continue to strive to improve its overall performance.

The Group will also extend its involvement in research and development through selecting and enlisting a greater number of products for ongoing research and development, focus on the launching of other bio-pharmaceutical product series, and timely launch of the beauty healthcare oral intake products represented by "**Taihuasu（胎華素）**" and "**Taimeisu（胎美素）**", thereby increase the advanced technology contents of the Group's products.

CHAIRMAN'S STATEMENT

The Board and I have great confidence in the Group's future development. As always, we will adhere to our designated strategy and continue to openly recruit high-caliber talents to our professional management team, develop a professional operation team and management model, and work with other leading pharmaceutical enterprises. The Group is confident and capable of resolving difficulties and challenges. We will grasp emerging opportunities and strive to achieve fast growth rate, so that we can bring lasting and maximum value to our shareholders.

APPRECIATION

On behalf of the Board, I would like to express my gratitude to our management, staff, clients, business partners and shareholders for their contribution to the Group's development. We attribute the achievements of the Group to the utmost efforts and the great support from, and dedication and teamwork of, the parties mentioned above. We firmly believe that, leveraging on the sustainable economic growth in the PRC, the ongoing support from the shareholders, and the substantial market space in the PRC, we could realise our goal and become a leading enterprise of gynecological pharmaceutical products, feminine medicinal healthcare products as well as bio-pharmaceutical medicines in the PRC.

Feminine Medicinal Healthcare Products

Zhang Peter Y.
Chairman

Hong Kong
23 October 2009

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in the research and development, manufacture and sale of gynecological medicine, feminine medicinal healthcare products and bio-pharmaceutical products in the People's Republic of China ("**PRC**" or "**China**"). During the Year, the Group continued to achieve a positive return through its own and joint national distribution channels as well as its extensive marketing network.

MARKET REVIEW

During the Year, although there was outbreak of the global financial crisis, the PRC pharmaceutical market was immuned. With continuous economic development, the raising of national health awareness and further promotion of "**national medical insurance system（國家醫療保險制度）**", the PRC pharmaceutical market was able to sustain its stable growth.

With the PRC government's direction on healthcare medical system reform becoming more and more crystallised, new medical reforms were being introduced one after another. Respective documents like "**Opinions relating to furthering the pharmaceutical and healthcare system reforms（關於深化醫藥衛生體制改革的意見）**", "**Working arrangements regarding the five key reforms of pharmaceutical and healthcare system (2009)（醫藥衛生體制五項重點改革2009年工作安排）**", "**Implementation opinions regarding the establishment of national essential drugs system（關於建立國家基本藥物制度的實施意見）**", "**Administration measures on national essential drugs catalogue (Provisional)（國家基本藥物目錄管理辦法（暫行））**"and "**National essential drugs catalogue (Equipped drugs for the use of primary medical healthcare institutions) (2009 Edition)（國家基本藥物目錄（基層醫療衛生機構配備使用部分））（2009版）**" issued by the state had depicted the industry adjustment and market resources integration of medical healthcare industry, whereby pharmaceutical enterprises will be facing new and greater challenges. On the other hand, however, with the economic development and the increase in national income, the tremendous potential of pharmaceutical products consumption, including community medical coverage and rural area market, is gradually realizing, hence domestic pharmaceutical market continues to expand. Therefore, the pharmaceutical industry is again facing another excellent development opportunity.

It is expected that with the deepening implementation of new medical reforms, coupled with the regulated development of national essential drugs system, the pharmaceutical industry will definitely undergo profound changes. In the next 3-5 years to come, those small to medium size pharmaceutical enterprises with no distinctive product advantage and scale of production and sales will struggle for survival and even be eliminated. The market share will cluster towards pharmaceutical enterprises which possess enterprise advantages. The external conditions for such enterprises to further expand and strengthen are very sufficient, with huge room for development.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Year, facing the anfractuous domestic and international macro-economic situation, the Group focused on future development by way of continuous strengthening of strategic inputs, active integration of internal and external resources, scientific estimation of expenditure, strengthening enterprise cost control and increasing the inputs in growing products, which brought a further enhancement for the Group's leading position in the sub-sectors and steady growth in the Group's performance. The improvement in the Group's performance was attributable to the following: firstly, the Group persisted in focusing on its fundamental strategy of becoming a leading corporation in gynecological medicine and feminine medicinal healthcare products; secondly, it was able to maintain a strategically leading position in the bio-pharmaceutical industry through its timely and swift diversification into the bio-pharmaceutical segment with the fastest growth in global and domestic pharmaceutical market; thirdly, the Group efficiently integrated its resources, which speed up the expansion of "**OTC**" product market on the basis of the consolidation of the market share of prescription drugs; at the same time, "**Magic (美即)**" series products continued to grow rapidly and kept its leading position in domestic facial masks accessories; fourthly, with the research and development of new products under category one new medicine "**Recombinant Human Epidermal Growth Factor Enteric-Coated Oral Liquid and Capsules (重組人表皮生長因子腸溶口服液和膠囊)**" continuing to make progress, which indicated that the Group's strengthened business development model as characterised by innovation management and business development mode of "**new product – new growth point – core competitive strength (新產品－新增長點－核心競爭力)**" was steadily formed.

FINANCIAL PERFORMANCE

During the Year, the Group's turnover was approximately HK$1,023.7 million, of which approximately HK$990.7 million (representing 96.8% of the Group's turnover) was derived from the turnover of the Group's own products, representing an increase of approximately 30.8% as compared to approximately HK$757.7 million of the corresponding period last year. Prescription drugs contributed to approximately HK$446.6 million in sales during the year, representing approximately 45.1% of the total turnover of the Group's own products. "**OTC**" drugs recorded approximately HK$170.4 million in sales during the Year, accounting for approximately 17.2% of the total turnover of the Group's own products and an approximately 20.3% increase over the corresponding period last year. Feminine medicinal healthcare products recorded approximately HK$373.7 million in sales during the Year, representing approximately 37.7% of the total turnover of the Group's own products and an approximately 47.8% increase over the corresponding period last year. Apart from the above, approximately HK$33.0 million of the sales was attributable to trading business.

BUSINESS OPERATION

During the Year, with the strategic guidance of the Board, the management of the Group was able to overcome the impact of the financial crisis under the overall direction of its pre-determined working policy, had basically reached its pre-determined targets, achieved a stable growth in its results and improved the return of shareholders.

Prescription drugs

By consolidating the existing hospital market for its gynecological medicine, and through maintaining the refinement of the several marketing segments that affect the sales of prescription drugs like tendering, pricing, distribution, clinical promotion and public relationship, the clinical service life of old products was extended further and had continued to maintain its profit contribution to the Group. At the same time, in using the sales of "**Yi Fu（易孚）**" and "**Yi Bei（易貝）**" as the leading innovative bio-pharmaceutical products, aiming at urban city centre hospitals as the targets, our sales achieved anticipatory goal by adoption of new sales teams and new promotion models to expand the market.

"OTC" drugs

The "**OTC**" drugs business segment is speeding up its development. With "**Fuke Zaizaowan（婦科再造丸）**" as the leading product in its portfolio, through the establishment of our own sales network and assigning agents to distribute products on an synchronising basis, our market presence had already expanded to 24 provinces throughout the country, with increases in number of point-of-sales and rapid enhancement in brand recognition.

Feminine medicinal healthcare products

Apart from continuing to strengthen our primary sales network in hyper market such as Watsons, Carrefour and Wal-mart and sales promotion in local major sales channels, the "**Magic（美即）**" series products had also entered into the second and third tier markets nationwide. In certain markets like Hanzhou and Suzhou, their sales had already outperformed their respective capital cities of the provinces. Launching of local personal care shops is already in trial run and the Group is actively exploring and establishing a standardised nationwide promotion system. In addition, as the market share of the "**Magic（美即）**" series products is continuing to expand and its performance is continuing to grow rapidly, its brand recognition and reputation have gained a wide recognition in the market.

RESEARCH AND DEVELOPMENT

"**Recombinant Human Epidermal Growth Factor Enteric-Coated Oral Liquid and Capsules（重組人表皮生長因子腸溶口服液和膠囊）**" (intestines mucous membrane restoring liquid), category one new medicine, had already completed its pathological and toxicology experimental clinical testings. The spray (curing oral ulcer) of "**Recombinant Human Epidermal Growth Factor（重組人表皮生長因子）**", category four new medicine had completed its pre-information preparation and is applying for clinical approval. "**Enqutabin（恩曲他濱）**" (anti-AIDS), category three chemical new product, had completed its clinical testings and is applying for production approval. Our beauty healthcare oral intake products, "**Taihuasu（胎華素）**" and "**Taimeisu（胎美素）**" are applying for food and healthcare product production approval and our blood product, "**Placenta Blood White Protein（人胎盤血白蛋白）**" has entered into its laboratory testing stage.

At the same time, a total of 24 types of new products have been introduced into the market under the "**Magic（美即）**" facial mask series, among which, 15 types are new forms of facial mask products, including **Hànfang（漢方）** series medical masks, **Hánfang（韓方）** series medical masks, Vegetal Activiting Essence masks, Cream masks, Stretch masks, Watery masks and Fresh Yoghurt masks. 9 types of eye masks are new products, including "Visible Lightening White" eye masks, "Refreshing and Easing" eye masks and "Pleasure and Stress Release" eye masks. The introduction of these new products under the "**Magic（美即）**" series had further enriched the portfolio of "**Magic（美即）**" series products with its 130 types of facial masks, eye masks and facial masks accessories, improved the brand image of "**Magic（美即）**" series as a Facial Mask Centre, and also laid a full product base for its establishment of a specialty store promotion form.

PRODUCTION FACILITIES

The construction of the new high-tech bio-pharmaceutical production plant for the Group's bio-pharmaceutical product – the State category one new biological medicine "**Human Nerve Growing Factor Injection（人神經生長因子注射液）**" had already obtained the production approval from Guizhou Province Food and Drug Administration（貴州省食品藥品監督管理局）and is currently pending for the GMP certification from the State Food and Drug Administration（國家食品藥品監督管理局）of the PRC.

Guiyang De Chang Xiang Pharmaceutical Company Limited was recognised as one of the "**High and New Technology Enterprises（高新技術企業）**" by 4 government departments including the Bureau of Technology of Guizhou Province（貴州省科技廳）; and was recognised as the "**Provincial Enterprise Technology Centre（省級企業技術中心）**" by 6 government departments including the Economy and Trade Committee of Guizhou Province（貴州省經濟貿易委員會）.

PROSPECTS

The PRC pharmaceutical industry is an evergreen industry with mega size market capacity and is relatively stable. With pharmaceuticals and human being healthiness co-existing, with no change in the long-term factors affecting the development of PRC pharmaceutical industry including political stability, economic growth, the improvement of people's health consciousness, the prospects of PRC pharmaceutical will flourish continuously.

At the same time, the Directors believe that competition within the PRC pharmaceutical industry is apparent, and the industry is deeply affected by state policies and industry regulations with opportunities and difficulties intertwined. The PRC pharmaceutical industry is currently facing a situation of "**One Small Two Manys Three Lows（一小二多三低）**". Firstly, the size of individual enterprise is small; secondly, there are many enterprises with many duplicated products; thirdly, the overwhelming majority of the products demand low technology, low research and development capabilities for new pharmaceutical products, and low administration capabilities and economic efficiency. Therefore, survival of the fittest will remain the principal norm in the long-term development of the PRC pharmaceutical industry.

With the state's healthcare medical system reform becoming more and more crystallised and national essential drugs system implemented, the Directors believe that the consumption structure of pharmaceutical market will undergo multi-segmental changes. High-end products will implement a high quality and favourable price strategy in the urban centre hospitals and the essential drugs mainly go for the community hospitals and rural hospitals; the rural "**OTC**" market will grow rapidly. Further, with improving consumption structure of PRC municipal and rural residents and continuous improvement in consumption quality, the future development potential of pharmaceutical market will be huge. Hence, by leveraging on this, the Group will be able to grasp the market opportunities brought about by new medical reforms. We will be able to efficiently deploy our resources, develop new market regions and expand our network. The Group will adjust its product structure and marketing strategy, attentively expand its important branded product categories, pay close attention to our research and development works on innovative new products for markets with tremendous potential and emphasise on innovative services, and in turn, enhance the core competitiveness of the Group by exploring more profitability growing potential to the Group.

In order to fully leverage on these opportunities, the Group had determined a development plan for the next three years. The Group's goal is: "While continuing to maintain the nation's largest gynecological medicine production enterprise, strive to become a leading enterprise in bio-pharmaceuticals and beauty products sectors and edge into domestic first-class pharmaceutical and beauty products manufacturers ranks." The Group's overall strategy is: "Leverage on the industry and market adjustment opportunities brought from "**new medical reform（新醫改）**", integrate the Group's overall resources, timely and swiftly diversify into the relevant sectors and promptly deploy, capture the high-end market with innovative products and explore the low-end market with traditional Chinese medicine, aiming at achieving breakthrough for the Group's products in the two markets with the most lucrative profit and the fastest-growing potential. Meanwhile, with the momentum of building a mega brand, further promote "**Magic（美即）**" to rapidly grow in domestic market."

For the specific competitive strategy, the Group intends to consider adopting the following strategies in the next financial year:

1. Sales Channels – We will continue to increase the market inputs and implement various measures to protect our market share in hospital market for our gynecological medicine, in particular strengthen the promotion of sales of gynecological medicine in centre hospitals with our innovative new medicine. At the same time, we shall speed up our promotion efforts to community hospitals with emphasis to those markets at county level or below. We shall push up our biological medicine in entering into the hospital market and strive to achieve the coverage of our "**Yi Fu（易孚）**", "**Yi Bei（易貝）**" and "**Human Nerve Growing Factor（人神經生長因子）**"to two-thirds of the first and second tier centre hospitals nationwide in this financial year. With the refinement of "**OTC**" drugs,"**Fuke Zaizaowan（婦科再造丸）**" on the bases of its product features, cultural inheritance and advertising needs, we shall devote more advertising efforts and transform its regional brand name image to a nationwide one. We shall continue the rapid development of "**Magic（美即）**" and endeavor to reach co-operate activities with celebrated domestic and international cosmetic enterprises having distinctive advantage products on the basis of consolidation of the existing channels. We shall establish personal care shop sales channel in domestic market. Through the above measures, we will strive to reach our goal of expanding the coverage and market share of our products and consequently achieve a higher level of return.

2. Production – the Group will place emphasis on planning, development and consolidation of the industrialisation work focusing on the State category one new biological medicine "**Human Nerve Growing Factor（人神經生長因子）**", with special focus on its biological safety. We shall observe stringently the technological industry standards regarding souring, cold chain transportation and virus deactivation without any flaw and shall commence healthcare products production workshop construction for the research and development of category one new medicine. At the same time, we shall fully develop our feminine medicinal healthcare products represented by "**Magic（美即）**" series facial mask and endeavor to expand the scale of Chinese gynecological medicine products under the brands of "**DCX（德昌祥）**" and "**GHMM（漢方）**". We will continue to focus on product quality and cost control, establish product quality protection system of the Group, set up quality accountability system in different production stages and assure product quality in different segments in terms of material souring, transportation, production, inspection, storage and sales. We shall improve our production skills, upgrade our equipment and apply the latest production techniques, with the aim to further enhance modernisation, automation and safety standard of our manufacturing plants as well as further improve product quality, lower production cost and increase production efficiency.

3. Brand Building – Through relentless efforts in establishing the brand images of our products as well as the Group in prescription drugs, "**OTC**" drugs and beauty healthcare product markets, we will continue to strive for building up the professional image of our "**Factorr（泛特爾）**" brand for the bio-pharmaceutical products and building up the professional image of our "**Hànfang（漢方）**" brand in the hospital market, establish a famous image for our "**DCX（德昌祥）**" brand among "retail drug" stores and create a professional facial mask brand image for our "**Magic（美即）**" series products.

4. Product Development – Firstly, we will create new products through changes in technology and dosage form on existing products; secondly, we will adopt a market-oriented approach in our research and development on new medicine, pinpointing at those markets with tremendous growing potential whilst competition is moderate; and thirdly, we will focus on the development with premium domestic and international research and development institutions and scientists for our category one new medicine, develop pre-stage research and maintain the subsequent development potential of the Group in biological business.

5. Mergers and Acquisitions – Mergers and acquisitions will remain the main channel of pursuing rapid development of the Group. The Group will continue to identify enterprises with distinct advantages and competitiveness in product resources, branding and research and development, as well as potential profit contribution to implement merger and acquisition process.

6. Team Building – Consummate internal incentive and responsibility system by taking into account new situation, new target and new mission, further the enhancement of team building by making up a decent, loyal, dedicated, progressive core operation and management team with innovative capacity and managerial capacity, and form strong vertical and horizontal line management functions in strategy, finance, human resources, research and development and legal aspects. Continuous enhancement and improvement of each business sector and the subsidiaries' management ability, achieving a synergy between them, building a harmonious group corporate culture, enhancing competitive strength and control operational risks, and striving for laying a solid foundation for our future sustainable development.

In general, the Directors believe the forthcoming financial year is an important year to the Group. Hence, proactive attitude, unceasing innovativeness, vigorous development and strive for upward realism are our principal working objectives. At the same time, we will adopt a prudent approach in view of real-life situation, protecting ourselves against risks, maintaining a stable development momentum and to yield a greater return for our shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flows and banking facilities provided by banks in the PRC and Hong Kong. As at 30 June 2009, the Group had unpledged cash and bank balances of approximately HK$719.4 million (2008: approximately HK$816.3 million). Its gearing ratio calculated as a ratio of total debt to equity attributable to equity holders of the Company was approximately 4.4% (2008: approximately 35.6%). Net current assets was approximately HK$1,053.4 million (2008: approximately HK$736.9 million) and the current ratio was maintained at a healthy level of approximately 5.7 (2008: approximately 2.3) as at 30 June 2009.

The finance costs of the Group for the Year amounted to approximately HK$19.8 million (2008: approximately HK$28.2 million), representing approximately 1.9% (2008: approximately 3.5%) of the Group's total turnover and a decrease of approximately HK$8.3 million over last year. The decrease in finance costs was principally due to decrease in bank borrowing rate and repayment of bank loans during the Year.

CONTINGENT LIABILITIES

As at 30 June 2009, the Group did not have any material contingent liabilities (2008: Nil).

BANK BORROWINGS

As at 30 June 2009, the Group had outstanding bank loans of approximately HK$72.0 million from the banks in the PRC and Hong Kong (2008: approximately HK$464.6 million), approximately 97.0% (2008: approximately 99.5%) of which were short term bank loans with maturity within one year. All the bank loans of the Group were denominated in Renminbi and Hong Kong Dollar.

As at 30 June 2009, the Group's bank borrowings were secured by (i) certain plant and machinery of the Group; (ii) certain prepaid land lease payments and buildings of the Group; (iii) pledge of equity interests of certain subsidiaries of the Company; and (iv) corporate guarantees given by certain subsidiaries of the Company.

SEASONAL OR CYCLICAL FACTORS

During the Year, the Group's business operations were not significantly affected by any seasonal and cyclical factors.

FOREIGN EXCHANGE EXPOSURE

During the Year, the Group mainly generated revenue and incurred costs in Renminbi. In view of the appreciation of Renminbi, the Directors considered that the Group's exposure to fluctuation in foreign exchange rate was minimal, and accordingly, the Group did not employ any financial instruments for hedging purpose.

TREASURY POLICIES

During the Year, the Group generally financed its operations with internally generated resources and credit facilities provided by banks in the PRC and Hong Kong. Interest rates of most of these were calculated by reference to the PRC and Hong Kong bank rates. Both bank deposits and borrowings were mainly denominated in Renminbi and Hong Kong Dollar.

COMMITMENTS

As at 30 June 2009, the Group had contracted commitments of HK$34,032,000 (2008: HK$35,763,000) in respect of the purchases of technical knowhow and a patent.

In addition, as at 30 June 2009, the Group had contracted commitments of HK$15,824,000 (2008: HK$11,927,000) in respect of the purchases of and construction of plant and equipment.

EMPLOYEES, TRAINING AND REMUNERATION POLICIES

As at 30 June 2009, the Group had a total of 2,535 employees (2008: 2,357), of whom 2,526 were based in the PRC, with the rest stationed in Hong Kong. The employees of the Group were remunerated based on their experience, qualifications, the Group's performance as well as market conditions. During the Year, staff costs (including Directors' remuneration) amounted to approximately HK$59,549,000 (2008: approximately HK$45,897,000). Staff costs accounted for 5.8% of the Group's turnover (2008: 5.7%) during the Year. The Group participated in retirement benefit schemes for its staff both in Hong Kong and the PRC.

The Group has developed its training programmes in a structured and systematic manner for its management and employees. The Group provided regular management and technical related courses to its employees during the Year.

FINAL DIVIDEND

The Directors recommended the payment of a final dividend of HK2.8 cents per share of the Company for the Year (2008: Nil).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Zhang Peter Y.（張岳）, aged 47, is the Chairman of the Company and one of the founders of the Group. Mr. Zhang graduated from Guiyang Teacher Training College（貴陽師範學院）in 1982 with a bachelor degree in chemistry. Mr. Zhang has been appointed as a standing member of the Fifth Chinese People's Political Consultative Conference in Yunyan District of Guiyang City（貴陽市雲岩區第五屆政協常委）. In 1999, he was awarded a postgraduate certificate from the Nankai University（南開大學）majoring in enterprise management. Mr. Zhang was awarded the title of 1998-2002 Guiyang City Young and Middle-aged Technological Leader（貴陽市1998-2002年度中青年科技骨幹）in 2000. Given his expertise in the area of chemistry and his extensive knowledge in the pharmaceutical industry, Mr. Zhang is in charge of the Group's overall strategic planning. With more than 10 years of experience in corporate financial planning, Mr. Zhang is responsible for the Group's strategic management, financial planning and control. Mr. Zhang is a controlling shareholder and a director of Bull's-Eye Limited, a controlling Shareholder of the Company.

Mr. Deng Jie（鄧杰）, aged 45, is the Chief Executive Officer and an executive Director of the Company, and one of the founders of the Group. Mr. Deng graduated from Peking University（北京大學）in 1985 with a bachelor degree in law. Mr. Deng was given the award of Outstanding Young Entrepreneur of the State（全國優秀青年企業家）and Top Ten Outstanding Youths in Guizhou（貴州省十大傑出青年）in 1993 and 1994 respectively, and was appointed as a member of the Eighth and the Ninth Chinese People's Political Consultative Conference in Guizhou（貴州省第八屆及第九屆政協委員）since 1998. In 1999, he was awarded a postgraduate certificate from the Nankai University（南開大學）majoring in enterprise management. He has over 10 years of experience in corporate management, and is responsible for the Group's strategic management and operation management. For the past nine years, Mr. Deng has been actively involved in establishing the Group's sales network throughout the PRC and is experienced in training the Group's sales and marketing team. Mr. Deng is a director of Bull's-Eye Limited, a controlling Shareholder of the Company.

Mr. Long Xian Feng（龍險峰）, aged 47, is the General Manager of the Group and an executive Director of the Company. Mr. Long graduated from Peking University（北京大學）in 1985 with a bachelor degree in law. In 1999, he was awarded a postgraduate certificate from the Nankai University （南開大學）majoring in enterprise management. Mr. Long joined the Group in 1993 and is responsible for the Group's research and development of new products. Since joining the Group, Mr. Long has led the Group to successfully developing and introducing many pharmaceutical products. Mr. Long is responsible for the operations of the Group's businesses in the PRC.

Mr. Bian Shu Guang（邊曙光）, aged 51, is an executive Director of the Company and the deputy General Manager of the Group. Mr. Bian graduated from Guiyang Teacher Training College（貴陽師範學院）in 1984 with a bachelor degree in Chinese. Mr. Bian obtained a Certificate in Master of Business Administration from the Postgraduate School of Renmin University of China（中國人民大學研究生院）in 2004. Mr. Bian joined the Group in 1993 and has been responsible for the operation of Guizhou Hanfang Medicine Manufacture Co., Ltd. and is a councilor of the Guizhou Pharmaceutical Society（貴州省藥學會常務理事）. With his outstanding background in the industry, Mr. Bian is responsible for public relations of the Group, operation of mergers and acquisitions and maintaining a close relationship between the Group and its strategic partners (including the research institutes).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Non-Executive Directors

Mr. Wee Ee Lim（黃一林）, aged 48, is a non-executive Director of the Company. Mr. Wee holds a Bachelor of Arts (Economics) from Clark University. He is the President and Chief Executive Officer of Haw Par Corporation Limited, a public company listed on the Singapore Exchange Securities Trading Limited. He is also a Director of various public listed companies namely, United Industrial Corporation Limited, Singapore Land Limited and UOL Group Limited, as well as a Board Member of Pan Pacific Hotels Limited. He joined the Group in 2005.

Mr. Tarn Sien Hao（譚顯浩）, aged 42, is a non-executive Director of the Company. Mr. Tarn holds a Bachelor of Science from Columbia University, a Bachelor of Arts from the State University of New York and a Master of Business Administration from the University of Dubuque. He is the General Manager (Corporate Development) of Haw Par Corporation Limited, a public company listed on the Singapore Exchange Securities Trading Limited. He joined the Group in 2005.

Mr. Chng Hwee Hong（莊輝煌）, aged 59, was appointed as an alternate Director to Mr. Wee Ee Lim. Mr. Chng holds a Bachelor of Science (Hons.) in Applied Chemistry and a Diploma in Business Administration from the University of Singapore. He is an executive director of Haw Par Corporation Limited, a public company listed on the Singapore Exchange Securities Trading Limited. He joined the Group in 2006.

Independent Non-Executive Directors

Professor Kung Hsiang Fu（孔祥復）, aged 67, is an independent non-executive Director of the Company. Professor Kung is an academician（院士）of the Chinese Academy of Sciences（中國科學院）. He has over 37 years of experience in the medical research. During 1986-1998, he was the Chief of the Laboratory of Biochemical Physiology National Cancer Institute of the National Institute of Health in the United States ("U.S.") for 12 years. He has published over 300 scientific articles and is the inventor of a number of U.S. patents. Professor Kung has served as the director & chair professor of the Institute of Molecular Biology of the University of Hong Kong（香港大學）for 7 years since 1998. Currently, he is a Professor of Virology of the Centre of Emerging Infectious Diseases of the Chinese University of Hong Kong（香港中文大學）. He joined the Group in 2002.

Professor Tso Wung Wai（曹宏威）, aged 68, is an independent non-executive Director of the Company. Professor Tso holds a doctorate degree in biochemistry from the University of Wisconsin-Madison in the United States of America. After his honorable retirement from the teaching at the department of biochemistry of the Chinese University of Hong Kong（香港中文大學）for 24 years, Professor Tso is currently an adjunct professor of the department. Professor Tso's research interests include immobilised cell biotechnology, inorganic biochemistry and reproduction biochemistry. Professor Tso is devoted to social events. He was an honorary consultant of the scientific consultants team of the Hong Kong Government, a member to the Hong Kong Advisory Committee on the Quality of Water Supplies, and a member of the Advisory Committee on the Safety of the Daya Bay Nuclear Power Plant. He is also a deputy to the Ninth and Tenth National People's Congress of the Hong Kong Special Administrative Region. Professor Tso was awarded the Bronze Bauhinia Star award in 2002 by the Hong Kong Government for his meritorious public and community services. He joined the Group in 2002.

Mr. Hon Yiu Ming, Matthew (韓耀明), aged 49, is an Independent Non-Executive Director of the Company. Mr. Hon graduated from the University of East Asia, Macau (澳門東亞大學) with a master degree in Business Administration. He is a Certified Public Accountant (Practising) in Hong Kong and is now the sole-proprietor of Y. M. Hon & Co., a Hong Kong Certified Public Accountants firm. Mr. Hon is the Chairman of the Remuneration Committee and the Audit Committee of the Company. He joined the Group in 2004.

Senior Management

Mr. Wong Ming Chun (王名俊), aged 29, is the Company Secretary of the Company and the Financial Controller of the Group, and is responsible for the Group's financial management and internal auditing. He is a member of The Association of Chartered Certified Accountants, an associate member of the Hong Kong Institute of Certified Public Accountants, a member of each of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators and a CFA charterholder of the CFA Institute. Mr. Wong graduated from The Hong Kong University of Science and Technology (香港科技大學) with a bachelor degree in Business Administration (major in Accounting). Mr. Wong has over 6 years of experience in auditing, accounting and financial management. He joined the Group in 2008.

Mr. Chen Lei (陳磊), aged 38, is the assistant to General Manager of the Group. Mr. Chen graduated from the Jiangxi University of Finance and Economics (江西財經大學) in 1995. He was enrolled in the MBA programme conducted jointly by Royal Roads University of Canada and Renmin University of China (中國人民大學) in 2007. He joined the Group in 2002 and is currently responsible for assisting the Group General Manager in finance management of operations in Mainland China.

Mr. Zhang Jin Yi (張勁翼), aged 47, is the Chairman of Guizhou Hanfang Medicine Manufacture Co., Ltd. (貴州漢方製藥有限公司). Mr. Zhang graduated from the Northwestern Polytechnical University (西北工業大學) in 1984 with a bachelor degree in Engineering and acquired the title of senior engineer. He joined the Group in 2004 and is responsible for the management of the manufacturing function for Guizhou Hanfang Medicine Manufacture Co., Ltd. (貴州漢方製藥有限公司).

Mr. Zou Bangyin (鄒邦銀), aged 34, is the Chief Engineer of Guizhou Hanfang Medicine Manufacture Co., Ltd. (貴州漢方製藥有限公司). Mr. Zou graduated from the Beijing Institute of Technology (北京理工大學) and obtained a bachelor degree in Engineering in 1999. He joined the Group in 1999 and is responsible for product development, the research and development of new drugs and the technical work relating to existing products of Guizhou Hanfang Medicine Manufacture Co., Ltd. (貴州漢方製藥有限公司).

Mr. Zhou Kequan (周科全), aged 48, is the Chairman of Guizhou Hanfang Guomei Pharmaceutical Company Limited (貴州漢方國美醫藥有限公司). Mr. Zhou graduated from the Guiyang Medical University (貴陽醫學院) in 1983 with a bachelor degree in Medicine. He also has a postgraduate degree certificate in Psychiatry Medicine from West China University of Medical Sciences (華西醫科大學精神醫學系). He joined the Group in 2007 and is responsible for the sales-integrated operations of business for the pharmaceutical enterprises under the Group. Before joining the Group, he has assumed posts such as the Business Director of United Laboratories (聯邦製藥), Chief Executive Officer of Hainan Green Tide Medicine Co., Ltd. (海南格林泰德藥業) and the General Manager of Hainan Haiyao Co., Ltd. (海南海藥銷售公司).

***Ms. Cheng Hui*（程慧）**, aged 38, is the General Manager of Guizhou Hanfang Guomei Pharmaceutical Company Limited（貴州漢方國美醫藥有限公司）. Ms. Cheng graduated from Guizhou College of Finance and Economics（貴州財經學院）in 1995 with a certificate in diploma in Sales & Marketing. Later, she obtained a graduate diploma from the School of Jiangxi Finance and Economics（江西財經學院）, and a postgraduate diploma in Business Administration from Beihang University. She joined the Group in 1995 and is responsible for the sales function of Guizhou Hanfang Guomei Pharmaceutical Company Limited（貴州漢方國美醫藥有限公司）.

***Mr. Lu Guangbin*（吕廣斌）**, aged 34, is the President of the sales division one of Guizhou Hanfang Guomei Pharmaceutical Company Limited（貴州漢方國美醫藥有限公司）. Mr. Lu graduated from Southwest Agricultural University（西南農業大學）and obtained a bachelor degree in Agriculture in 1998. He joined the Group in 1998 and is responsible for the hospital sales function of Guizhou Hanfang Guomei Pharmaceutical Company Limited（貴州漢方國美醫藥有限公司）.

***Mr. Cheng Shupeng*（程樹鵬）**, aged 33, is the President of the sales division two of Guizhou Hanfang Guomei Pharmaceutical Company Limited（貴州漢方國美醫藥有限公司）. Mr. Cheng graduated from the department of International Business Profession of Huazhong Normal University（華中師範大學國際商務專業）and obtained a bachelor degree in Economics in 1999. He joined the Group in 2007 and is responsible for the sales function of the third point of sale of Guizhou Hanfang Guomei Pharmaceutical Company Limited（貴州漢方國美醫藥有限公司）. Before joining the Group, he worked in Green Tide（格林泰德）and Chang'au Group（長澳集團）for engagement of the "**OTC**" sales function for many years. He has extensive market experience.

***Mr. Zhang Kun Mou*（張昆謀）**, aged 46, is the General Manager of Guizhou Factorr Bio-Technology Co., Ltd（貴州泛特爾生物技術有限公司）. Mr. Zhang graduated from Harbin Engineering University（哈爾濱工程大學）and obtained a bachelor degree in Engineering in 1984. In 1989, he graduated from Shanghai Donghua University（上海東華大學）(formerly known as China Textile University（中國紡織大學）), with a master degree in engineering and served as a senior engineer. Mr. Zhang joined the Group in 2000 and is responsible for managing the production facilities of Guizhou Factorr Bio-Technology Co., Ltd（貴州泛特爾生物技術有限公司）.

***Mr. Yao Qihong*（姚啟弘）**, aged 63, is the Deputy General Manager of Guizhou Factorr Bio-Technology Co., Ltd（貴州泛特爾生物技術有限公司）. Mr. Yao graduated from Guizhou University of Technology（貴州工業大學）in 1968 with a bachelor degree in Engineering and served as an engineer. He joined the Group in 2006 and is responsible for the administration and coordination of external affairs of Guizhou Factorr Bio-Technology Co., Ltd（貴州泛特爾生物技術有限公司）. Before joining the Group, he served in the Department of Foreign Trade & Economic Cooperation of Guizhou Provincial Government（貴州省政府對外經濟貿易廳）for 13 years. He was also a member of the Scientific Decision Expert Consultation Group（科技決策專家諮詢組）for Kaili City Government in Guizhou Province.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Dai Li Gui（戴禮貴）, aged 40, is the Marketing Director of Guizhou Factorr Bio-Technology Co., Ltd（貴州泛特爾生物技術有限公司）and is responsible for the marketing function of biological medicine. Mr. Dai graduated from Guiyang Medical College（貴陽醫學院）in 1992 with a bachelor degree in Medicine. In 2002, he attended a part-time master degree course in regard to Oncology and doctor's degree courses in regard to Oncology and Medical Consultation at the Western China University of Medical Science（華西醫科大學）. He is currently studying a doctor degree course. Before joining the Group in 2000, Mr. Dai served the Pulmonary Hospital（肺科醫院）of Guiyang City as a clinician for 8 years.

Mr. He Qing（何慶）, aged 48, is the Chief Engineer of Guizhou Factorr Bio-Technology Co., Ltd.（貴州泛特爾生物技術有限公司）. Mr. He was graduated from Tongji Medical University（同濟醫科大學）in 1994 and acquired the technical title of chief pharmacist and the qualification of Chinese practicing pharmacist. Mr. He joined the Group in 1994 and is responsible for production technology, quality control and GMP certification and implementation of Guizhou Factorr Bio-Technology Co., Ltd.（貴州泛特爾生物技術有限公司）.

Mr. Zhang Ming Jiang（張明江）, aged 45, is the Chief Engineer of Guizhou Factorr Bio-Technology Co., Ltd（貴州泛特爾生物技術有限公司）. Mr. Zhang graduated from West China University of Medical Science（華西醫科大學）in 1986 and obtained a bachelor degree in Medicine. He joined the Group in 2007 and is responsible for product development and the research and development of new drugs of Guizhou Factorr Bio-Technology Co., Ltd（貴州泛特爾生物技術有限公司）.

Miss Fang Fei（方菲）, aged 28, is the Assistant Engineer of Guizhou Factorr Bio-Technology Co., Ltd（貴州泛特爾生物技術有限公司）. Miss Fang graduated from Northwest Sci-Tech University of Agriculture and Forestry（西北農林科技大學）in 2007, with a major in Professional Botany（植物學專業）of the School of Life Science（生命科學學院）and a master degree in Engineering. She joined the Group in 2007 and assists the Chief Engineer and Assistant Chief Engineer, who are responsible for the production technique development in the "**human nerve growing factor（人神經生長因子）**", optimization and medicine research and development for Guizhou Factorr Bio-Technology Co., Ltd（貴州泛特爾生物技術有限公司）.

Mr. Yao Chang Fa（姚廠發）, aged 44, is the Chairman of Guiyang De Chang Xiang Pharmaceutical Company Limited（貴陽德昌祥藥業有限公司）. Mr. Yao graduated from Guiyang Chinese Medical College（貴陽中醫學院）in 1987 and acquired the professional qualification of principal Chinese medical practitioner in 1996. He joined the Group in 1992 and is responsible for the management of the manufacturing function for Guiyang De Chang Xiang Pharmaceutical Company Limited（貴陽德昌祥藥業有限公司）.

Ms. Jiang Xiao Wen（蔣曉文）, aged 50, is the General Manager of Guiyang De Chang Xiang Pharmaceutical Company Limited（貴陽德昌祥藥業有限公司）. Ms. Jiang graduated from Heilongjiang Business Institute（黑龍江商學院）in 1982 and acquired the title of certified pharmacist. She joined the Group in 2004, was the General Manager of Guiyang Chinese Medicine Laboratory（貴陽中藥廠）(the predecessor of Guiyang De Chang Xiang Pharmaceutical Company Limited（貴陽德昌祥藥業有限公司）for a long time and is responsible for the operations of business for Guiyang De Chang Xiang Pharmaceutical Company Limited（貴陽德昌祥藥業有限公司）.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Ma Weidong **(馬衛東)**, aged 41, is the Deputy General Manager of Guiyang De Chang Xiang Pharmaceutical Company Limited(貴陽德昌祥藥業有限公司). Mr. Ma graduated from Guiyang Chinese Medical College(貴陽中醫學院)in 1990, majoring in Pharmacy and acquiring the title of certified pharmacist. He joined the Group in 2004 and is responsible for the production technology and quality control of Guiyang De Chang Xiang Pharmaceutical Company Limited(貴陽德昌祥藥業有限公司).

Mr. Yang Hong Ming **(楊洪銘)**, aged 45, is the Chairman of Guilin Pavay Gene Pharmaceutical Co., Ltd. (桂林華諾威基因藥業有限公司). Mr. Yang was graduated from the Department of International Trade, University of International Business and Economics(對外經濟貿易大學)in 1985 with a bachelor degree in Economics. After graduation, Mr. Yang worked in the China Resources Group(中國華潤集團公司)and acquired the title of senior economist and was appointed as the standing committee member of the First and Second Chinese People's Political Consultative Conference in Guilin(桂林市第一、二屆政協常委). Mr. Yang joined the Group in 2008 and is responsible for the strategic planning management and external relations of Guilin Pavay Gene Pharmaceutical Co., Ltd.(桂林華諾威基因藥業有限公司).

Wei Zhong Ming **(韋忠銘)**, aged 41, is the Vice General Manager of Guilin Pavay Gene Pharmaceutical Co., Ltd. (桂林華諾威基因藥業有限公司). Mr. Wei was graduated from Tianjin Nankai University(南開大學)in 1990 with a bachelor degree in Chemistry. After graduation, Mr. Wei worked in Guilin No. 3 Pharmaceutical Factory(桂林市第三製藥廠), Guilin Medical University(桂林市醫學院)and Beijing Pilot Test Base of Guilin Pavay Gene Pharmaceutical Co., Ltd.(桂林華諾威基因藥業有限公司北京中試基地). He is one of the major researchers and testers for the two State category one new medicines(國家一類新藥)of Guilin Pavay Gene Pharmaceutical Co., Ltd.(桂林華諾威基因藥業有限公司). Mr. Wei joined the Group in 2008 and is responsible for the production technology and quality control of Guilin Pavay Gene Pharmaceutical Co., Ltd.(桂林華諾威基因藥業有限公司).

Mr. Tang Siu Kun, Stephen **(鄧紹坤)**, aged 44, is the Director and Executive Chairman of Magic Holdings Group Limited(美即控股有限公司). Mr. Tang graduated from the Curtin University of Technology in Australia with a bachelor degree in Commerce. Mr. Tang holds a master degree in International Business Management from the City University of Hong Kong(香港城市大學). He is also a member of the CPA Australia and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Tang joined the Group in 2000 and has over 10 years experience in corporate management and strategic planning. He is responsible for the overall strategic planning and financial planning and controlling of Magic Holdings Group Limited(美即控股有限公司).

Mr. She Yu Yuan **(佘雨原)**, aged 38, is the Director and General Manager of Magic Holdings Group Limited. Mr. She graduated from South China University of Technology(華南理工大學)in 1994. He has over 10 years market and corporate management experience and possesses a strong market sense, strategic sight and innovative mind. With his rich market experience, Mr. She led the marketing team operated a beauty and skincare brand in 2000, and was awarded as the second runner-up in the China's Top 10 Successful Case of Marketing(中國年度十大成功行銷案例之一名列第三位)in 2001. In 2002, the beauty and skincare brand was ranked as having the largest market share in the China paper mask market during that year. This marketing case was included in the case study of China MBA teaching(中國MBA教學案例教程)and was quoted by many reference books on sales and marketing. He joined the Group in 2004 and is responsible for the operations of business for Magic Holdings Group Limited.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Luo Yao Wen (駱耀文), aged 51, is the Deputy General Manager of Magic Holdings Group Limited. Mr. Luo graduated from the department of Mechanical Engineering (機械工程專業) of Guangzhou Technical School (廣州市技術學校) in 1982. He was the General Manager of Guangzhou Eve Cosmetics Company Limited (廣州夏娃化妝品有限公司) and Guangzhou Oubo Cosmetics Laboratory (廣州奧柏化妝品廠) from 1993 to 2003. Mr. Luo has over 10 years experience in production and research and development of the cosmetics industry. He joined the Group in 2004 and is responsible for the production and research and development of the business for Magic Holdings Group Limited.

Mr. Feng Hong (馮洪), aged 49, is the General Inspector of the human resources and administration department of Magic Holdings Group Limited (美即控股有限公司). In 1998, Mr. Feng was awarded the postgraduate certificate from the Guangdong Academy of Social Science (廣東省社會科學院) majoring in economic management. In 2002, he obtained a qualification certificate of specialty and technology in business and economy medium rank. Mr. Feng has extensive experience in human resources and administration management, which is evidenced by his experience in corporate organization, human resources management, corporate culture publication, corporate internal and external relationship coordination and corporate risk management. He joined the Group in 2004 and is responsible for the human resources and administration of Magic Holdings Group Limited.

REPORT OF THE DIRECTORS

The directors ("**Directors**") of Hua Han Bio-Pharmaceutical Holdings Limited (the "**Company**") are pleased to present their report and the audited financial statements of the Company and its subsidiaries (collectively the "**Group**") for the year ended 30 June 2009 ("**Year**").

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group include the manufacture and sale of pharmaceutical products, medicinal healthcare products for women and bio-pharmaceutical products. Details of the principal activities of the principal subsidiaries of the Company are set out in note 18 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the Year.

RESULTS AND DIVIDENDS

The Group's profit for the Year and the state of affairs of the Company and of the Group as at 30 June 2009 are set out in the financial statements on pages 41 to 113 of the annual report.

The Directors recommend the payment of a final dividend of HK2.8 cents per ordinary share of HK$0.10 each in the share capital of the Company ("**Share**") in respect of the Year, to the shareholders of the Company ("**Shareholders**") whose names appear on the register of members of the Company on 18 December 2009. The proposed dividend will be paid on or about 26 February 2010 if the recommendation is approved by the Shareholders at the forthcoming annual general meeting ("**Annual General Meeting**") of the Company to be held on 18 December 2009. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the capital and reserves section of the balance sheet.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement to the proposed final dividend for the Year, the register of members will be closed from Wednesday, 16 December 2009 to Friday, 18 December 2009 (both days inclusive) during which period no transfer of Shares will be effected. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificate must be lodged with the Company's Hong Kong branch share registrar, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Tuesday, 15 December 2009 for registration.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the Company's published audited financial statements prepared on the basis set out therein, is set out on page 114 of this annual report. This summary does not form part of the audited financial statements of the Group.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL AND SHARE OPTIONS

Details of the Company's share capital during the Year and the details of share option scheme are set out in notes 29 and 30 to the financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries, purchased, redeemed or sold any of the Company's listed securities during the Year.

RESERVES

Details of movements in the reserves of the Company and of the Group during the Year are set out in note 31(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 30 June 2009, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Cap. 22. (Law 6 of 1961, as consolidated and revised) of the Cayman Islands, amounted to HK$477,983,000, of which HK$36,991,000 has been proposed as a final dividend for the Year. The amount of HK$532,188,000 *(note 31(b))* standing to the credit of the share premium account of the Company may be distributed, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

MAJOR CUSTOMERS AND SUPPLIERS

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

REPORT OF THE DIRECTORS

DIRECTORS

The Directors during the Year were:

Executive Directors:

Mr. Zhang Peter Y.
Mr. Deng Jie
Mr. Long Xian Feng
Mr. Bian Shu Guang

Non-executive Directors:

Mr. Wee Ee Lim *(Mr. Chng Hwee Hong as his alternate)*
Mr. Tarn Sien Hao

Independent non-executive Directors:

Professor Kung Hsiang Fu
Professor Tso Wung Wai
Mr. Hon Yiu Ming, Matthew

In accordance with article 108(A) of the Company's articles of association, Mr. Zhang Peter Y., Mr. Bian Shu Guang and Professor Kung Hsiang Fu will retire from the office of directorship by rotation at the Annual General Meeting. Each of Mr. Zhang Peter Y. and Professor Kung Hsiang Fu, being eligible, offers himself for re-election as Director at the forthcoming Annual General Meeting, while Mr. Bian Shu Guang has not offered himself to be re-elected as Directors at such meeting.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive Directors a written confirmation of his independence from the Group. Based on such confirmations, the Company considers that each of such Directors to be independent from the Group for the purpose of Rule 3.13 of the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

REPORT OF THE DIRECTORS

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 16 to 22 of this Annual Report.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Zhang Peter Y., Mr. Deng Jie and Mr. Long Xian Feng has entered into a service contract with the Company for an initial term of three years commencing from 1 September 2002, which is automatically renewable for successive terms of one year upon expiry of the then current term, until terminated by not less than three months' notice in writing served by either party on the other. Mr. Bian Shu Guang has entered into a service contract for an initial term of 36 months from 26 January 2007 to 25 January 2010, unless terminated by not less than three months notice in writing served by either party on the other.

The independent non-executive Directors and non-executive Directors are appointed for specific terms and are subject to retirement by rotation in accordance with the Company's articles of association.

No Director proposed for re-election at the Annual General Meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The board of Directors has the general power of determining the Directors' remuneration, subject to the authorisation of the Shareholders given at the annual general meeting of the Company each year. The remuneration of the executive Directors is subject to the review of the Company's remuneration committee. As for the non-executive Directors, their remuneration is determined by the board of Directors, upon recommendation of the Company's remuneration committee, with reference to the Directors' qualifications, experience, duties, responsibilities and performance and results of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

Apart from those disclosed in note 36(a)(i) and 36(b) to the financial statements, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Year were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in the Company.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2009, the interests and short positions of the Directors and chief executive of the Company in the shares or underlying shares or, as the case may be, the equity interest and debentures of the Company or its associated corporations (within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SF Ordinance**")) which were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SF Ordinance (including interests and short positions which he was taken or deemed to have under such provisions of the SF Ordinance), or which were required, pursuant to section 352 of the SF Ordinance, 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 contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name of Director	**The Company/ name of associated corporation**	**Capacity**	**Number and class of securities/percentage in equity interest** *(Note 1)*	**Approximate percentage of interest of the Company/ associated corporation**
Mr. Zhang Peter Y.	The Company	Interest of controlled corporation	463,138,174 Shares (L) *(Note 2)*	35.06
Mr. Deng Jie	Guizhou Hanfang Xifeng Medical Industry Co., Ltd. ("**GHXM**")	Interest of controlled corporation	5% (L) *(Note 3)*	5

Notes:

1. The letter "L" represents the Director's interests in the shares and underlying shares or, as the case may be, the equity interest of the Company or its associated corporations.

2. These 463,138,174 Shares were held by Bull's-Eye Limited ("**BEL**"), more than one-third of the issued share capital of which is beneficially owned by Mr. Zhang Peter Y.. By virtue of the provisions of Division 7 and 8 of Part XV of the SF Ordinance, Mr. Zhang Peter Y. is deemed to be interested in all the Shares held by BEL.

3. These equity interests were held by Guiyang Headboy Kids Accessories Company Limited ("**GHKA**"), which is beneficially owned as to 95% by Mr. Deng Jie and as to the remaining 5% by Mr. Long Xian Feng. By virtue of the provisions of Division 7 and 8 of Part XV of the SF Ordinance, Mr. Deng Jie is deemed to be interested in the equity interests in GHXM held by GHKA.

Save as disclosed above, as at 30 June 2009, none of the Directors and the chief executive of the Company had any interest and short positions in the shares, underlying shares or, as the case may be, the equity interests and debentures of the Company or its associated corporations (within the meaning of the SF Ordinance) which were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SF Ordinance (including interests and short positions which he/she was taken or deemed to have under such provisions of the SF Ordinance), or which were required, pursuant to section 352 of the SF Ordinance, 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 contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME

The Company operates a share option scheme ("**Scheme**"), which was adopted pursuant to a resolution in writing passed by all Shareholders on 25 November 2002, for the purpose of providing incentives or rewards to selected eligible participants for their contributions to the Group. The Scheme became effective on 25 November 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

Eligible participants of the Scheme include the following:

(i) any employee or proposed employee (whether full time or part time) of the Group or any entity ("**Invested Entity**") in which any member of the Group holds any equity interest (including any executive director but excluding any non-executive director of the Group or any Invested Entity);

(ii) any non-executive director (including independent non-executive directors) of the Group or any Invested Entity;

(iii) any supplier of goods or services to any member of the Group or any Invested Entity;

(iv) any customer of the Group or any Invested Entity;

(v) any person or entity that provides research, development or other technological support to the Group or any Invested Entity;

(vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

(vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and

(viii) any company wholly-owned by one or more of the eligible participants referred to in (i) to (vii) above.

As at the date of this report, the total number of Shares of the Company available for issue under the Scheme and any other share option scheme of the Group is 88,073,440, representing approximately 6.67% and 10%, respectively, of the issued share capital of the Company as at the date of this report and 19 December 2008, being the date of the 2008 Annual General Meeting of the Company at which an ordinary resolution was passed by the Shareholders approving the renewal of the 10% mandate under the Scheme.

The maximum number of Shares issuable upon exercise of the options which may be granted under the Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant (other than a substantial shareholder or an independent non-executive director of the Company as explained below) in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. Any further grant of share options in excess of this limit is subject to Shareholders' approval in a general meeting.

Share options granted to a Director, chief executive or substantial Shareholder of the Company, or to any of their respective associates (as defined under the Listing Rules), are subject to approval in advance by the independent non-executive directors of the Company (excluding independent non-executive director who is the grantee of the options). In addition, any share options granted to a substantial Shareholder or an independent non-executive Director of the Company, or to any of their respective associates, in excess of 0.1% of the Shares of the Company in issue with an aggregate value (based on the closing price of the Company's Shares at the date of the grant) in excess of HK$5 million, in 12-month period up to and including the date of grant, are subject to Shareholders' approval in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$1 by the grantee. The exercise period for the share options granted is determined by the board of Directors, which period may commence from the date of acceptance of the offer for the grant of share options but shall end in any event not later than 10 years from the date of the grant of the options subject to the provisions for early termination under the Scheme.

The subscription price for Shares under the Scheme shall be a price determined by the board of Directors, but shall not be less than the highest of:

(i) the closing price of Shares of the Company as stated in the daily quotation sheets of the Stock Exchange on the date of the offer of the grant, which must be a business day;

(ii) the average closing price of the Shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of grant; and

(iii) the nominal value of the Shares of the Company.

Subject to the earlier termination of the Scheme in accordance with the rules governing the Scheme, the Scheme will expire on 25 November 2012.

No share option was granted during the Year and no share option was outstanding under the Scheme as at 30 June 2008 and 2009.

Subsequent to the balance sheet date, on 17 August 2009, 23,400,000 and 64,600,000 share options were granted by the Company to the Directors and to certain employees of the Group, respectively, in respect of their services to the Group in the forthcoming years. These share options vested on 17 August 2009 and each has an exercise price of HK$0.98 and an exercise period ranging from 17 August 2009 to 16 August 2011. The closing price of the Company's Share on the date of grant was HK$0.98 per Share and the average closing price of the Shares for the five trading days immediately preceding the date of the grant was HK$0.972 per Share.

At the date of approval of these financial statements, the Company had 88,000,000 share options outstanding under the Scheme, which represented approximately 6.66% of the Company's Shares in issue as at that date.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS WHO ARE REQUIRED TO DISCLOSE THEIR INTERESTS PURSUANT TO PART XV OF THE SF ORDINANCE

After having made reasonable enquiry, the Directors are aware that as at 30 June 2009, the following persons or entities, other than a Director or chief executive of the Company, had an interest or a short position in the Shares and underlying Shares as recorded in the register required to be kept under section 336 of the SF Ordinance:

Name of Shareholder	**Number of Shares** *(Note 1)*	**Nature of interest**	**Approximate percentage of interest of the Company**
BEL *(Note 2)*	463,138,174 (L)	Beneficial owner	35.06
Liu Yu *(Note 3)*	463,138,174 (L)	Interest of spouse	35.06
Haw Par Pharmaceutical Holdings Pte. Ltd. *(Note 4)*	275,298,600 (L)	Beneficial owner	20.84
Haw Par Corporation Limited *(Note 4)*	275,298,600 (L)	Interest of controlled corporation	20.84
Atlantis Investment Management Ltd.	121,308,000 (L)	Investment manager	9.18
McCarthy Kent C. *(Note 5)*	118,599,000 (L)	Interest of controlled corporations	8.98
Jayhawk Private Equity Fund II, L. P. *(Note 5)*	79,906,500 (L)	Investment manager	6.05
Chartered Asset Management Pte. Ltd.	106,038,000 (L)	Investment manager	8.03
CAM-GTF Limited	66,312,000 (L)	Beneficial owner	5.02
Kingston Finance Limited *(Note 6 and 7)*	150,000,000 (L)	Person having a security interest in Shares	11.35
Chu Yuet Wah *(Note 6)*	150,000,000 (L)	Interest of controlled corporation	11.35
Ma Siu Fong *(Note 7)*	150,000,000 (L)	Interest of controlled corporation	11.35

Notes:

1. The letter "L" represents the person's or the entity's interests in Shares of the Company.

2. More than one-third of the issued share capital of BEL is beneficially owned by Mr. Zhang Peter Y.. By virtue of the provisions of Division 2 and 3 of Part XV of the SF Ordinance, Mr. Zhang Peter Y., an executive Director, is deemed to be interested in all the Shares held by BEL. Mr. Zhang Peter Y. is a director of BEL.

3. Ms. Liu Yu is the wife of Mr. Zhang Peter Y., an executive Director, and is deemed to be interested in the Shares and underlying Shares in which Mr. Zhang Peter Y. is interested under the provisions of Division 2 and 3 of Part XV of the SF Ordinance.

4. Haw Par Pharmaceutical Holdings Pte. Ltd. is a wholly-owned subsidiary of Haw Par Corporation Limited, a company incorporated in Singapore whose shares are listed on the Singapore Exchange Securities Trading Limited. By virtue of the provisions of Division 2 and 3 of Part XV of the SF Ordinance, Haw Par Corporation Limited is deemed to be interested in all Shares in which Haw Par Pharmaceutical Holdings Pte. Ltd. is interested.

5. Jayhawk Private Equity Fund II, L. P. is wholly-owned by McCarthy Kent C.. By virtue of the provisions of Division 2 and 3 of Part XV of the SF Ordinance, McCarthy Kent C. is deemed to be interested in all Shares in which Jayhawk Private Equity Fund II, L. P. is interested.

6. Kingston Finance Limited is owned as to 51% by Mrs. Chu Yuet Wah. By virtue of the provisions of Division 2 and 3 of part XV of the SF Ordinance, Mrs. Chu Yuet Wah is deemed to be interested in all Shares in which Kingston Finance Limited is interested.

7. Kingston Finance Limited is owned as to 49% by Ms. Ma Siu Fong. By virtue at the provisions of Division 2 and 3 of Part XV of the SF Ordinance, Ms. Ma Siu Fong is deemed to be interested in all Shares in which Kingston Finance Limited is interested.

Save as disclosed above, as at 30 June 2009, no person, or entity, other than a Director or chief executive of the Company, had an interest or a short position in the Shares and underlying Shares as recorded in the register required to be kept under section 336 of the SF Ordinance.

CONNECTED TRANSACTIONS

The related party transactions disclosed in note 36(a)(ii) to the financial statements constituted connected transactions under Chapter 14A of the Listing Rules during the year ended 30 June 2008.

DISCLOSURES PURSUANT TO RULE 13.21 OF THE LISTING RULES

In accordance with the disclosure requirements of Rule 13.21 of Chapter 13 of the Listing Rules, the following disclosures are included in respect of certain of the Company's loan agreements, which contain covenants requiring performance obligations of the controlling shareholders of the Company:

a. On 16 September 2004, a loan agreement was entered into between the Company and certain financial institutions in Hong Kong ("**Loan Agreement**"), which contained specific performance obligations on Mr. Zhang Peter Y. and Mr. Xu Peng.

   The Loan Agreement was for a term loan facility of up to HK$100,000,000, the final maturity date of which should be the date falling 36 months from the date of the Loan Agreement (i.e. 15 September 2007).

The Loan Agreement provided that so long as there remained any money outstanding under the Loan Agreement: (1) Mr. Zhang should continue to be the chairman and (save and except BEL) the person with the single largest attributable shareholding in the Company; (2) Mr. Xu should continue to be a Director of the Company and (save and except BEL) the person with the second largest attributable shareholding in the Company; and (3) Mr. Zhang and Mr. Xu should collectively maintain, directly or indirectly, not less than 35% of issued share capital of the Company, free from any encumbrances and should collectively deposit not less than 35% of the issued share capital of the Company with a custodian acceptable to the majority lenders.

A breach of any of the above specific performance obligations would constitute a default under the Loan Agreement. Such default would permit the lenders to accelerate the maturity of the indebtedness under the Loan Agreement. The loan facility, together with all interests accrued on the loan facility, under the Loan Agreement was repaid in full by the Company on 17 July 2006.

b. The Company entered into a new facility agreement ("**Facility Agreement**") with certain financial institutions in Hong Kong and overseas on 30 June 2006. The Facility Agreement contains specific performance obligations on Mr. Zhang Peter Y. and Mr. Deng Jie. The Facility Agreement is for a syndicated loan facility of up to HK$445,000,000 for a term of three years, with an option at the end of the third year to extend the loan for an additional two years.

The Facility Agreement provides that so long as there remains any amount outstanding under the Facility Agreement: (1) Mr. Zhang Peter Y. shall remain to be the Chairman and the single largest Shareholder of the Company; (2) Mr. Deng Jie, the Chief Executive Officer of the Company, shall remain to be a Director; (3) Mr. Zhang and Mr. Deng shall together, directly or indirectly, maintain not less than 30% of the issued voting share capital of the Company.

A breach of any of the above specific performance obligations would constitute a default under the Facility Agreement. Such default would permit the lenders to accelerate the maturity of the indebtedness under the Facility Agreement.

During the year and as at 30 June 2009, the Group and the Company was in breach of a covenant under the terms of the syndicated loan, as the repayment of three instalments of a total of HK$58,841,000 were delayed. As at 30 June 2009, the principal portion of the syndicated loan had been fully repaid. The interest payable of HK$91,000 in relation to such loan was settled subsequent to year end.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the Year.

SUFFICIENCY OF PUBLIC FLOAT

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

REPORT OF THE DIRECTORS

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with the Code on Corporate Governance Practices (the "**Code**") as set out in Appendix 14 to the Listing Rules throughout the accounting period covered by this Annual Report. Please refer to the Corporate Governance Report on pages 34 to 38 of this Annual Report.

AUDIT COMMITTEE

The Board has established an audit committee (the "**Committee**") in accordance with the requirements of the Code. The primary duties of the Committee include reviewing and providing supervision over the financial reporting procedure process and internal controls of the Group. The existing members of the Committee are Mr. Tarn Sien Hao, a non-executive Director, and Professor Kung Hsiang Fu, Professor Tso Wung Wai and Mr. Hon Yiu Ming Matthew, the three independent non-executive Directors. The Group's financial statements for the Year have been reviewed by the Committee, who are of the opinion that such financial statements comply with the applicable accounting standards, and the requirements of the Listing Rules and the applicable laws, and that adequate disclosures have been made.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 39 to the financial statements.

AUDITORS

Ernst & Young will retire, and a resolution for their re-appointment as auditors of the Company will be proposed, at the forthcoming Annual General Meeting.

On behalf of the Board

Zhang Peter Y.
Chairman

Hong Kong
23 October 2009

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The board ("Board") of directors (each a "Director") of the Company is committed to maintaining high standards of corporate governance and endeavours in following the code provisions ("Code Provisions") of the "Code on Corporate Governance Practices" ("Code") as set out in Appendix 14 to the Rules ("Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

The Board has set up the remuneration committee of the Board ("Remuneration Committee") with written terms of reference prepared in accordance with the Code Provisions and has adopted a written set of terms of reference of the audit committee of the Board ("Audit Committee") which were prepared in accordance with the Code Provisions. The Board has also set up an internal audit team to monitor the effectiveness of the internal control of the Group. Throughout the year, the Company has complied with the Code Provisions.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors and senior management of the Group on terms no less exacting than the required standard under the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "**Model Code**"). Having made specific enquiry of all Directors and senior management of the Group, all Directors and senior management of the Group have complied with the required standard set out in the Model Code and the Company's code of conduct regarding securities transactions by Directors and senior management during the year.

BOARD OF DIRECTORS

The Board is currently composed of four executive Directors comprising Mr. Zhang Peter Y. as the chairman, Mr. Deng Jie as the chief executive officer, Mr. Long Xian Feng and Mr. Bian Shu Guang; two non-executive Directors comprising Mr. Wee Ee Lim (Mr. Chng Hwee Hong as his alternate) and Mr. Tarn Sien Hao; and three independent non-executive Directors comprising Professor Kung Hsiang Fu, Professor Tso Wung Wai and Mr. Hon Yiu Ming, Matthew. The biographical details of the Directors are set out on pages 16 to 22 of the annual report of the Company. All Directors are subject to retirement by rotation and may offer themselves for re-election at the annual general meeting of the Company in accordance with the provisions of the articles of association of the Company. Each non-executive Director is appointed for a term of three years and each independent non-executive Director is appointed for a term of two years.

The Board meets regularly to review and determine the corporate strategies and overall strategic policies. Apart from the regular board meetings, the Board met on other occasions when a board level decision on a particular matter was required. Each of the members of the Board has full access to relevant information at the meetings. During the year, the Board has convened four board meetings and conducted the following activities:

(1) approved the interim and final results, interim and annual report, and matters to be considered at annual general meeting;

(2) discussed future business plans of the Group; and

(3) approved the financial results and financial reports of the Company.

Details of the Directors' attendance records at the board meetings during the year are as follows:

	Attendance
Executive Directors	
Mr. Zhang Peter Y. *(Chairman)*	4/4
Mr. Deng Jie *(Chief Executive Officer)*	4/4
Mr. Long Xian Feng	3/4
Mr. Bian Shu Guang	4/4
Non-executive Directors	
Mr. Wee Ee Lim *(Mr. Chng Hwee Hong as his alternate)*	4/4
Mr. Tarn Sien Hao	4/4
Independent non-executive Directors	
Professor Kung Hsiang Fu	4/4
Professor Tso Wung Wai	4/4
Mr. Hon Yiu Ming, Matthew	4/4

The executive Directors and senior management of the Company, as delegated by the Board, are responsible for implementing the determined strategies and policies and the day-to-day management of the Group's business.

The roles of the chairman of the Company and the chief executive officer of the Group are segregated and are not exercised by the same individual.

Both Mr. Zhang Peter Y. and Mr. Deng Jie are directors and beneficial shareholders of Bull's-Eye Limited, a controlling Shareholder of the Company. Save as disclosed, there are no other relationship among members of the Board.

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

NOMINATION OF DIRECTORS

The Board has not set up a nomination committee. The nomination of new Directors will be decided by the Board. They review regularly the need to appoint additional Directors with appropriate professional knowledge and industry experience. The Board will then consider the appointment of the candidates nominated by them as Directors.

Details of the Directors' attendance records at such Board meeting are as follows:

	Attendance
Executive Directors	
Mr. Zhang Peter Y.	1/1
Mr. Deng Jie	1/1
Mr. Long Xian Feng	1/1
Mr. Bian Shu Guang	1/1
Non-executive Directors	
Mr. Wee Ee Lim *(Mr. Chng Hwee Hong as his alternate)*	1/1
Mr. Tarn Sien Hao	1/1
Independent non-executive Directors	
Professor Kung Hsiang Fu	1/1
Professor Tso Wung Wai	1/1
Mr. Hon Yiu Ming, Matthew	1/1

REMUNERATION COMMITTEE

The Remuneration Committee is currently composed of five members, comprising three independent non-executive Directors, namely Mr. Hon Yiu Ming, Matthew (Chairman), Professor Kung Hsiang Fu and Professor Tso Wung Wai; one executive Director, Mr. Deng Jie and one non-executive Director, Mr. Wee Ee Lim (Mr. Chng Hwee Hong as his alternate). It was established by the Board and its duties are clearly defined in its written terms of reference which have been prepared and adopted according to the Code Provisions.

The Remuneration Committee meets annually to review the remuneration policies and packages for Directors and senior management of the Company. No Director takes part in any discussions about his own remuneration. During the year, it has convened one meeting and reviewed the remuneration packages for all directors of the Company.

Details of attendance of each member of the Remuneration Committee during the year are as follows:

	Attendance
Independent non-executive Directors	
Mr. Hon Yiu Ming, Matthew *(Chairman)*	1/1
Professor Kung Hsiang Fu	1/1
Professor Tso Wung Wai	1/1
Executive Directors	
Mr. Deng Jie	1/1
Non-executive Directors	
Mr. Wee Ee Lim *(Mr. Chng Hwee Hong as his alternate)*	1/1

Generally, the employees of the Group (including the Directors) are remunerated based on their experience and qualifications, the Group's performance as well as market conditions.

AUDITORS' REMUNERATION

During the year, the auditor of the Company provided audit and non-audit services to the Group at the fee of HK$2,600,000 and HK$378,000 respectively.

AUDIT COMMITTEE

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Hon Yiu Ming, Matthew (Chairman), Professor Kung Hsiang Fu and Professor Tso Wung Wai and one non-executive Director, Mr. Tarn Sien Hao. The Audit Committee has adopted a written set of terms of reference in accordance with the Code Provisions.

The Audit Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the group audit. It also reviews the annual and interim reports of the Company prior to their approval by the Board, the effectiveness of the external and internal audit and of internal controls and risk evaluation.

During the year, the Audit Committee has convened two meetings and conducted the following activities:

(1) reviewed interim and annual results of the Company;

(2) reviewed the internal controls and financial matters of the Group in pursuance of the terms of reference;

(3) reviewed the audit plans and findings of the external auditors of the Company; and

(4) made recommendation to the Board on the re-appointment of the external auditors.

Details of attendance of each member of the Audit Committee during the year are as follows:

	Attendance
Independent non-executive Directors	
Mr. Hon Yiu Ming, Matthew *(Chairman)*	2/2
Professor Kung Hsiang Fu	2/2
Professor Tso Wung Wai	2/2
Non-executive Directors	
Mr. Tarn Sien Hao	2/2

There was no disagreement between the Board's and the Audit Committee's views on the selection and appointment of the external auditors.

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Directors are responsible for the preparation of financial statements for each financial period which give a true and fair view of the state of affairs of the Group. In preparing the financial statements for the year ended 30 June 2009, the Directors have selected appropriate accounting policies and applied them consistently, and have prepared the financial statements on a going concern basis.

The responsibilities of the external auditors are set out in the Auditors' Report to the shareholders of the Company on page 39 to 40 of the annual report of the Company.

INTERNAL CONTROL

The Board is responsible for maintaining a sound and effective system of internal control. During the year, the Board has reviewed the effectiveness of the internal control system of the Group through the Audit Committee and the internal audit team of the Company. There was no significant incidence of failure in connection with the financial, operational and compliance control during the year.

ERNST & YOUNG
安 永

To the shareholders of Hua Han Bio-Pharmaceutical Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements of Hua Han Bio-Pharmaceutical Holdings Limited set out on pages 41 to 113, which comprise the consolidated and company balance sheets as at 30 June 2009, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

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

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

INDEPENDENT AUDITORS' REPORT

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

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

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

23 October 2009

CONSOLIDATED INCOME STATEMENT

Year ended 30 June 2009

	Notes	**2009** **HK$'000**	2008 HK$'000
REVENUE	5	**1,023,747**	806,204
Cost of sales		**(481,378)**	(335,264)
Gross profit		**542,369**	470,940
Other income and gains	5	**19,182**	22,515
Selling and distribution costs		**(239,396)**	(195,368)
Administrative expenses		**(62,076)**	(55,424)
Finance costs	6	**(19,843)**	(28,167)
PROFIT BEFORE TAX	7	**240,236**	214,496
Tax	9	**(55,302)**	(58,247)
PROFIT FOR THE YEAR		**184,934**	156,249
Attributable to:			
Equity holders of the Company	10	**147,853**	144,184
Minority interests		**37,081**	12,065
		184,934	156,249
DIVIDEND			
Proposed final	11	**36,991**	–
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	12		(restated)
– Basic		**HK13.92 cents**	HK13.67 cents
– Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

30 June 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**256,381**	181,718
Prepaid land lease payments	14	**87,953**	89,834
Intangible assets	15	**360,773**	405,010
Deferred expenditure	16	**56,061**	56,383
Goodwill	17	**128,222**	128,222
Investment in a jointly-controlled entity	19	**–**	–
Investment in an associate	20	**–**	–
Deposits and prepayments	21	**6,751**	24,571
Deferred tax assets	28	**1,107**	–
Total non-current assets		**897,248**	885,738
CURRENT ASSETS			
Inventories	22	**27,339**	25,824
Accounts receivable	23	**439,327**	363,664
Prepayments, deposits and other receivables	24	**89,396**	112,797
Cash and cash equivalents	25	**719,438**	816,298
Total current assets		**1,275,500**	1,318,583
CURRENT LIABILITIES			
Accounts payable	26	**46,090**	28,719
Tax payable		**40,383**	34,999
Accrued liabilities and other payables		**65,757**	55,465
Bank loans	27	**69,827**	462,472
Total current liabilities		**222,057**	581,655
NET CURRENT ASSETS		**1,053,443**	736,928
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,950,691**	1,622,666
NON-CURRENT LIABILITIES			
Bank loans	27	**2,196**	2,146
Deferred tax liabilities	28	**76,155**	89,020
Total non-current liabilities		**78,351**	91,166
Net assets		**1,872,340**	1,531,500

CONSOLIDATED BALANCE SHEET (continued)

30 June 2009

	Notes	2009 HK$'000	2008 HK$'000
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	*29*	**132,110**	88,073
Reserves	*31(a)*	**1,459,688**	1,218,549
Proposed final dividend	*11*	**36,991**	–
		1,628,789	1,306,622
Minority interests		**243,551**	224,878
Total equity		**1,872,340**	1,531,500

Zhang Peter Y.
Director

Deng Jie
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2009

	Attributable to equity holders of the Company									
	Issued capital *HK$'000*	**Share premium account** *HK$'000*	**Asset revaluation reserve** *HK$'000*	**Statutory reserve fund** *HK$'000*	**Exchange fluctuation reserve** *HK$'000*	**Retained profits** *HK$'000*	**Proposed final dividend** *HK$'000*	**Total** *HK$'000*	**Minority interests** *HK$'000*	**Total equity** *HK$'000*
At 1 July 2007	88,073	248,273	6,096	63,607	83,521	507,691	17,615	1,014,876	48,035	1,062,911
Exchange realignment	–	–	–	–	161,088	–	–	161,088	11,597	172,685
Surplus on revaluation *(note 13)*	–	–	6,266	–	–	–	–	6,266	–	6,266
Effect of deferred tax *(note 28)*	–	–	(1,106)	–	–	–	–	(1,106)	–	(1,106)
Revaluation surplus attributable to minority interests	–	–	(143)	–	–	–	–	(143)	143	–
Total income and expense for the year recognised directly in equity	–	–	5,017	–	161,088	–	–	166,105	11,740	177,845
Profit for the year	–	–	–	–	–	144,184	–	144,184	12,065	156,249
Total income and expense for the year	–	–	5,017	–	161,088	144,184	–	310,289	23,805	334,094
Acquisition of subsidiaries *(note 32)*	–	–	–	–	–	–	–	–	120,924	120,924
Capital contribution from minority shareholders	–	–	–	–	–	–	–	–	31,186	31,186
Transfer to statutory reserve fund *(note 31(a))*	–	–	–	13,073	–	(14,001)	–	(928)	928	–
Final 2007 dividend declared	–	–	–	–	–	–	(17,615)	(17,615)	–	(17,615)
At 30 June 2008	88,073	248,273*	11,113*	76,680*	244,609*	637,874*	–	1,306,622	224,878	1,531,500

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Year ended 30 June 2009

	Attributable to equity holders of the Company									
	Issued capital HK$'000	Share premium account HK$'000	Asset revaluation reserve HK$'000	Statutory reserve fund HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 July 2008	88,073	248,273	11,113	76,680	244,609	637,874	–	1,306,622	224,878	1,531,500
Exchange realignment	–	–	–	–	(43,380)	–	–	(43,380)	(3,148)	(46,528)
Surplus on revaluation *(note 13)*	–	–	2,541	–	–	–	–	2,541	–	2,541
Effect of deferred tax *(note 28)*	–	–	(449)	–	–	–	–	(449)	–	(449)
Revaluation surplus attributable to minority interests	–	–	(83)	–	–	–	–	(83)	83	–
Total income and expense for the year recognised directly in equity	–	–	2,009	–	(43,380)	–	–	(41,371)	(3,065)	(44,436)
Profit for the year	–	–	–	–	–	147,853	–	147,853	37,081	184,934
Total income and expense for the year	–	–	2,009	–	(43,380)	147,853	–	106,482	34,016	140,498
Deemed acquisition of minority interests *(note 18)*	–	–	–	–	–	–	–	–	(7,738)	(7,738)
Open offer	44,037	176,147	–	–	–	–	–	220,184	–	220,184
Share issue expenses	–	(3,144)	–	–	–	–	–	(3,144)	–	(3,144)
Dividends paid to minority shareholders	–	–	–	–	–	–	–	–	(10,796)	(10,796)
Deemed partial disposal of subsidiaries *(note 18)*	–	–	–	–	–	–	–	–	1,836	1,836
Transfer to statutory reserve fund *(note 31(a))*	–	–	–	14,947	–	(16,302)	–	(1,355)	1,355	–
Proposed final dividend *(note 11)*	–	–	–	–	–	(36,991)	36,991	–	–	–
At 30 June 2009	132,110	421,276*	13,122*	91,627*	201,229*	732,434*	36,991	1,628,789	243,551	1,872,340

* *These reserve accounts comprise the consolidated reserves of HK$1,459,688,000 (2008: HK$1,218,549,000) in the consolidated balance sheet.*

CONSOLIDATED CASH FLOW STATEMENT

Year ended 30 June 2009

	Notes	2009 HK$'000	2008 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**240,236**	214,496
Adjustments for:			
Depreciation	7	**13,659**	10,058
Amortisation of prepaid land lease payments	7	**1,622**	1,411
Amortisation of intangible assets	7	**43,130**	5,442
Write-off of items of property, plant and equipment	7	**218**	–
Bank interest income	5	**(3,236)**	(10,264)
Finance costs	6	**19,843**	28,167
Gain on deemed acquisition of minority interests	5, 7	**(7,738)**	–
Loss on deemed partial disposal of subsidiaries	7	**1,836**	–
Exchange realignment		**(42,654)**	43,934
		266,916	293,244
Increase in inventories		**(1,515)**	(8,847)
Increase in accounts receivable		**(75,661)**	(133,834)
Decrease in prepayments, deposits and other receivables		**23,395**	48,251
Increase in accounts payable		**17,371**	10,054
Increase/(decrease) in accrued liabilities and other payables		**(504)**	10,923
Cash generated from operations		**230,002**	219,791
Bank interest received		**3,236**	10,264
Interest paid		**(19,843)**	(28,167)
Overseas taxes paid		**(64,118)**	(35,206)
Net cash inflow from operating activities		**149,277**	166,682
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(63,383)**	(6,617)
Acquisition of subsidiaries	32	**–**	(249,317)
Increase in non-current deposits and prepayments		**(5,369)**	(412)
Decrease in an amount due from a former subsidiary		**–**	9,751
Decrease in time deposits with original maturity over three months when acquired		**–**	409,520
Net cash inflow/(outflow) from investing activities		**(68,752)**	162,925
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	29	**220,184**	–
Share issue expenses		**(3,144)**	–
New bank loans, net		**–**	11,149
Repayment of bank loans		**(392,595)**	(44,500)
Capital contribution from minority shareholders		**–**	31,186
Dividend paid		**–**	(17,615)
Net cash outflow from financing activities		**(175,555)**	(19,780)

CONSOLIDATED CASH FLOW STATEMENT (continued)

Year ended 30 June 2009

	Notes	2009 HK$'000	2008 HK$'000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(95,030)**	309,827
Cash and cash equivalents at beginning of year		**816,298**	461,934
Exchange realignment		**(1,830)**	44,537
CASH AND CASH EQUIVALENTS AT END OF YEAR		**719,438**	816,298
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*25*	**719,438**	815,396
Time deposits with original maturity within three months when acquired	*25*	**–**	902
		719,438	816,298

BALANCE SHEET

30 June 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	18	**133,703**	133,703
CURRENT ASSETS			
Due from subsidiaries	18	**523,340**	705,740
Prepayments		**40**	270
Cash and cash equivalents	25	**5**	205
Total current assets		**523,385**	706,215
CURRENT LIABILITIES			
Due to subsidiaries	18	**4,073**	2,735
Accrued liabilities and other payables		**5,931**	5,343
Bank loans	27	**–**	392,441
Total current liabilities		**10,004**	400,519
NET CURRENT ASSETS		**513,381**	305,696
Net assets		**647,084**	439,399
EQUITY			
Issued capital	29	**132,110**	88,073
Reserves	31(b)	**477,983**	351,326
Proposed final dividend	11	**36,991**	–
Total equity		**647,084**	439,399

Zhang Peter Y.
Director

Deng Jie
Director

1. CORPORATE INFORMATION

Hua Han Bio-Pharmaceutical Holdings Limited is a limited liability company incorporated in the Cayman Islands. During the year, on 21 July 2008, the principal place of business of the Company has been changed from Room 704, 7th Floor, Aon China Building, 29 Queen's Road Central, Hong Kong to Unit 3405, 34th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

During the year, the Group was involved in the following principal activities:

- manufacture and sale of pharmaceutical products, medicinal healthcare products for women and bio-pharmaceutical products

- trading of pharmaceutical products

- research and development of pharmaceutical products

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain buildings which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand (**HK$'000**) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 30 June 2009. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus cost directly attributable to the acquisition.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new interpretations and amendments to HKFRSs for the first time for the current year's financial statements.

HKAS 39 and HKFRS 7 Amendments	Amendments to HKAS 39 Financial Instruments: Recognition and Measurement and HKFRS 7 Financial Instruments: Disclosures – Reclassification of Financial Assets
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 Reassessment of Embedded Derivatives and HKAS 39 Financial Instruments: Recognition and Measurement – Embedded Derivatives
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these new interpretations and amendments has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 First-time Adoption of HKFRSs and HKAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[1]
HKFRS 1 (Revised)	First-time Adoption of HKFRSs[2]
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment – Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments[1]
HKFRS 8	Operating Segments[1]
HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation[1]

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

HKAS 39 Amendment	Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items[2]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation[3]
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners[2]
HK(IFRIC)-Int 18	Transfers of Assets from Customers[4]

Apart from the above, the HKICPA has issued Improvements to HKFRSs* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendment to HKFRS 5 which is effective for annual periods beginning on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

1 *Effective for annual periods beginning on or after 1 January 2009*
2 *Effective for annual periods beginning on or after 1 July 2009*
3 *Effective for annual periods beginning on or after 1 October 2008*
4 *Effective for transfers of assets from customers received on or after 1 July 2009*
* *Improvements to HKFRSs contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.*

In addition, improvements to HKFRSs issued in May 2009 contains amendments to HKFRS 2, HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, Appendix to HKAS 18, HKAS 36, HKAS 38, HKAS 39, HK(IFRIC) – Int 9 and HK(IFRIC) – Int 16. Except for the amendments to HKFRS 2, HKAS 38, HK(IFRIC) – Int 9 and HK(IFRIC) – Int 16, which are effective for annual periods beginning on or after 1 July 2009, no transitional provisions for amendment to Appendix to HKAS 18 has been specified, other amendments are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 1 and HKAS 27 Amendments, HKAS 27 (Revised), HKFRS 3 (Revised) and Improvement to HKAS 38 may result in changes in accounting policies and HKFRS 8 and HKAS 1 (Revised) may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39 Financial Instruments: Recognition and Measurement, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Jointly-controlled entity

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively. The Group's investment in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. The Group's investment in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. Goodwill arising from the acquisition of associates is included as part of the Group's interests in associates.

Goodwill

Goodwill arising on the acquisition of subsidiaries and an associate represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill on acquisition for which the agreement date is on or after 1 January 2005

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses. In the case of an associate, goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs impairment test of goodwill as at 30 June.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

Goodwill on acquisition for which the agreement date is on or after 1 January 2005 (continued)

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of non-financial assets other than goodwill

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

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

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefits of the employees of the Group, or of any entity that is a related party of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the income statement. Any subsequent revaluation surplus is credited to the income statement to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

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

Buildings	Over the lease terms or 2% to 10%, whichever is shorter
Leasehold improvements	Over the lease terms or 20% to 25%, whichever is shorter
Plant and machinery	5% to 20%
Furniture, fixtures, equipment and motor vehicles	12.5% to 20%

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

Residual values, useful lives and the depreciation methods are reviewed, and adjusted if appropriate, at least at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the period the asset is derecognised is the difference between the net sale proceeds and the carrying amount of the relevant asset.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill)

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

Operating right

Operating right represents the exclusive right to sell a pharmaceutical product in Mainland China, and is stated at cost less any impairment losses and is amortised on the straight-line basis over its term of the right of 10 years.

Technical knowhow

The cost of acquiring the rights to technical knowhow for the development and production of new pharmaceutical products is stated at cost less any impairment losses and is amortised on the straight-line basis over the estimated economic life of the knowhow of a maximum of ten years, commencing from the date when the products are ready for use.

Research and development costs

All research costs are charged to the income statement as incurred.

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

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products of a period up to a maximum of eight years, commencing from the date when the products are ready for use.

Trade name

The cost of acquiring the trade name for medicinal healthcare products is stated at cost less any impairment losses and is amortised on the straight-line basis over the estimated economic life of 9 years of the trade name.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred expenditure

Deferred expenditure represented cost of acquiring a knowhow that is in the process of being registered with relevant regulatory bodies and is stated at cost less impairment losses. Deferred expenditure will be reclassified to the appropriate category of intangible assets when the registration has been completed.

Operating leases

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

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

Financial assets

When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Loans and receivables, including cash at banks, are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (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). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the consolidated income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to accounts receivable, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Assets carried at cost

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

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

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

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities at amortised cost (including interest-bearing loans)

Financial liabilities, including accounts and other payables, and bank loans, are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "finance costs" in the income statement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Derecognition of financial liabilities

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value, after making due allowances against obsolete or slow-moving items. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

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

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

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

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

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, an associate and interest in a joint venture, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, an associate and interest in a joint venture, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

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

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

Government grants

Government grants are recognised at their fair values where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset on a straight line basis.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

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

(b) rental income, on a time proportion basis over the lease terms;

(c) service income, when the services have been provided; and

(d) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Employee benefits

Share-based payment transactions

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("**market conditions**"), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "**vesting date**"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Share-based payment transactions (continued)

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

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

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

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

The Group has adopted the transitional provisions of HKFRS 2 in respect of equity-settled awards and has applied HKFRS 2 only to equity-settled awards granted after 7 November 2002 that had not vested by 1 July 2005 and to those granted on or after 1 July 2005.

Staff retirement schemes

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

The employees of the subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to make contributions for its employees who are registered as permanent residents in Mainland China. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends

Final dividends proposed by the board of directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

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

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the consolidated income statement.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustments to the carrying amounts of the assets or liabilities affected in the future.

Judgement

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

Impairment of assets

In determining whether an asset is impaired or whether the event previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value, or such an event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows, which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could have a material effect on the net present value used in the impairment test.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, is discussed below.

Impairment of accounts receivable

Impairment of accounts receivable is made based on assessment of the recoverability of accounts receivable. The identification of impairment requires management judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of the receivables as well as impairment or write-back of impairment in the period in which such estimate has been changed.

Estimation of fair value of buildings outside Hong Kong

As described in note 13 to the financial statements, the buildings located outside Hong Kong were revalued at the balance sheet date on an open market, existing use basis by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgement, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at each balance sheet date.

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 30 June 2009 was HK$128,222,000 (2008: HK$128,222,000). More details are given in note 17.

Estimated impairment of intangible assets and deferred expenditure

The Group performs annual assessments on whether there have been impairment of intangible assets and deferred expenditure. The recoverable amounts of cash-generating units are determined based on value-in-use calculations. These calculations require the use of estimates and assumptions made by management on the future operation of the businesses, pre-tax discount rates and other assumptions underlying the value-in-use calculations.

4. SEGMENT INFORMATION

Detailed segment information is presented by way of the Group's primary segment reporting basis, which is by business segment. In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. No geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in the People's Republic of China ("PRC" or "Mainland China" or "China"), and over 90% of the Group's assets are located in Mainland China.

The Group's businesses are structured and managed separately, according to the nature of their operations and the products they provide. Each of the Group's business segments represents a strategic business unit that offers products which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the manufacturing segment engages in the manufacture and sale of Chinese and western pharmaceutical products, naturally-sourced anti-tumour medicine, medicinal healthcare products for women and bio-pharmaceutical products in Mainland China; and

(b) the trading segment engages in the trading of pharmaceutical products.

4. SEGMENT INFORMATION (continued)

Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the years ended 30 June 2009 and 2008.

	Manufacturing		**Trading**		**Consolidated**	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Sales to external customers	**990,708**	757,697	**33,039**	48,507	**1,023,747**	806,204
Other income	**8,208**	12,251	**–**	–	**8,208**	12,251
	998,916	769,948	**33,039**	48,507	**1,031,955**	818,455
Segment results	**256,998**	240,083	**8,047**	10,666	**265,045**	250,749
Interest income and unallocated income and gains					**10,974**	10,264
Unallocated expenses					**(15,940)**	(18,350)
Finance costs					**(19,843)**	(28,167)
Profit before tax					**240,236**	214,496
Tax					**(55,302)**	(58,247)
Profit for the year					**184,934**	156,249

4. SEGMENT INFORMATION (continued)

Business segments (continued)

	Manufacturing		Trading		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**2,057,195**	2,032,719	**109,805**	129,475	**2,167,000**	2,162,194
Unallocated assets					**5,748**	42,127
Total assets					**2,172,748**	2,204,321
Segment liabilities	**98,432**	67,032	**7,701**	7,299	**106,133**	74,331
Unallocated liabilities					**194,275**	598,490
Total liabilities					**300,408**	672,821
Other segment information:						
Capital expenditure	**86,486**	6,419	**–**	–	**86,486**	6,419
Unallocated capital expenditure					**86**	198
					86,572	6,617
Depreciation and amortisation	**51,557**	15,659	**6,816**	1,072	**58,373**	16,731
Unallocated depreciation and amortisation					**38**	180
					58,411	16,911
Surplus on revaluation recognised directly in equity	**2,541**	6,266	**–**	–	**2,541**	6,266

Note: During the year, the directors have reviewed the presentation of the segment and considered the current presentation is more appropriate. Accordingly, certain comparative amounts have been reclassified to conform current year's presentation.

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts. An analysis of revenue, other income and gains is as follows:

	2009	2008
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**1,023,747**	806,204
Other income and gains		
Bank interest income	**3,236**	10,264
Service income	**–**	3,217
Government subsidy*	**5,520**	5,241
Gain on deemed acquisition of minority interests	**7,738**	–
Others	**2,688**	3,793
	19,182	22,515

* *There are no unfulfilled conditions or contingencies relating to these income.*

6. FINANCE COSTS

	2009	2008
	HK$'000	*HK$'000*
Interest expense on bank loans repayable:		
Within five years	**19,699**	28,016
Beyond five years	**144**	151
	19,843	28,167

7. PROFIT BEFORE TAX

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

	Notes	2009 HK$'000	2008 HK$'000
Cost of inventories sold		**200,487**	160,733
Employee benefits expense (including directors' remuneration):			
Wages and salaries		**59,412**	45,764
Retirement schemes contributions (defined contribution schemes)		**137**	133
		59,549	45,897
Depreciation	*13*	**13,659**	10,058
Amortisation of prepaid land lease payments	*14*	**1,622**	1,411
Amortisation of intangible assets*	*15*	**43,130**	5,442
Auditors' remuneration		**2,600**	2,330
Minimum lease payments under operating leases in respect of land and buildings		**3,103**	2,468
Research and development costs		**1,849**	2,720
Foreign exchange differences, net		**135**	3,623
Gain on deemed acquisition of minority interests		**(7,738)**	–
Loss on deemed partial disposal of subsidiaries**		**1,836**	–
Write-off of items of property, plant and equipment		**218**	–

* *The amortisation of intangible assets for the year is included in "Cost of sales" on the face of the consolidated income statement.*

** *Loss on deemed partial disposal of subsidiaries is included in "Administrative expenses" on the face of the consolidated income statement.*

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Directors' remuneration

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Fees:		
Independent non-executive directors	**450**	450
Non-executive directors	**300**	300
	750	750
Other emoluments:		
Salaries, allowances and benefits in kind	**523**	633
Discretionary bonuses	**3,640**	3,640
Retirement scheme contributions	**28**	35
	4,191	4,308
	4,941	5,058

(a) Independent non-executive directors

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

	2009	2008
	HK$'000	*HK$'000*
Professor Kung Hsiang Fu	**150**	150
Professor Tso Wung Wai	**150**	150
Mr. Hon Yiu Ming, Matthew	**150**	150
	450	450

There were no other emoluments payable to the independent non-executive directors during the year (2008: Nil).

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (continued)

Directors' remuneration (continued)

(b) Executive directors and non-executive directors

	Fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Discretionary bonuses *HK$'000*	Retirement scheme contributions *HK$'000*	Total remuneration *HK$'000*
30 June 2009					
Executive directors:					
Mr. Zhang Peter Y.	–	165	1,173	7	1,345
Mr. Deng Jie	–	138	1,080	7	1,225
Mr. Long Xian Feng	–	110	987	7	1,104
Mr. Bian Shu Guang	–	110	400	7	517
	–	523	3,640	28	4,191
Non-executive directors:					
Mr. Wee Ee Lim	150	–	–	–	150
Mr. Tarn Sien Hao	150	–	–	–	150
	300	–	–	–	300
	300	523	3,640	28	4,491
30 June 2008					
Executive directors:					
Mr. Zhang Peter Y.	–	165	1,173	7	1,345
Mr. Deng Jie	–	138	1,080	7	1,225
Mr. Long Xian Feng	–	110	987	7	1,104
Mr. Bian Shu Guang	–	110	400	7	517
Mr. Wu Xian Peng	–	110	–	7	117
	–	633	3,640	35	4,308
Non-executive directors:					
Mr. Wee Ee Lim	150	–	–	–	150
Mr. Tarn Sien Hao	150	–	–	–	150
	300	–	–	–	300
	300	633	3,640	35	4,608

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

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (continued)

Five highest paid employees

The five highest paid employees during the year included four (2008: three) directors, details of whose remuneration are set out above. Details of the remuneration of the remaining one (2008: two), non-director, highest paid employees, each of which fell within the nil to HK$1,000,000 band, are set out as follows:

	2009	2008
	HK$'000	*HK$'000*
Basic salaries, housing benefits, other allowances and benefits in kind	**371**	742
Retirement scheme contributions	**12**	22
	383	764

During the year, no emoluments were paid by the Group to the directors, or the non-director, highest paid employees as an inducement to join, or upon joining the Group, or as compensation for loss of office (2008: Nil).

9. TAX

No Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong during the year (2008: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the locations in which the Group operates, based on existing legislation, interpretations and practices in respect thereof. Pursuant to an approval received from 貴州省科學技術廳 on 25 December 2000, Guizhou Hanfang Medicine Manufacture Co., Ltd. ("**GHMM**"), a subsidiary of the Company, was classified as one of the approved "High and New Technology Enterprises" in Mainland China. Accordingly, GHMM is entitled to a preferential Mainland China Corporate Income Tax rate of 15% effective from 1 January 2002. In addition, pursuant to an approval received from the local tax bureau during 2003, Guiyang De Chang Xiang Pharmaceutical Company Limited ("**DCX**"), a subsidiary of the Company, was approved a Mainland China Corporate Income Tax rate of 15% effective from years 2003 to 2010 with respect to the preferential tax policy granted by the local government for the entities established in the western part of Mainland China.

	Group	
	2009	2008
	HK$'000	*HK$'000*
Current – Mainland China	**(69,502)**	(51,647)
Deferred tax credited/(charged) to the income statement *(note 28)*	**14,200**	(6,600)
Total tax charge for the year	**(55,302)**	(58,247)

9. TAX (continued)

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

Group

	Hong Kong *HK$'000*	Mainland China *HK$'000*	Total *HK$'000*
2009			
Profit/(loss) before tax	**(8,193)**	**248,429**	**240,236**
Tax at the statutory tax rates	**1,352***	**(62,107)****	**(60,755)**
Lower tax rate for specific provinces or local authority	**–**	**16,983**	**16,983**
Withholding tax on unremitted earnings of subsidiaries in Mainland China	**–**	**6,600**	**6,600**
Expenses not deductible for tax	**(1,352)**	**(16,778)**	**(18,130)**
Tax charge at the Group's effective rate	**–**	**(55,302)**	**(55,302)**
2008			
Profit/(loss) before tax	(14,669)	229,165	214,496
Tax at the statutory tax rates	2,420*	(66,746)**	(64,326)
Lower tax rate for specific provinces or local authority	–	27,294	27,294
Expenses not deductible for tax	(2,420)	(12,195)	(14,615)
Withholding tax on unremitted earnings of subsidiaries in Mainland China	–	(6,600)	(6,600)
Tax charge at the Group's effective rate	–	(58,247)	(58,247)

* *The standard Hong Kong profits tax rate is 16.5% for the year ended 30 June 2009 (2008: 16.5%).*

** *The standard Mainland China Corporate Income Tax ("CIT") rate has been changed from 33% to 25% after 1 January 2008, the effective date of CIT Law of the People's Republic of China, except for certain subsidiaries which are entitled to tax holidays and preferential tax rates as mentioned above.*

9. TAX (continued)

There were no profits tax attributable to the jointly-controlled entity and the associate of the Group as the jointly-controlled entity and the associate did not generate any assessable profits during the year (2008: Nil).

10. PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to equity holders of the Company for the year ended 30 June 2009 includes a loss of HK$9,355,000 (2008: HK$9,128,000) which has been dealt with in the financial statements of the Company *(note 31(b))*.

11. DIVIDEND

	2009	2008
	HK$'000	*HK$'000*
Proposed final dividend – HK2.8 cents (2008: Nil)	**36,991**	–

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming Annual General Meeting (2008: Nil).

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

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the Company of HK$147,853,000 (2008: HK$144,184,000) and 1,062,411,000 (2008: the weighted average of 1,055,120,000 as adjusted for the effect of open offer *(note 29)*) ordinary shares in issue during the year.

No diluted earnings per share is presented as there were no dilutive potential ordinary shares in existence during the year.

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings *HK$'000*	Leasehold improvements *HK$'000*	Plant and machinery *HK$'000*	Furniture, fixtures, equipment and motor vehicles *HK$'000*	Construction in progress *HK$'000*	Total *HK$'000*
30 June 2009						
Cost or valuation:						
At 1 July 2008	99,860	3,562	69,242	21,557	25,644	219,865
Additions	–	45	1,188	785	84,554	86,572
Disposals	–	–	–	(378)	–	(378)
Transfers	1,014	2,355	–	–	(3,369)	–
Surplus on revaluation	(2,076)	–	–	–	–	(2,076)
Exchange realignment	(285)	(48)	(189)	(81)	(130)	(733)
At 30 June 2009	98,513	5,914	70,241	21,883	106,699	303,250
Accumulated depreciation:						
At 1 July 2008	–	1,679	23,678	12,790	–	38,147
Provided during the year	4,617	70	6,807	2,165	–	13,659
Disposals	–	–	–	(160)	–	(160)
Write-back upon revaluation	(4,617)	–	–	–	–	(4,617)
Exchange realignment	–	(45)	(76)	(39)	–	(160)
At 30 June 2009	–	1,704	30,409	14,756	–	46,869
Net carrying amount:						
At 30 June 2009	98,513	4,210	39,832	7,127	106,699	256,381
At 30 June 2008	99,860	1,883	45,564	8,767	25,644	181,718
Analysis of cost or valuation:						
At cost	–	5,914	70,241	21,883	106,699	204,737
At 30 June 2009 valuation	98,513	–	–	–	–	98,513
	98,513	5,914	70,241	21,883	106,699	303,250

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Group (continued)

	Buildings *HK$'000*	Leasehold improvements *HK$'000*	Plant and machinery *HK$'000*	Furniture, fixtures, equipment and motor vehicles *HK$'000*	Construction in progress *HK$'000*	Total *HK$'000*
30 June 2008						
Cost or valuation:						
At 1 July 2007	74,271	3,111	51,007	16,508	21,195	166,092
Additions	20	107	2,188	2,032	2,270	6,617
Transfers	–	–	320	–	(320)	–
Acquisition of subsidiaries *(note 32)*	15,131	–	9,720	1,076	–	25,927
Surplus on revaluation	2,551	–	–	–	–	2,551
Exchange realignment	7,887	344	6,007	1,941	2,499	18,678
At 30 June 2008	99,860	3,562	69,242	21,557	25,644	219,865
Accumulated depreciation:						
At 1 July 2007	–	1,486	17,129	9,614	–	28,229
Provided during the year	3,715	51	4,272	2,020	–	10,058
Write-back upon revaluation	(3,715)	–	–	–	–	(3,715)
Exchange realignment	–	142	2,277	1,156	–	3,575
At 30 June 2008	–	1,679	23,678	12,790	–	38,147
Net carrying amount:						
At 30 June 2008	99,860	1,883	45,564	8,767	25,644	181,718
At 30 June 2007	74,271	1,625	33,878	6,894	21,195	137,863
Analysis of cost or valuation:						
At cost	–	3,562	69,242	21,557	25,644	120,005
At 30 June 2008 valuation	99,860	–	–	–	–	99,860
	99,860	3,562	69,242	21,557	25,644	219,865

13. PROPERTY, PLANT AND EQUIPMENT (continued)

All the Group's buildings are located outside Hong Kong and are held under medium term leases.

The buildings situated outside Hong Kong for office and certain production premises were revalued by DTZ Debenham Tie Leung Limited ("**DTZ**"), a firm of independent professionally qualified valuers, on the open market value, existing use basis on 30 June 2009, at HK$93,675,000 (2008: HK$94,736,000). The Group's staff quarter was stated at cost as the directors considered that the carrying amount of HK$4,838,000 (2008: HK$5,124,000) approximated to its fair value at the balance sheet date. In the current year, revaluation surplus of HK$2,541,000 (2008: HK$6,266,000) has been credited to the asset revaluation reserve.

Had the Group's buildings been carried at historical cost less accumulated depreciation, their net carrying amount would have been approximately HK$69,025,000 (2008: HK$72,834,000).

At 30 June 2009, certain of the Group's buildings and plant and machinery with net carrying amounts of approximately HK$36,034,000 (2008: HK$37,715,000) and HK$24,905,000 (2008: HK$22,096,000), respectively, were pledged to secure certain banking facilities granted to the Group *(note 27)*.

14. PREPAID LAND LEASE PAYMENTS

	Group	
	2009	2008
	HK$'000	*HK$'000*
Carrying amount at beginning of year	**92,000**	71,749
Amortisation recognised during the year	**(1,622)**	(1,411)
Acquisition of subsidiaries *(note 32)*	**–**	13,766
Exchange realignment	**(265)**	7,896
Carrying amount at 30 June	**90,133**	92,000
Current portion included in prepayments, deposits and other receivables	**(2,160)**	(2,166)
Non-current portion	**87,953**	89,834

14. PREPAID LAND LEASE PAYMENTS (continued)

The prepaid land lease payments of the Group are located outside Hong Kong and are held under medium term leases.

As at 30 June 2009, certain of the Group's prepaid land lease payments with a net carrying amount of HK$4,413,000 were pledged to secure banking facilities granted to the Group *(note 27)*.

Pursuant to an agreement signed between the Group and an independent third party (the "**Agreement**"), certain of the Group's prepaid lease payments with a net carrying amount of HK$59,151,000 were held for the development into a commercial and residential building (the "**Property**"). According to the terms of the Agreement, all the construction costs incurred were borne by the counterparty. Upon the completion of the Property, the Group would entitle to share 30% of the floor area of the Property. As at 30 June 2009 and up to the date of approval of these financial statements, the construction work of the Property is still in progress. In the opinion of the directors of the Company, the legal title of the land was still retained by the Group and the Group could repossess the land in case of the development of the Property was not completed in accordance with the time frame specified in the Agreement.

15. INTANGIBLE ASSETS

Group

	Trade name *HK$'000*	Operating right *HK$'000*	Technical knowhow *HK$'000*	Deferred development costs *HK$'000*	Total *HK$'000*
30 June 2009					
Cost:					
At 1 July 2008	34,131	22,754	365,692	6,912	429,489
Exchange realignment	(99)	(66)	(1,068)	(20)	(1,253)
At 30 June 2009	34,032	22,688	364,624	6,892	428,236
Accumulated amortisation:					
At 1 July 2008	–	1,137	16,490	6,852	24,479
Provided during the year	3,787	2,272	37,011	60	43,130
Exchange realignment	(5)	(7)	(114)	(20)	(146)
At 30 June 2009	3,782	3,402	53,387	6,892	67,463
Net carrying amount:					
At 30 June 2009	30,250	19,286	311,237*	–	360,773
At 30 June 2008	34,131	21,617	349,202	60	405,010

* *HK$60,685,000 (2008: HK$67,693,000) of the balance represented a carrying value of a technical knowhow to produce biochips. Up to the date of approval for these financial statements, the Group is still in the process of registering the related patent in the Group's name with the relevant government authority in Mainland China.*

15. INTANGIBLE ASSETS (continued)

Group (continued)

	Trade name HK$'000	Operating right HK$'000	Technical knowhow HK$'000	Deferred development costs HK$'000	Total HK$'000
30 June 2008					
Cost:					
At 1 July 2007	–	20,476	80,315	6,215	107,006
Acquisition of subsidiaries *(note 32)*	32,064	–	276,462	–	308,526
Exchange realignment	2,067	2,278	8,915	697	13,957
At 30 June 2008	34,131	22,754	365,692	6,912	429,489
Accumulated amortisation:					
At 1 July 2007	–	–	11,331	5,514	16,845
Provided during the year	–	1,072	3,688	682	5,442
Exchange realignment	–	65	1,471	656	2,192
At 30 June 2008	–	1,137	16,490	6,852	24,479
Net carrying amount:					
At 30 June 2008	34,131	21,617	349,202*	60	405,010
At 30 June 2007	–	20,476	68,984	701	90,161

16. DEFERRED EXPENDITURE

Balance represents the costs of acquiring technical knowhow in relation to the production of a State category one new medicine in Mainland China. The Group will apply for the production permit of the medicine after the completion of the construction of the related manufacturing plant and the successful application of Good Manufacturing Practice certification.

17. GOODWILL

Group

	HK$'000
At 1 July 2007:	
Cost	18,865
Accumulated impairment	–
Net carrying amount	18,865
Cost and carrying amount at 1 July 2007	18,865
Acquisition of subsidiaries *(note 32)*	109,357
Cost and carrying amount at 30 June 2008, 1 July 2008 and 30 June 2009	128,222
At 30 June 2008, 1 July 2008 and 30 June 2009:	
Cost	128,222
Accumulated impairment	–
Net carrying amount	128,222

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the following cash-generating units for impairment testing:

- Manufacture and sale of pharmaceutical products, medicinal healthcare products for women and bio-pharmaceutical products cash-generating unit; and

- Trading of pharmaceutical products cash-generating unit

Manufacture and sale of pharmaceutical products, medicinal healthcare products for women and bio-pharmaceutical products cash-generating unit

The recoverable amount of the cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period. The discount rate applied to cash flow projections is 6.13% (2008: 11.28%).

17. GOODWILL (continued)

Impairment testing of goodwill (continued)

Trading of pharmaceutical products cash-generating unit

The recoverable amount of the cash-generating unit has been determined based on a value in use calculation using cash flow projects based on financial budgets approved by senior management covering a five-year period. The discount rate applied to cash flow projections is 6.13% (2008: 11.28%).

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	2009	2008
	HK$'000	*HK$'000*
Manufacture and sale of pharmaceutical products, medicinal healthcare products for women and bio-pharmaceutical products	**126,045**	126,045
Trading of pharmaceutical products	**2,177**	2,177
	128,222	128,222

The key assumptions for the cash flow projections are the budgeted gross margin which is the average gross profit margin achieved in the year immediately before budget years and the discount rate of 6.13% (2008: 11.28%), which is before tax and reflects specific risks relating to the respective cash-generating units.

The directors believe that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the cash-generating units to exceed the aggregate recoverable amount. Since the recoverable amounts of the cash-generating units are higher than their carrying amounts, the directors consider that the carrying value of the goodwill at the balance sheet date is not impaired.

18. INVESTMENTS IN SUBSIDIARIES

	Company	
	2009	2008
	HK$'000	*HK$'000*
Unlisted investments, at cost	**133,703**	133,703

The amounts with subsidiaries included in the Company's current assets and current liabilities are unsecured, interest-free and are repayable on demand.

18. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued/ paid-up share/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Intended Features Limited	British Virgin Islands ("BVI")	US$375,875 (2008: US$375,875)	100 (2008: 100)	–	Investment holding
GHMM*	PRC/Mainland China	HK$159,829,420 (2008: HK$159,829,420)	–	100 (2008: 100)	Manufacture and sale of gynecological pharmaceutical products and medicinal healthcare products
貴州漢方息烽藥業有限公司**	PRC/Mainland China	RMB3,000,000 (2008: RMB3,000,000)	–	95 (2008: 95)	Property holding
Factorr Universal Limited ("**Factorr**") [5]	BVI	US$200 (2008: US$200)	–	75 (2008: 75)	Investment holding
貴州泛特爾生物技術有限公司 ("**貴州泛特爾**") **, [5]	PRC/Mainland China	HK$100,000,000 (2008: HK$100,000,000)	–	75 (2008: 75)	Manufacture and sale of biological medicine
廣東群禾藥業有限公司** ("**廣東群禾**") **, [2], [3]	PRC/Mainland China	RMB10,000,000 (2008: RMB10,000,000)	–	49 (2008: 70)	Trading of medicinal healthcare products
廣州美即化妝品有限公司 ("**Guangzhou Magic**") [3]	PRC/Mainland China	HK$40,000,000 (2008: HK$40,000,000)	–	49 (2008: 49)	Manufacture and sale of medicinal healthcare products

18. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued/ paid-up share/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
海南洋浦正瀚貿易有限公司 (“**海南洋浦**”) **, 2, 3	PRC/Mainland China	RMB1,000,000 (2008: RMB1,000,000)	–	49 (2008: 70)	Trading of medicinal healthcare products
DCX***, 4	PRC/Mainland China	RMB25,900,000 (2008: RMB8,344,800)	–	98 (2008: 93)	Manufacture and sale of gynecological pharmaceutical products and medicinal healthcare products
Magic Holdings Group Limited (“**Magic Holdings**”) 3	BVI	US$200 (2008: US$200)	–	49 (2008: 49)	Investment holding
桂林華諾威基因藥業有限公司 (“**華諾威**”) **, 1	PRC/Mainland China	RMB100,000,000 (2008: RMB100,000,000)	–	52 (2008: 52)	Manufacture and sale of bio-pharmaceutical medicine
桂林古今醫藥科技有限公司 (“**古今**”) **, 1	PRC/Mainland China	RMB1,000,000 (2008: RMB1,000,000)	–	80 (2008: 80)	Investment holding
貴州漢方國美醫藥有限公司 (“**國美**”) **, 1	PRC/Mainland China	RMB5,000,000 (2008: RMB5,000,000)	–	100 (2008: 100)	Trading of pharmaceutical products
北京東麗盛化妝品有限公司 (“**北京東麗盛**”) **, 1, 3	PRC/Mainland China	RMB5,000,000 (2008: RMB5,000,000)	–	34 (2008: 34)	Sale of medicinal healthcare products

18. INVESTMENTS IN SUBSIDIARIES (continued)

Notes:

* Registered as wholly-foreign-owned enterprises under the laws of the People's Republic of China

** Registered as domestic enterprises under the laws of the People's Republic of China

*** Registered as foreign invested enterprises under the laws of the People's Republic of China

[1] *During the year ended 30 June 2008, the Group acquired the equity interests in 古今 and its subsidiary, 華諾威, (collectively known as the "Guilin Group"), 北京東麗盛 and 國美. Details of the acquisition are disclosed in note 32 to the financial statements.*

[2] *On 13 July 2008, the Group has undergone a reorganisation exercise ("Reorganisation") and the equity interest in 廣東群禾 and its subsidiary, 海南洋浦 (collectively the "Qunhe subgroup"), were transferred from GHMM to Magic Holdings. Pursuant to the Reorgansation, the equity interest of the Group in the Qunhe subgroup was reduced from 70% to 49%. The Reorganisation was a non-cash transaction and resulted a loss on deemed disposal of subsidiaries of HK$1,836,000 recognised in the consolidated income statement.*

[3] *北京東麗盛 is indirectly held as to 70% by Magic Holdings, a 49%-owned subsidiary of the Company. Pursuant to a written undertaking made by a shareholder (2008: two shareholders) ("Shareholder" (2008: "Shareholders")) holding an aggregate of 10% (2008: 21%) equity interests and voting right in Magic Holdings, the Shareholder (2008: the Shareholders) will vote in accordance with the Group's decisions. Accordingly, the directors consider that the Group has control over Magic Holdings. Therefore, 北京東麗盛, Guangzhou Magic, Magic Holdings, 廣東群禾 and 海南洋浦 are regarded as subsidiaries of the Group.*

[4] *On 18 June 2009, a capital injection in cash of RMB17,600,000 was made by the Group to DCX and the registered capital of DCX was increased from RMB8,344,800 to RMB25,900,000. Immediately upon the capital injection, the equity interest in DCX held by the Group increased from 93% to 98%. A gain on deemed acquisition of minority interests of HK$7,738,000 was recognised in the consolidated income statement.*

[5] *Subsequent to the balance sheet date, the Group entered into an agreement with the minority shareholder of Factorr, a 75%-owned subsidiary of the Company, to acquire 17.02% equity interest in Factorr at a consideration of RMB18,880,000. In addition, the Group entered into another agreement with two independent third parties to dispose of 18.5% equity interest in 貴州泛特爾, the then wholly-owned subsidiary of Factorr, to these two independent third parties at an aggregate consideration of RMB18,880,000. At the same time, the registered capital of 貴州泛特爾 was changed from HK$100 million to RMB102 million. The acquisition and disposal were completed on 22 July 2009 and thereafter, the effective equity interest in Factorr held by the Group increases from 75% to 92.02% while the effective equity interest in 貴州泛特爾 remained unchanged. No material gain or loss was resulted.*

18. INVESTMENTS IN SUBSIDIARIES (continued)

The statutory financial statements of the subsidiaries listed above are not audited by Ernst & Young Hong Kong or any other member firm of the Ernst & Young global network.

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

19. INVESTMENT IN A JOINTLY-CONTROLLED ENTITY

	Group	
	2009	2008
	HK$'000	*HK$'000*
Share of net assets of an unlisted jointly-controlled entity	**–**	–

Particulars of the jointly-controlled entity are as follows:

Name	Place of registration and operations	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Guizhou Hanfang Medicine Research Co., Ltd. ("**GHMR**")	PRC/Mainland China	50	40	50	Research and development of Chinese and western medicine

During the year, the Group did not share any of the losses of GHMR (2008: Nil) as, according to the joint venture agreement, the Group's share of losses of GHMR is limited to its capital contribution to GHMR, which was reached in prior years. The statutory financial statements of GHMR are not audited by Ernst & Young Hong Kong or any other member firm of the Ernst & Young global network.

20. INVESTMENT IN AN ASSOCIATE

	Group	
	2009	2008
	HK$'000	*HK$'000*
Share of net assets of an unlisted associate	**–**	–

The goodwill arising from the acquisition of the associate in prior years of HK$500,000 was fully impaired in prior years.

20. INVESTMENT IN AN ASSOCIATE (continued)

Particulars of the associate are as follows:

Name	Place of incorporation and operations	Percentage of ownership interest attributable to the Group	Principal activity
Tengen Lizhu Biotech Co. Limited ("**TLB**")	Hong Kong	33	Dormant

The shareholding of the Company in TLB is held through a wholly-owned subsidiary of the Company.

The statutory financial statements of TLB were not audited by Ernst & Young Hong Kong or any other member firm of the Ernst & Young global network.

21. DEPOSITS AND PREPAYMENTS

Balance represents:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Deposits paid in respect of:		
Purchases and construction of property, plant and equipment	**–**	23,189
Prepayments of marketing and promotion services	**6,751**	–
Purchases of technical knowhow	**–**	1,382
	6,751	24,571

22. INVENTORIES

	Group 2009 HK$'000	2008 HK$'000
Raw materials	**13,093**	13,646
Finished goods	**14,246**	12,178
	27,339	25,824

23. ACCOUNTS RECEIVABLE

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for a period of up to 180 days and extended to one year for certain customers. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are regularly reviewed by senior management. In view of the aforementioned and the fact that the Group's accounts receivable related to a large number of diversified customers, there is no significant concentration of credit risk.

	Group 2009 HK$'000	2008 HK$'000
Accounts receivable	**439,979**	364,318
Impairment	**(652)**	(654)
	439,327	363,664

An aged analysis of the accounts receivable as at the balance sheet date, based on invoice date, is as follows:

	Group 2009 HK$'000	2008 HK$'000
Within 90 days	**184,851**	246,285
91 to 180 days	**158,642**	98,329
181 to 365 days	**95,834**	19,050
	439,327	363,664

23. ACCOUNTS RECEIVABLE (continued)

The movements in impairment of accounts receivable are as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
At beginning of year	**654**	589
Exchange realignment	**(2)**	65
At end of year	**652**	654

Included in the above impairment of accounts receivable is impairment for individual impaired accounts receivable of HK$652,000 (2008: HK$654,000) with a gross carrying amount of HK$652,000 (2008: HK$654,000). The Group does not hold any collateral or other credit enhancements over these balances.

The aged analysis of the accounts receivable that are not considered to be impaired is as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Neither past due nor impaired	**439,327**	362,595
181 to 365 days past due	**–**	1,069
	439,327	363,664

Accounts receivable that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default. Accounts receivable that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group	
	2009	2008
	HK$'000	*HK$'000*
Prepayments	**82,271**	83,406
Other receivables	**6,684**	8,645
Due from a minority shareholder of a subsidiary*	**–**	19,687
Deposits	**441**	1,059
	89,396	112,797

* *The balance represents the amount due from a minority shareholder of a subsidiary acquired through the acquisition of the Guilin Group in last year. Such balance was unsecured, interest-free and had been fully settled during the year.*

25. CASH AND CASH EQUIVALENTS

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**719,438**	815,396	**5**	115
Time deposits with original maturity within three months when acquired	**–**	902	**–**	90
Cash and cash equivalents	**719,438**	816,298	**5**	205

25. CASH AND CASH EQUIVALENTS (continued)

At 30 June 2009, the cash and bank balances of the Group denominated in Renminbi **("RMB")** amounted to approximately HK$718,303,000 (2008: HK$813,370,000). RMB is not freely convertible into other currencies. Under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates or time deposit rate for time deposits with varying periods between seven days and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

26. ACCOUNTS PAYABLE

An aged analysis of the accounts payable as at the balance sheet date is as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Within 90 days	**39,492**	23,936
91 to 180 days	**3,370**	2,360
181 to 365 days	**1,531**	1,226
Over 365 days	**1,697**	1,197
	46,090	28,719

The accounts payable are non-interest-bearing and are normally settled on 90-day to 180-day terms.

27. BANK LOANS

	Effective interest rate		Group		Company	
			2009	2008	**2009**	2008
	%	*Maturity*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Current:						
Bank loans – secured	4.91 – 8.75 (2008: 7.47 – 8.75)	July 2009 to June 2010 (2008: July 2008 to June 2009)	**69,827**	462,472	**–**	392,441
Non-current:						
Bank loans – secured	5.94 – 7.83 (2008: 6.29 – 6.75)	July 2010 to April 2027 (2008: July 2009 to April 2027)	**2,196**	2,146	**–**	–
			72,023	464,618	**–**	392,441
Analysis of bank loans repayable:						
Within one year			**69,827**	462,472	**–**	392,441
In the second year			**131**	131	**–**	–
In the third to fifth years, inclusive			**391**	393	**–**	–
Beyond five years			**1,674**	1,622	**–**	–
			72,023	464,618	**–**	392,441

At 30 June 2009, the Group's bank loans were supported by the following:

(a) the pledge of the Group's prepaid land lease payments, buildings, and plant and machinery of HK$4,413,000 (2008: HK$64,950,000), HK$36,034,000 (2008: HK$37,715,000) and HK$24,905,000 (2008: HK$22,096,000), respectively; and

(b) corporate guarantees executed by certain subsidiaries of the Company.

In addition to the above, Mr. Zhang Peter Y. and Mr. Deng Jie had also undertaken certain covenants in relation to a syndicated loan utilised by the Group. Details of the said undertakings are set out in note (b) under the section headed "Disclosures pursuant to Rule 13.21 of the Listing Rules" in the Reports of Directors. Mr. Zhang Peter Y. and Mr. Deng Jie are directors and beneficial shareholders of Bull's-Eye Limited, a substantial shareholders of the Company.

During the year and as at 30 June 2009, the Group and the Company was in breach of a covenant under the terms of the syndicated loan, as the repayment of three instalments of a total of HK$58,841,000 were delayed. As at 30 June 2009, the principal portion of the syndicated loan had been fully repaid. The interest payable of HK$91,000 in relation to such loan was settled subsequent to year end.

27. BANK LOANS (continued)

Except for (1) secured bank loans amounting to HK$69,700,000 as at 30 June 2009 (2008: HK$69,900,000) which bear interest at fixed rate and (2) HK$392,441,000 as at 30 June 2008 which was denominated in Hong Kong dollars, all secured bank borrowings are denominated in RMB and bears interest at floating rate.

28. DEFERRED TAX

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

Deferred tax liabilities

	Withholding tax *HK$'000*	Fair value adjustments arising from acquisition of subsidiaries *HK$'000*	Revaluation of leasehold buildings *HK$'000*	Total *HK$'000*
30 June 2009				
At 1 July 2008	6,600	79,834	2,586	89,020
Deferred tax debited to equity during the year	–	–	449	449
Deferred tax credited to the income statement during the year *(note 9)*	(6,600)	(6,493)	–	(13,093)
Exchange realignment	–	(212)	(9)	(221)
At 30 June 2009	–	73,129	3,026	76,155
30 June 2008				
At 1 July 2007	–	14,113	1,349	15,462
Deferred tax debited to equity during the year	–	–	1,106	1,106
Acquisition of subsidiaries *(note 32)*	–	63,633	–	63,633
Deferred tax charged to the income statement during the year *(note 9)*	6,600	–	–	6,600
Exchange realignment	–	2,088	131	2,219
At 30 June 2008	6,600	79,834	2,586	89,020

28. DEFERRED TAX (continued)

Deferred tax assets

	Deductible temporary differences *HK$'000*
30 June 2009 and 2008	
At 1 July 2007, 30 June 2008 and 1 July 2008	–
Deferred tax credited to the income statement during the year *(note 9)*	1,107
At 30 June 2009	1,107

The Group has no tax losses available for offsetting against future taxable profits.

During the year ended 30 June 2009, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute their earnings accrued after 1 January 2008 in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$33,424,000 at 30 June 2009.

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

29. SHARE CAPITAL

Shares

	Company 2009 HK$'000	Company 2008 HK$'000
Authorised:		
2,000,000,000 (2008: 2,000,000,000) ordinary shares of HK$0.10 each	**200,000**	200,000
Issued and fully paid:		
1,321,101,600 (2008: 880,734,400) ordinary shares of HK$0.10 each	**132,110**	88,073

A summary of the movements in the Company's issued ordinary share capital during the current and last year is as follows:

	Number of shares in issue	Issued share capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 July 2007, 30 June 2008 and 1 July 2008	880,734,400	88,073	248,273	336,346
Open offer *(note)*	440,367,200	44,037	176,147	220,184
Share issue expenses *(note)*	–	–	(3,144)	(3,144)
At 30 June 2009	1,321,101,600	132,110	421,276	553,386

Note:

During the year, the Company made an open offer of one offer share for every two existing shares held by members on the register of members on 28 May 2009 (the "Open Offer") at a subscription price of HK$0.5 per offer share, resulting in the issue of 440,367,200 offer shares of HK$0.1 each for a total cash consideration of approximately HK$217,040,000 (net of expenses of HK$3,144,000), which were used for repayment of the syndicated loan *(note 27)*.

Share options

Further details of the Company's share option scheme are included in note 30 to the financial statements.

30. SHARE OPTION SCHEME

The Company operates a share option scheme (the "**Scheme**"), which was adopted pursuant to a resolution in writing passed by all shareholders on 25 November 2002, for the purpose of providing incentives and rewards to selected eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, persons who provide research, development and technological support to the Group, shareholders of the Company's subsidiaries and advisers to the business development of the Group. The Scheme became effective on 25 November 2002 and unless otherwise cancelled or amended the scheme will remain in force for 10 years from 25 November 2002, the date on which the Scheme was conditionally adopted.

The total number of securities which may be issued upon exercise of all options to be granted under the Scheme and any other scheme must not in aggregate exceed 10% of the shares of the Company in issue as at the date of approval of the limit. The limit on the number of securities which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other scheme must not exceed 30% of the shares of the Company in issue from time to time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Any share options to be granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options to be granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the broad of directors, and commences from the date of acceptance of the grant of options and ends on a date which is not later than 10 years from the date of the grant of the share options subject to the provisions for early termination under the Scheme.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the nominal value of a share of the Company; (ii) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; and (iii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer.

30. SHARE OPTION SCHEME (continued)

The share options granted under the scheme do not confer rights on the holders to dividends or to vote at shareholders' meetings.

No share options were granted during the two years ended 30 June 2009 and no share option was outstanding under the Scheme as at 30 June 2009 and 2008.

Subsequent to the balance sheet date, on 17 August 2009, 23,400,000 and 64,600,000 share options were granted by the Company to the directors of the Company and to certain employees of the Group, respectively, in respect of their services to the Group in the forthcoming years. These share options vested on 17 August 2009 and each has an exercise price of HK$0.98 and an exercise period ranging from 17 August 2009 to 16 August 2011. The price of the Company's share at the date of grant was HK$0.98 per share.

At the date of approval of these financial statements, the Company had 88,000,000 share options outstanding under the Scheme, which represented approximately 6.7% of the Company's shares in issue as at that date.

31. RESERVES

(a) Group

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

The share premium account of the Group includes shares issued at a premium, and the difference between the nominal value of the aggregate share/registered capital of the subsidiaries acquired pursuant to the group reorganisation completed in 2002 (the "**Group Reorganisation**"), and the nominal value of the Company's shares issued in exchange therefor.

In accordance with regulations in Mainland China, each of the Group's subsidiaries in Mainland China is required to transfer part of its profit after tax to its statutory reserve fund, until the reserve reaches 50% of the registered capital, before profit distributions are made. The statutory reserve fund is non-distributable. The amount of transfer is subject to the approval of the boards of directors of these companies in accordance with their articles of association.

31. RESERVES (continued)

(b) Company

		Reserves		
	Notes	**Share premium account** *HK$'000*	**Retained profits/ (accumulated loss)** *HK$'000*	**Total** *HK$'000*
At 1 July 2007		359,185	1,269	360,454
Loss for the year		–	(9,128)	(9,128)
At 30 June 2008 and 1 July 2008		359,185	(7,859)	351,326
Open offer	*29*	176,147	–	176,147
Share issue expenses	*29*	(3,144)	–	(3,144)
Loss for the year	*10*	–	(9,355)	(9,355)
Proposed final dividend	*11*	–	(36,991)	(36,991)
At 30 June 2009		532,188	(54,205)	477,983

The share premium account of the Company includes share premium of HK$445,348,000 (2008: HK$272,345,000) and the excess of the combined net assets of the subsidiaries acquired, over the nominal value of the Company's shares issued in exchange therefor of HK$86,840,000 (2008: HK$86,840,000) pursuant to the Group Reorganisation.

Under the Companies Law, Cap. 22 (Law 6 of 1961, as consolidated and revised) of the Cayman Islands, the share premium account of the Company is distributable to its shareholders, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

32. BUSINESS COMBINATION

The Group acquired 80% equity interest in 古今 and its 65%-owned subsidiary, 華諾威, and a 70% equity interest in 北京東麗盛 from independent third parties during the year ended 30 June 2008. In addition, the Group acquired the entire equity interest in 國美 from two directors of two subsidiaries of the Group *(note 36(a)(ii))*. All the purchase consideration for the acquisitions was settled in the form of cash.

The fair values of the identifiable assets and liabilities of the Guilin Group as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Notes	**Fair value recognised on acquisition** *HK$'000*	**Previous carrying amount** *HK$'000*
Net assets acquired:			
Property, plant and equipment	*13*	25,899	26,052
Prepaid land lease payments	*14*	13,766	12,191
Intangible assets	*15*	276,462	55,417
Inventories		655	655
Accounts receivable		1,031	1,031
Due from a subsidiary of the Group		1,738	1,738
Due from a minority shareholder		19,687	19,687
Prepayments, deposits and other receivables		3,437	3,437
Cash and bank balances		1,015	1,015
Accounts payable		(775)	(775)
Tax payables		(3,346)	(3,346)
Accrued liabilities and other payables		(3,768)	(3,768)
Deferred income		(43,232)	(43,232)
Deferred tax liabilities	*28*	(55,617)	–
Minority interest		(82,535)	(24,137)
		154,417	45,965
Shared by minority interest		(30,882)	
Total net assets acquired		123,535	
Goodwill on acquisition	*17*	92,631	
Satisfied by cash		216,166	

32. BUSINESS COMBINATION (continued)

The fair values of the identifiable assets and liabilities of 北京東麗盛 as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Notes	**Fair value recognised on acquisition** *HK$'000*	**Previous carrying amount** *HK$'000*
Net assets acquired:			
Property, plant and equipment	*13*	28	28
Intangible assets	*15*	32,064	–
Inventories		858	858
Accounts receivable		98	98
Prepayments, deposits and other receivables		98	98
Cash and bank balances		75	75
Tax payables		(13)	(13)
Accrued liabilities and other payables		(170)	(170)
Deferred tax liabilities	*28*	(8,016)	–
Minority interest		(7,507)	(292)
		17,515	682
Goodwill on acquisition	*17*	14,549	
Satisfied by cash		32,064	

The fair values of the identifiable assets and liabilities of 國美 as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Note	**Fair value recognised on acquisition** *HK$'000*	**Previous carrying amount** *HK$'000*
Cash and bank balances		217	217
Goodwill on acquisition	*17*	2,177	
Satisfied by cash		2,394	

32. BUSINESS COMBINATION (continued)

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of the above subsidiaries is as follows:

	HK$'000
Cash consideration	(250,624)
Cash and bank balances acquired	1,307
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	(249,317)

Since their acquisitions, the Guilin Group, 北京東麗盛 and 國美 contributed HK$75,381,000 to the Group's turnover and HK$7,061,000 to the consolidated profit for the year ended 30 June 2008.

Had the combination taken place at the beginning of the year ended 30 June 2008, the revenue of the Group and the profit of the Group for the year ended 30 June 2008 would have been HK$826,985,000 and HK$159,884,000, respectively.

33. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) As at 30 June 2009, the dividend paid to minority shareholder of HK$10,796,000 remained unpaid and was included in accrued liabilities and other payables.

(b) During the year, deposits in respect of purchases and construction of property, plant and equipments of HK$23,189,000 were transferred to construction in progress in property, plant and equipments upon acceptance and delivery of those property, plant and equipments to the Group.

34. OPERATING LEASE ARRANGEMENTS

As lessee

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

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2009	2008
	HK$'000	*HK$'000*
Within one year	**2,490**	1,256
In the second to fifth years, inclusive	**170**	107
	2,660	1,363

35. COMMITMENTS

As at 30 June 2009, the Group had contracted commitments of HK$34,032,000 (2008: HK$35,763,000) in respect of the purchases of technical knowhow and a patent.

In addition, as at 30 June 2009, the Group had contracted commitments of HK$15,824,000 (2008: HK$11,927,000) in respect of the purchases of and construction of plant and equipment.

The Company had no significant commitments as at 30 June 2009 (2008: Nil).

36. RELATED PARTY TRANSACTIONS

(a) Save as disclosed elsewhere in the financial statements, the Group also had the following material related party transactions/balances:

(i) Certain directors of the Company provided undertakings in relation to the Group's banking facilities are set out under the heading "Disclosures pursuant to Rule 13.21 of the Listing Rules" in the Report of the Directors;

(ii) During the year ended 30 June 2008, the Group acquired a subsidiary from two directors of two subsidiaries of the Company as detailed in notes 18 and 32.

(b) Compensation of key management personnel of the Group

The executive directors are the key management personnel of the Group. Details of their remuneration are disclosed in note 8 to the financial statements.

37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

Group

Financial assets – Loans and receivables

	2009	2008
	HK$'000	*HK$'000*
Accounts receivable	**439,327**	363,664
Financial assets included in prepayments, deposits and other receivables *(note 24)*	**6,684**	28,332
Cash and cash equivalents	**719,438**	816,298
	1,165,449	1,208,294

37. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Group (continued)

Financial liabilities – Financial liabilities at amortised cost

	2009 HK$'000	2008 HK$'000
Accounts payable	**46,090**	28,719
Financial liabilities included in accrued liabilities and other payables	**63,007**	46,685
Bank loans	**72,023**	464,618
	181,120	540,022

Company

Financial assets – Loans and receivables

	2009 HK$'000	2008 HK$'000
Investments in subsidiaries	**133,703**	133,703
Due from subsidiaries	**523,340**	705,740
Cash and cash equivalents	**5**	205
	657,048	839,648

Financial liabilities – Financial liabilities at amortised cost

	2009 HK$'000	2008 HK$'000
Due to subsidiaries	**4,073**	2,735
Financial liabilities included in accrued liabilities and other payables	**5,931**	5,343
Bank loans	**–**	392,441
	10,004	400,519

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans and cash and cash equivalents and accounts receivable. The Group has various other financial assets and liabilities such as other receivables and accounts payable, which arise directly from its operations.

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

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligation with floating interest rates.

The interest rates of the interest-bearing bank borrowings of the Group are disclosed in note 27 to the financial statements. The Group currently does not have an interest rate hedging policy. However, management monitors the Group's interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's net profit and the Company's net loss (through the impact on floating rate borrowings).

	Group		**Company**	
	Increase in interest rate *(basis points)*	**Decrease in net profit and equity** *HK$'000*	**Increase in interest rate** *(basis points)*	**Increase in net loss and equity** *HK$'000*
2009	100	17	100	–
2008	100	3,292	100	3,277

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from substantial portion of its revenues and expenses generated and incurred by its operating units in RMB.

The following table demonstrates the sensitivity at the balance sheet date to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's equity (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in exchange rate	**Increase/ (decrease) in equity**
	%	*HK$'000*
2009		
If Hong Kong dollar weakens against RMB	5	6,878
If Hong Kong dollar strengthens against RMB	(5)	(6,878)
2008		
If Hong Kong dollar weakens against RMB	5	17,268
If Hong Kong dollar strengthens against RMB	(5)	(17,268)

Liquidity risk

The Group aims at maintaining a balance between continuity of funding and flexibility through maintaining sufficient cash and cash equivalents and available banking facilities. The directors have reviewed the Group's working capital and capital expenditure requirements and determined that the Group has no significant liquidity risk.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contractual undiscounted payments, was as follows:

Group

			2009		
	On demand	Less than 12 months	1 to 5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Accounts payable	–	46,090	–	–	46,090
Financial liabilities included in accrued liabilities and other payables	63,007	–	–	–	63,007
Bank loans	–	69,827	522	1,674	72,023
	63,007	115,917	522	1,674	181,120

			2008		
	On demand	Less than 12 months	1 to 5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Accounts payable	–	28,719	–	–	28,719
Financial liabilities included in accrued liabilities and other payables	46,685	–	–	–	46,685
Bank loans	–	470,531	524	1,622	472,677
	46,685	499,250	524	1,622	548,081

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The maturity profile of the Company's financial liabilities as at the balance sheet date, based on the contractual undiscounted payments, was as follows:

Company

		2009	
	On demand	**Less than 12 months**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Due to subsidiaries	4,073	–	4,073
Financial liabilities included in accrued liabilities and other payables	5,931	–	5,931
	10,004	–	10,004

		2008	
	On demand	**Less than 12 months**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Due to subsidiaries	2,735	–	2,735
Financial liabilities included in accrued liabilities and other payables	5,343	–	5,343
Bank loans	–	400,500	400,500
	8,078	400,500	408,578

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

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

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

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's accounts receivable are over a large number of customers.

Further quantitative data in respect of the Group's exposure to credit risk arising from accounts receivable and other receivables are disclosed in note 23 to the financial statements.

Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No change were made in the objectives, polices or processes for managing capital during the years ended 30 June 2009 and 2008.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

The Group monitors capital using a gearing ratio, which is total bank loans divided by equity attributable to equity holders of the Company. The gearing ratios as at the balance sheet dates were as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Bank loans	**72,023**	464,618
Total equity	**1,628,789**	1,306,622
Gearing ratio	**4.4%**	35.6%

39. POST BALANCE SHEET EVENTS

(a) On 17 August 2009, 88,000,000 share options were granted to directors of the Company and certain employees of the Group, as further detailed in note 30 to the financial statements.

(b) As further explained in note 18, the Group entered into an agreement with the minority shareholder of Factorr to acquire 17.02% equity interest in Factorr. In addition, the Group entered into another agreement with two independent third parties to dispose of 18.5% equity interest in 貴州泛特爾, the wholly-owned subsidiary of Factorr, to these two independent third parties. The acquisition and disposal were completed on 22 July 2009 and thereafter, the effective equity interest in Factorr held by the Group increases from 75% to 92.02% while the effective equity interest in 貴州泛特爾 remained unchanged. No material gain or loss was resulted.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 October 2009.

SUMMARY FINANCIAL INFORMATION

The following is a summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years.

RESULTS

	Year ended 30 June				
	2009	2008	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**1,023,747**	806,204	743,856	627,925	601,921
Profit before tax	**240,236**	214,496	174,322	154,522	125,957
Tax	**(55,302)**	(58,247)	(36,169)	(27,135)	(23,404)
Profit for the year	**184,934**	156,249	138,153	127,387	102,553
Attributable to:					
Equity holders of the Company	**147,853**	144,184	130,626	123,146	101,427
Minority interests	**37,081**	12,065	7,527	4,241	1,126
	184,934	156,249	138,153	127,387	102,553

ASSETS, LIABILITIES AND MINORITY INTERESTS

	As at 30 June				
	2009	2008	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**2,172,748**	2,204,321	1,651,773	1,181,812	1,023,925
Total liabilities	**(300,408)**	(672,821)	(588,862)	(303,791)	(326,063)
Minority interests	**(243,551)**	(224,878)	(48,035)	(36,572)	(31,064)
	1,628,789	1,306,622	1,014,876	841,449	666,798