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 2012/2013

THE MISSION

Strive to be the leading pharmaceutical enterprise specialising in traditional Chinese medicine (including mainly gynecological medicine) as well as bio-pharmaceutical products and bio-technology in the People's Republic of China.

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhang Peter Y. *(Chairman)*
Mr. Deng Jie *(Chief Executive Officer)*
Mr. Long Xian Feng
Mr. Zhou Chong Ke

Non-Executive Directors

Mr. Wee Ee Lim
(Ms. Lim Seok Bin Zann as his alternative)
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
(Ms. Lim Seok Bin Zann as his alternative)

NOMINATION COMMITTEE

Professor Kung Hsiang Fu
(Chairman of nomination committee)
Professor Tso Wung Wai
Mr. Hon Yiu Ming, Matthew
Mr. Deng Jie
Mr. Wee Ee Lim
(Ms. Lim Seok Bin Zann as his alternative)

COMPANY SECRETARY

Mr. Wong Ming Chun
(CPA, ACCA)

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

Industrial and Commercial Bank of
China (Asia) Limited

Bank of China
Guiyang Branch, Jiaxiu Sub-branch

LEGAL ADVISERS AS TO HONG KONG LAWS

Chiu & Partners
40th Floor, Jardine House
1 Connaught Place
Central
Hong Kong

AUDITORS

ERNST & YOUNG
Certified Public Accountants
22/F, Citic Tower
1 Tim Mei Avenue
Central, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company
(Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

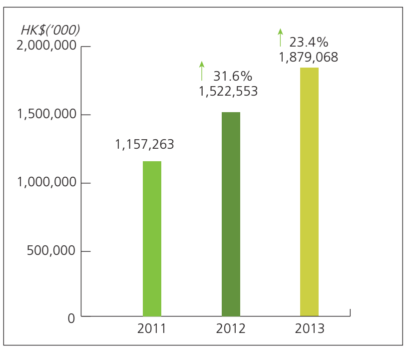
Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East, Wanchai
Hong Kong

FINANCIAL HIGHLIGHTS

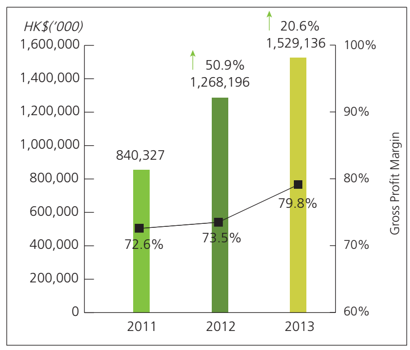
KEY FINANCIALS

	2013	2012	% Change
	HK$'000	*HK$'000*	
Turnover (as per financial statement)	**1,754,392**	1,312,127	33.7%
Turnover (gross basis)	**1,916,168**	1,724,465	11.1%
• Traditional Chinese medicines			
(including mainly gynecological medicine)	**1,362,538**	1,099,242	23.9%
• Bio-pharmaceutical products and bio-technology	**516,568**	423,311	22.0%
• Trading business	**37,062**	201,912	(81.6%)
Profit attributable to owners of the Company	**223,041**	657,228	(66.1%)
Earnings per shares (in Hong Kong cents)			
Basic	**7.43**	22.75	(67.3%)
Diluted	**7.36**	22.74	(67.6%)
Gearing ratio (%)	**0.6**	0.8	(25.0%)
Net Cash	**2,774,328**	2,063,665	35.7%

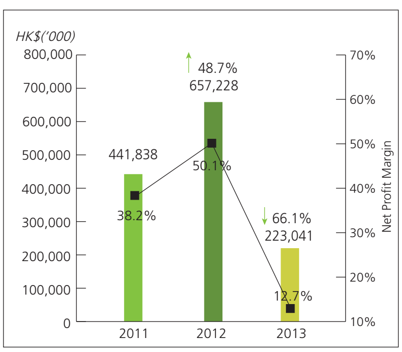
TURNOVER (GROSS BASIS AND EXCLUDING TRADING BUSINESS)



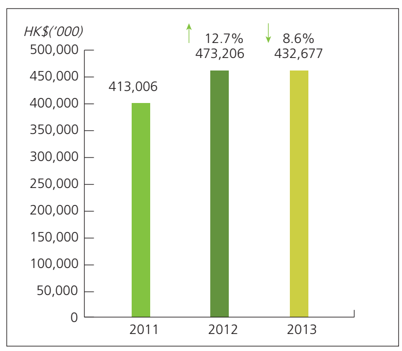
GROSS PROFIT (GROSS BASIS)



PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

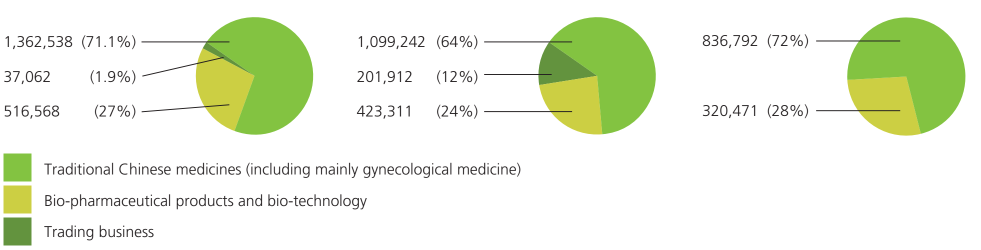


EBITDA (EXCLUDING NON-OPERATING INCOME/EXPENSE)



TURNOVER (GROSS BASIS)

2013 (figures below are in HK$'000) 2012 (figures below are in HK$'000) 2011 (figures below are in HK$'000)



CHAIRMAN'S STATEMENT

On behalf of the board of directors ("**Board**") of Hua Han Bio-Pharmaceutical Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**"), I am pleased to present the annual results of the Group for the year ended 30 June 2013 ("**Year**").

BUSINESS REVIEW

During the Year under review, the results of the Group continued to report a satisfactory growth. Turnover (gross basis and excluding trading business) for the Year amounted to approximately HK$1,879.1 million, representing a growth of 23.4% over the HK$1,522.6 million of last financial year. Profit attributable to the owners of the Company amounted to approximately HK$223.0 million. Such growth was mainly attributable to the rapid increase in the sales of the Group's owned intellectual property rights drugs categories listed in the National Medical Insurance Catalogue and other unique drugs categories. It was also due to the further integration and application of enterprise resources under the Group and the sustained enhancement in operational efficiency.

GOAL AND STRATEGY

The Group is committed to human health business, aiming at manufacturing those products and technologies with safer quality, more evident in efficacy and more thorough in treatment. These products will be supplied continuously to meet patients' needs and clinical demand. Our overall strategy is to consolidate the internal resources system, accelerate the construction of the new factory zone according to the new national GMP Standards; perfect the business model that will drive the overall growth of prescription drugs with exclusive National Medical Insurance Catalogue products being the core products, stably develop the OTC product market; increase its capital injection to speed up the research and development of bio-albumin new products, placenta blood products and stem cell products that have independent intellectual property rights to form the Group's ongoing competitiveness based on innovative products and innovative technology; make use of its general competitive edge and seek for new driver of growth, while seize the opportunity to enter into the area of medical service with the aim to expand its product chain and skill chain; continue to structure the management system that can reflect positively the market value of the Group, thereby to enhance and protect shareholders' interests.

PROSPECTS

Looking forward, despite the overall economic growth in China has started to slow down, however, as driven by the factors like accelerating aging population, better comprehensive coverage of national medical insurance system, continuous increase in medical insurance premium, increase of PRC Government's input of resources into the public health medical sector and people's raising awareness in medical healthcare, the pharmaceutical industry will continue to maintain a rapid development. This will enable domestic pharmaceutical demand to maintain its growing trend. The PRC pharmaceutical market is in its "Golden Decade" grand development stage.

In the new financial year, the Group will strive to:

1. maintain the leading position of the Group's unique medical drugs categories in the segment market in the PRC, hence bringing up and enhance the market share of the other prescription drugs in the hospital market. Continue to establish the OTC brand. "Fuke Zaizaowan"and"Zhisou Huatan Pills"being included in the Essential Drug List of the Guangdong Province was a stepping stone for it to become a leading brand in the developed zone from a leading brand in the Southwest region.

2. accelerate the construction of new factory zone according to the new national GMP Standards and endeavor to put them into operation. In the meantime, the Group will strictly organise the manufacturing and management under the GMP standards and stringently enforce quality control.

3. leverage on the support from provincial governments and relevant national authorities and devote more efforts in ensuring the passing of the GMP certificates by the "Human Nerve Growing Factor Injection" and commencing its operation. Meanwhile, the Group will make sufficient preparations and push ahead with the inclusion of additional exclusive products into the 2014 National Medical Insurance Catalogue.

4. speed up the development of new bio-engineering protein drugs and polypeptide products, genetic therapy drugs and stem cell therapy products so as to complete the transformation of traditional Chinese medicines into biological pharmacy and technology.

5. implement new development strategies according to the market's development trend and standardise competitions in the market by expanding its market size and strengthening and formulating standards.

6. timely enter the medical services sector to obtain a new driver of growth with the view to establish a complete chains of products and technology.

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 recruit high-caliber talents to strengthen our professional management team, develop a professional operation management model, and create a fabulous future together. The Group is confident and capable of resolving various kinds of difficulties and challenges. We will grasp the emerging opportunities and strive to achieve fast growth rate, bringing long-lasting and maximum value to our shareholders.

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to all our staff, management, clients, business partners and shareholders for their contributions to the Group's development. We attribute the achievements of the Group to the great support from, and dedication and teamwork of, the parties mentioned above. We firmly believe that, by leveraging on global economic recovery and the sustainable and stable economic growth in the PRC, as well as the ongoing support from shareholders with the substantial market capacity in the PRC, we must be able to achieve the desired objectives.

Zhang Peter Y.
Chairman

Hong Kong
30 September 2013

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in the research and development, manufacture and sale of traditional Chinese medicines mainly specialising in gynecological pharmaceutical products and bio-pharmaceutical medicines and technologies in the People's Republic of China ("**PRC**" or "**China**"). By leveraging on the broadened and fast-developing pharmaceutical market in China, the Group during the Year capitalised on the existing internal operation resources previously established in terms of products, technologies, market, talents and management and continued to increase our market share to create greater returns for shareholders.

MARKET REVIEW

During the Year, the PRC pharmaceutical industry continued to maintain a high growth. According to the statistics from the National Bureau of Statistics of China, sales revenue of PRC pharmaceutical industry reached RMB1,708.3 billion in 2012, representing a year-on-year increase of 19.8%; with a recorded profit of RMB173.2 billion, representing a year-on-year increase of 19.8%. Sales revenue of PRC pharmaceutical industry reached RMB949.3 billion during the period from January to June 2013, representing a year-on-year increase of 19.6%; with a recorded profit of RMB91.7 billion, representing a year-on-year increase of 16.6%. Continuous expansions of the PRC pharmaceutical market were driven by the following factors. Firstly, the pace of aging population has been accelerating and common geriatric diseases, such as cancer, cardiovascular diseases, diabetes mellitus and neurological disorders, ranked top in terms of morbidity rate and relevant treatment costs. Secondly, the coverage of national medical insurance system has become more comprehensive, and medical insurance premium is increasing at a faster pace. Thirdly, the government has been continuously increasing its input into public healthcare, urban community hospitals and county hospitals, especially township health centres, have been developing rapidly while medical conditions were significantly improved. Fourthly, the demand for healthcare services kept rising due to increasing purchasing power of urban residents.

During the Year, some new features were found in the PRC pharmaceutical industry. As the "**Antibiotics Restriction Order**" is implemented, there was a significant decline in production scale and sales of raw materials and preparations for chemical-based medicines, while Chinese patent drugs showed strong growth. Growing public concern towards pharmaceutical product quality and drug safety was aroused due to the "**Toxic Capsule**" incident. The drug regulatory departments therefore strengthened its supervision efforts and set much higher control standards. The time limit requirements under the new GMP accreditation and increase in fixed asset investments accelerated the process of resources integration in the pharmaceutical manufacturing industry. State-owned enterprises have been expanding rapidly, while the entry of foreign enterprises into the industry has intensified mergers and acquisitions and reorganisations. Drug tenders became the government's key measure to control prices of drugs and to regulate the market. Law enforcement increased the effort in fighting against bribery in the pharmaceutical industry to standardize operation and sustain healthy development of pharmaceutical enterprises. More new products and technologies were introduced to the industry. However, under the influence of various factors, it is no easy task to keep the increasing risks in check.

MANAGEMENT DISCUSSION AND ANALYSIS

Chinese medicine had gained strong backup from government policies. More Chinese medicines are listed in the "**Essential Drug List**" (**基藥目錄**), resulting in rapid growth in the Chinese medicine manufacturing industry, reaching a market share of nearly 30%. The government has tightened control over the quality and safe application of pharmaceutical products, and the drug regulatory departments oversee all relevant procedures, including research and development, manufacturing, circulation and application of drugs, and impose heavy penalties on those pharmaceutical enterprises which fail to meet the standards. Pharmaceutical enterprises are increasing their investments in new drugs and new technologies to enhance their future competitiveness. However, as pharmaceutical standards in China rise quickly and are catching up with the standards in Europe and the United States, and that the reviewing process of new drugs is complicated and time-consuming, the research and development cost of new drugs rises and delays their market launch, resulting in higher actual risks for manufacturing new drugs. The newly launched National GMP accreditation standards comparable with the GMP requirements of Europe and the World Health Organisation, set a higher standard in drug production and quality control. This may impact on small and medium pharmaceutical enterprises in the short run, as they are required to substantially increase their investments in technological innovation. However, in the long run, it will help to consolidated the pharmaceutical industry, driving the enhancement in the industry as well as the modernisation and internationalisation of medicine production. With the support from the government and advantages in terms of resources, several state-owned pharmaceutical enterprises such as Sinopharm, Shanghai Pharma and China Resources became mega conglomerates in the PRC pharmaceutical industry and enhanced their powers and influences in the market through several rounds of mergers and acquisitions and reorganisations. It was obvious that foreign investment enterprises have been developing in the PRC pharmaceutical market aggressively with an aim to capture larger market share. The government is still exerting significant influence on the pharmaceutical market by extending the coverage and capacity of the "**Essential Drug List**" (**基藥目錄**) and "**National Medical Insurance Catalogue**" (**醫保目錄**), in order to ascertain the level of medicine application in the market. The government aims to lower drug prices by establishing tender procedures and direct approval methods, and to regulate market order by combatting commercial bribery.

During the year, the "**12th Five-Year Plan in China Pharmaceutical Industry**" (**中國醫藥工業十二五規劃**) has been implemented, which mainly targets to facilitate transformation, upgrading and rapid development of the pharmaceutical industry, accelerates the pace of drug innovation, especially bio-technical medicine among which neurodegenerative disease drugs, genetic engineering protein and polypeptide drugs, genetic therapy drugs and stem cell therapy products are being listed in the first batch of key development areas. The Plan also encourages the central-western region to develop distinctive pharmaceutical manufacturing industry, and strengthening reservation, development as well as application of Chinese medicine and ethnic medicine resources. At the same time, it enhances the quality and safety standards of pharmaceutical products, reinforces the major responsibility of enterprises in terms of quality control and encourages the enterprises to perfect its quality management system.

Undoubtedly, the PRC pharmaceutical market has entered a great era. Enterprises with strong development prospects, updated marketing and development strategies, unique product series and advanced technologies, strong and well established nationwide end-user sales and marketing network and excellent executive abilities will eventually outrun other competitors in the market and become a large home-grown pharmaceutical enterprise which is well-equipped to face international competition.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Year, against the backdrop of the rapid development of the domestic pharmaceutical market, tighter government control and intense market competition, the Group has adopted proactive measures to sustain growth for the results of the Group. The Group continued to focus on critical areas of its designated development strategy, and established a new sales model through promoting the exclusive National Medical Insurance Catalogue (the "**National Medical Insurance Catalogue**" (**醫保目錄**)) products to drive the sales of prescription drugs, and promoting the exclusively branded product categories to drive the sales of over-the-counters (the "**OTC**") drugs. Maintaining a steady growth of traditional Chinese medicines specialising in gynecological pharmaceutical products, together with developing bio-pharmaceutical medicines technologies formed a new structure for the Group's future development. Meanwhile, the Group strictly followed the GMP production standards and processes, and focused on product quality to uphold quality standards. Furthermore, with the Group's ability to monitor expenditures, stringent control over its procurement and production costs, as well as the operation philosophy on compliances and its focus on standardised market operation, the Group was able to expand its business scale and increase its sales revenue and profits substantially. These provided the Group with a solid foundation in further sustaining a healthy and rapid development position.

FINANCIAL PERFORMANCE

During the Year, the Group's turnover was approximately HK$1,754.4 million (corresponding period in 2012: approximately HK$1,312.1 million) with gross sales revenue amounted to approximately HK$1,916.2 million (corresponding period in 2012: approximately HK$1,724.5 million). Out of the gross sales revenue, approximately HK$1,362.5 million was derived from traditional Chinese medicines mainly specialising in gynecological pharmaceutical products, representing an increase of approximately 23.9% as compared to the corresponding period last year. During the Year, sales in bio-pharmaceutical products was approximately HK$516.6 million, representing an increase of approximately 22.3% as compared to the corresponding period last year. Approximately HK$37.1 million of the Group's turnover during the Year was attributable to trading business.

During the Year, the Group recorded a profit attributable to the owners of the Company of HK$223 million, representing a decrease of approximately 67.9% as compared to the corresponding period last year. After deducting the gain on disposal or deemed disposal of Magic Holdings International Limited, the net profit of the Group from the core business was approximately HK$203.5 million, representing a decrease of approximately 26.0% as compared to the corresponding period last year.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET PERFORMANCE

During the Year, for prescription drugs, the core products of the Group include four exclusive products in National Medical Insurance Catalogue, namely "**Qijiao Shengbai Capsules**" (**芪膠升白膠囊**) , "**Zhisou Huatan Pills**" (**止嗽化痰丸**), "**Yi Fu**"(**易貝**) and "**Yi Bei**" (**易孚**). The Group placed emphasis on boosting clinical academic drive, expert guidance and rational drug application by doctors, forming a good trend in hospitals' acknowledgement, doctors' recognition and safe medication of patients, and thereby further enhanced the growth pattern for the continuous increase in sales volume of the exclusive products in National Medical Insurance Catalogue which also boost the sales of other types of products. Sales revenue of "**Qijiao Shengbai Capsules**" (**芪膠升白膠囊**) and "**Zhisou Huatan Pills**" (**止嗽化痰丸**) for the Year were approximately HK$431.0 million and HK$80.2 million respectively and had recorded growth rates of approximately 77.1% and 38.4% respectively, as compared with the same period last year; gross sales revenues of "**Yi Fu**" (**易孚**) & "**Yi Bei**" (**易貝**), amounted to approximately HK$438.6 million for the Year and had recorded growth rate of approximately 8.6%, as compared with the same period last year; for OTC drugs, our core product is "**Fuke Zaizaowan**" (**婦科再造丸**) (including capsules). The Group placed emphasis on constructing channels and marketing team and at the same time, excavated the unique functions and curative effects of the product, developed and leveraged on the brand promotion effect to actively expand our brand awareness and sales of products. During the Year, "**Fuke Zaizaowan**" (**婦科再造丸**) (including capsules) recorded sales revenue of approximately HK$405.9 million, representing an increase in sales revenue of approximately 25.4% as compared with the same period last year , and was among the top three, in terms of sales volume, of the domestic gynecological recuperating products. As the "**Golden Peptides** (**金紫肽**)" and "**UC small peptides** (**UC小肽**)"product line were introduced, the distributors launched active promotion and received enthusiastic market response, setting a good start for both line of product. Particularly, sales revenue of "**Golden Peptides** (**金紫肽**)" products was approximately HK$58.3 million this year. "**ACTL™ Anti-Cancer Cellular Immunotherapy**" (**ACTL™抗腫瘤靶向性細胞免治療技術**) has been launched in hospitals.

RESEARCH AND DEVELOPMENT

During the Year, the Group continued to conduct research and development activities in respect of raw materials like human placenta and cord blood, and began to establish a national leading, complete and high-end product and technology line within this industry. In addition to achieving certain standards in the "**Human Nerve Growing Factor Injection**" (**人神經生長因子注射劑**), such as process optimisation under large-scale production environment, for blood product line using placenta as its raw materials, such as placenta blood albumin, gamma globulin and clotting factor, the Group also made certain progress on production technology and technics. The Group continued to participate in the research of "**Mesenchymal Stem Cell Project**" (**間充質幹細胞專案**) in Guizhou Province, and closely cooperated with the Chinese Academy of Science (中國科學院) and Zunyi Medical College (遵義醫學院) to research and develop the bio-engineering protein drugs and polypeptide products, genetic therapy drugs and stem cell therapy products etc..

MANAGEMENT DISCUSSION AND ANALYSIS

PRODUCTION FACILITIES CONSTRUCTION AND COST CONTROL

During the Year, for the production facilities construction, construction of the "**Key Laboratory of Stem Cell Research** (**幹細胞重點研究實驗室**)" and "**Comprehensive Stem Cell Library (with production preparation and storage function)** (**全功能幹細胞庫**)" were completed and has passed the ISO9000 accreditation, and are currently in use. For the "**Placenta Blood Albumin** (**人胎盤血白蛋白**)" project, the roof-capping of the factory has been completed, and equipments were ordered. The office and inspection building of the Group was also completed and opened. The construction work of the Group's phase one pharmaceutical manufacturing base project located at Shawen Ecological Park (沙文生態園區) in Guiyang High and New Technology Zone (貴陽高新區) has commenced.

For cost control, the Group will explore its potentials, pay more attention to details and endeavor to control the escalating cost of production. During the Year, the Group continued to adopt the following strategies. The Group has adhered to its annual bulk purchase of Chinese medicine materials plan, in which total purchase volume and unit price were determined on a one-off basis, and implemented a cost-effective system for important purchasing contracts. Bulk goods purchasing was made by tender. In budget management, staff costs of different departments and subsidiaries were subject to authorisation and approval and key areas of the approval were reviewed. These measures had effectively mitigated the Group's pressure as a result of rising costs.

TENDERS AND REPORTS ON ESSENTIAL DRUG LIST AND NATIONAL MEDICAL INSURANCE CATALOGUE

During the Year, the Group submitted about 96 products and 110 specifications in 6 provincial market government tenders, a total of 82 products and 96 specifications were accepted. "**Fuke Zaizaowan** (**婦科再造丸**) ", "**Zhisou Huatan Pills** (**止嗽化痰丸**) ", "**Yi Fu** (**易孚**) " and "**Yi Bei** (**易貝**) " were included in "**Essential Drug List of the Guangdong Province 2013 edition**"(**2013年版廣東省基本藥物目錄**). At present, the Group has 170 medicine product serial numbers, among which 81 specifications are National Medical Insurance Catalogue products, 4 are exclusive National Medical Insurance Catalogue products and 31 are National Essential Drug List products.

INVESTMENT AND CO-OPERATION

During the Year, the Group sold approximately 9.998% of the issued share capital of Magic Holdings International Limited and recorded cash inflow (before netting of relevant transaction cost) of approximately HK$290,485,000. The Group's investment in beauty product business had generated enormous returns.

The "**Placenta Blood Albumin** (**人胎盤血白蛋白**)" co-operation project involving the Group and the National Vaccine & Serum Institute (北京生物製品所), including "**Placenta Pills** (**人胎盤片**)" and "**Placenta Tissue Fluid Injection** (**人胎盤組織液注射劑**)" were finally approved by the China National Biotech Group (中國生物技術集團) and the Sinopharm Group, with which we entered into formal agreements. Transfer of product number and relevant information is under process.

MANAGEMENT DISCUSSION AND ANALYSIS

TEAM BUILDING AND HONORS

During the Year, the Group continued to build a professional, diligent and responsible team with enthusiasm in business venture and innovative spirit. Mr. Yao Chang Fa, a member of management of the Group, was honored as "**Top 10 Excellent Corporate Culture Construction Leader in Guizhou Province (貴州省十大優秀企業文化建設領軍人物)**" by Federation of Enterprises (企業聯合會) and Entrepreneurs Association (企業家協會) of Guizhou Province at the end of 2012. Guiyang De Chang Xiang Pharmaceutical Company Limited, a subsidiary of the Group, was awarded "**Independent and Innovative Brand of Guizhou Province (貴州省自主創新品牌)**" by authorities including Food And Drug Administration (藥監局), Trade and Industry Bureau (工商局) and Information Office (新聞辦) of Guizhou Province; and was awarded the title of "**Guizhou's Time-honored Brand (貴州老字號)**" by Guizhou Provincial Department of Commerce (貴州省商務廳).

PROSPECTS

The relevant information shows that the PRC has become the world's third largest drugs market in 2011, and will surpass Japan to become the world's second largest drugs market by 2018. Therefore, our continuing goal is to become a highly competitive pharmaceutical group to share the accomplishments of rapid growth of pharmaceutical market in the PRC, become the enterprise with unique and innovative products and technology in the PRC pharmaceutical market and possess comprehensive marketing network with abundant operational resources.

Meanwhile, the bio-pharmaceutical and bio-technological industry develops rapidly worldwide. As compared to traditional compound chemical drugs, bio-pharmaceuticals, supported by detailed research, have more extensive therapeutic functions and advantages, more room for improvement in innovative pharmaceutical designs and dosages, and faster reaction rate for new diseases, thus most importantly provide an opportunity for re-pricing. It is estimated that bio-pharmaceutical products will account for more than one-third of the total drug sales by 2020. According to this trend, China introduced the "**12th Five-Year Plan in China Pharmaceutical Industry (中國醫藥工業十二五規劃)**" last year, which listed the bio-pharmaceutical and bio-technological industry as a priority sector and offered preferential policies in research and development, technological transformation and market access. It is predicted that the outlook for the development of bio-pharmaceutical and bio-technological industry is optimistic.

The Directors consider that, against the backdrop of the continuous improvement of the pharmaceutical market and under the guidance of the leaping-forward development plan, the Group will continue to promote the overall development strategies that have already been set. These strategies include consolidating the internal resources system; accelerating the construction of new facilities which were designed according to the new National GMP certification standards; perfecting the business model that will drive the overall growth of prescription drugs with the exclusive products in the National Medical Insurance Catalogue being the core products, so as to sustain the market development of OTC products; investing more resources and focusing on the research and development of new bio-albumin products, placenta blood products and stem cell products that have independent intellectual property rights, in order to strengthen the Group's on-going competitiveness based on innovative products and innovative technology; with the aim of exerting overall advantages and seeking new growth, and at the same time extending the line of product and the line of technology, identify opportunities to enter the field of medical services; continuing to structure the management system that can positively reflect the estimated market value of the Group, and enhancing and ensuring shareholders' interests.

The specific missions are to:

1. Focus on marketing to further improve our market share. Prescription drugs marketing: in addition to positioning "**Qijiao Shengbai Capsules (芪膠升白膠囊)**", "**Zhisou Huatan Pills (止嗽化痰丸)**", "**Yi Fu (易孚)**" and "**Yi Bei (易貝)**" as our principal products, we are required to be well-prepared so as to drive the development of other products by the principal products. As to "**Qijiao Shengbai Capsules (芪膠升白膠囊)**", in addition to the original division of oncology, we accelerate the development of application to the retired cadres section and gynecology. As to "**Yi Fu (易孚)**" and "**Yi Bei (易貝)**", we have to take full advantage of product efficacy and technological advantages, to boost academic promotion, so as to consolidate our leading position in the field of small-scale epidermal skin repair, as well as to capitalise on the opportunity of being listed on the Guangdong Essential Drugs List (廣東基藥目錄), in order to capture the whole provincial market speedily. OTC drugs marketing: we continue to establish "**Fuke Zaizaowan (婦科再造丸)**" (including capsules) as a well-known brand of curing cold disease for Chinese females, and aptly add to the advertising efforts while focusing on its promotion through new media outlets, with the view to increase single-store sales by various means. In addition, through the close cooperation with established beauty parlors and professional chain stores, as well as the combination of various brands with different marketing and promotion portfolios, we aim to encourage rapid growth of "**Golden Peptides (金紫肽)**" line of products in the high-end health care products market.

2. Under the guidance of the new National GMP Standards, accelerate development of new strategies of the Group within the industry. The Chinese patent drugs production base in Guiyang Shawen New District (貴陽沙文新區), equipped with the latest equipment and technology within the industry, will be completed. Seven newly-built dosage production workshops, including capsules, tablets, granules, syrup, tincture and liniment, and thirteen production workshops, as well as ancillary facilities with a total area of 140,000 square metres, will be granted the new GMP accreditation and will commence production. The expected total investment for this project is approximately HK$838.6 million. The placenta product project of "**Placenta Blood Albumin Injection (人胎盤血白蛋白注射劑)**" will be completed by the end of 2014. With the support from the provincial government and relevant state departments, we will strengthen our efforts to ensure that the "**Human Nerve Growing Factor Injection (人神經生長因子注射劑)**" will pass GMP accreditation and commence operation. In addition, the project of "**Guizhou Stem Cell Public Repository (貴州幹細胞公共庫)**" will be implemented after obtaining the provincial project approval. These projects will fully capitalise on the preferential policies promulgated by the government according to the State's new GMP standards and the Group's long-term development plan. We will emphasise on product quality, strengthen the accountability system, strictly control all aspects such as purchase of raw materials, processing, inspection, storage and transportation, and thereby realising the participation in quality management by all staff throughout the entire process in all directions.

3. According to the Group's research and development plan, we cooperate with pharmaceutical research and development institutions such as the Chinese Academy of Science and Zunyi Medical College through existing platforms, to recruit distinguished scientists to build up the Group's research and development team, and endeavor to invent new bio-engineering protein drugs and polypeptide products, genetic therapy drugs and stem cell therapy products etc.. In this financial year, one of our key missions is to enrich the ophthalmic product chain. We will strive to obtain a new ophthalmic product with State's new drug certificate by means of joint development or investment and acquisition. We will accelerate the application of modern technology in the research and development as well as the production of Chinese medicine, and to enhance and perfect the technical standards and specifications of the whole industrial chain of Chinese medicine. Improved version of Chinese medicines such as "**Astragalus Granule without Sugar** (**無糖型黃芪顆粒**)" (including capsules) has entered into the experimental stage. We will utilize effectively the PRC government's encouraging innovation fund to make free and continuous investments and constantly launch new products and technologies. At the same time, by better grasping and controlling the research and development pace, we will refine the arrangements between investment and progress and introduce risk control mechanism and respective positioning set up, thereby the research and development risk can be avoided practically.

4. In response to the market conditions, we will meticulously rearrange the market segments to better control any market competition. Based on different regional market conditions, we will select distributors with advantages in terms of drug distribution channels, and form close cooperation to cope with the market and complement with each other's advantages. We will, according to different target hospitals, design suitable transparent two-way value-added service systems that focus on academic research and clinical trials, and establish new relationships with hospitals on the basis of mutual benefits.

5. Strengthen the cooperation with large pharmaceutical companies that are abundant in resources and have strong comprehensive strength. We will firmly grasp the cooperation opportunity with the National Vaccine and Serum Institute. While ensuring that three types of product including "**Placenta Blood Albumin Injection** (**人胎盤血白蛋白注射劑**)" can be transferred to the production base in Guizhou and commence production on schedule, we will closely cooperate with the parent company of the National Vaccine and Serum Institute, the China National Biotech Group, in vaccine production and other aspects. At the same time, we will make contact with various superior pharmaceutical companies, especially any Western and Japanese pharmaceutical companies, with the view to make up any shortcoming in the Group's business and to generate new sources of profit. We will strive to achieve any form of cooperation possible to realise a win-win situation.

6. Introduce concept and approach of market capitalisation management based on the distinct characteristics of Hong Kong capital market. By arranging regular meetings among management and investors, reporting the results and primary working status of the Group in a timely manner to enhance the communication with investors, coupled with reorganising the Group's strengths in strategy, product, competitiveness, growth, financial planning and costs and human resources, the mechanism of the Group's value will be more complete and clearer, and will induce the capital market to form an accurate evaluation of the Group, thereby resulting in a stable growth of market value aligning with the Group's development.

7. Effectively integrate internal human resources and set up excellent research and development, production and marketing teams on the traditional Chinese medicine, bio-pharmaceutical products and technology and healthcare products platforms. We will also place more efforts in recruiting high-level talents based on the development needs of the Group's business, especially the development of bio-pharmaceutical industry. At the same time, the professional skills of existing staff will be continuously promoted. In addition, we will optimise the incentive mechanism and motivate our staff's enthusiasm in business venture and create a more executable, innovative, advancing and accommodating enterprise culture.

8. Actively expand the PRC market and enhance our relationship with the government. We will proactively incorporate the Group's development into the overall domestic economic development layout and devote more contributions by increasing government fiscal income, solving unemployment problems and promoting the development of relevant industries; accelerate the development of biological products and technology to become the front-runner of the high-technology sector in the domestic economic industry; continue to strive for more investments and support from the respective government authorities for the development and technology re-engineering of the Group.

9. Grasping valuable opportunities from market adjustment and falling prices of assets and increase investments on merger and acquisition, to promote and improve the line of products of the Group and to shape our core competitiveness.

In general, the Group will forge ahead, take proactive move, and strive for further development. At the same time, we will adopt a prudent approach in view of the real-life situation, protect ourselves against risks and strive to reward our shareholders with excellent business performance.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flows and banking facilities provided by banks in the PRC. As at 30 June 2013, the Group had unpledged cash and bank balances of approximately HK$2,799.4 million (2012: approximately HK$2,095.3 million). Its gearing ratio calculated as a ratio of total debt of bank borrowings and obligations under finance leases to equity attributable to owners of the Company was approximately 0.6% (2012: approximately 0.8%). Net current assets were approximately HK$3,208.4 million (2012: approximately HK$2,529.2 million) and the current ratio was approximately 10.4 (2012: approximately 11.9) as at 30 June 2013.

The finance costs of the Group for the year amounted to approximately HK$1.96 million (2012: approximately HK$2.96 million), representing approximately 0.1% (2012: approximately 0.2%) of the Group's total turnover and there is no significant change in finance costs over corresponding period in 2012.

CONTINGENT LIABILITIES

As at 30 June 2013, the Group did not have any material contingent liabilities (2012: Nil).

BANK BORROWINGS

As at 30 June 2013, the Group had outstanding bank loans of approximately HK$25.1 million from the banks in the PRC (2012: approximately HK$31.7 million), which were short term bank loans with maturity within one year. All the bank loans of the Group were denominated in Renminbi.

As at 30 June 2013, the Group's bank borrowings were secured by (i) certain buildings, and plant and machineries of the Group with an aggregate balance of approximately HK$37.7 million (2012: approximately HK$36.4 million); and (ii) certain prepaid land lease payments of the Group of approximately HK$4.6 million (2012: approximately HK$4.6 million).

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. The exchange rate for Renminbi did not fluctuate materially during the Year. 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. Interest rates of most of these were calculated by reference to the PRC bank rates. Both bank deposits and borrowings were mainly denominated in Renminbi and Hong Kong Dollar.

COMMITMENTS

As at 30 June 2013, the Group had contracted commitments of approximately HK$0.7 million (2012: approximately HK$0.7 million), approximately HK$74.2 million (2012: approximately HK$78.2 million), approximately HK$62.8 million (2012: approximately HK$61.1 million) in respect of purchases of technical knowhow, purchases of property, plant and equipment and purchase of land respectively. As at 30 June 2013, the Group also had capital expenditure authorised but not contracted for in respect of purchase of properties, plant and equipments amounted to approximately HK$838.6 million (2012: approximately HK$816.3 million).

EMPLOYEES, TRAINING AND REMUNERATION POLICIES

As at 30 June 2013, the Group had a total of 954 employees (2012: 887), of whom 945 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 of the Group (including Directors' remunerations) amounted to approximately HK$87,658,000 (2012: approximately HK$94,944,000). Staff costs of the Group accounted for 5.0% of the Group's turnover (2012: 7.2%) during the Year. The Group participates 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, SPECIAL DIVIDEND AND BONUS ISSUE

The Directors recommended the payment of a final dividend of HK2.3 cents per share of the Company ("**Share**") and a special dividend of HK4.0 cents per Share for the Year (2012: final dividend of HK3.4 cents per Share and special dividend of HK5 cents per Share) totalling approximately HK$199,716,000, and a bonus issue of Shares on the basis of one new ordinary Share for every five existing ordinary Shares held to the shareholders of the Company whose Shares are on the register of members on Monday, 30 December 2013, subject to the approval of the shareholders of the Company in the Company's forthcoming annual general meeting ("**Annual General Meeting**"), and if passed, the final dividend and special dividend together with share certificate of the bonus issue Share will be paid and posted respectively on Friday, 17 January 2014.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Zhang Peter Y. (張岳), aged 51, 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 (貴陽市一九九八至二零零二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 20 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 49, 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 20 years of experience in corporate management, and is responsible for the Group's strategic management and operation management. Over the past 20 years or so, 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 51, 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. Zhou Chong Ke (周崇科), aged 52, is an executive Director of the Company. Mr. Zhou graduated from 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 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. Prior to joining the Group, he has assumed senior positions in certain renowned pharmaceutical companies in PRC. With his excellent industry background, apart from primarily responsible for the sales-integrated operations of business for the pharmaceutical enterprises under the Group currently, Mr. Zhou is also responsible for assisting the Chief Executive Officer in the operation of external merger and acquisition projects and maintains the close relationships among 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 52, a non-executive Director of the Company. Mr. Wee holds a Bachelor of Arts (Economics) Degree 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 also holds directorships of various public listed companies namely, United Industrial Corporation Limited, Singapore Land Limited, UOL Group Limited and Pan Pacific Hotels Group Limited. He joined the Group in 2005.

Mr. Tarn Sien Hao (譚顯浩), aged 46, a non-executive Director of the Company. Mr. Tarn holds a Bachelor of Science Degree from Columbia University, a Bachelor of Arts Degree from the State University of New York and a Master of Business Administration Degree from the University of Dubuque. He is the Group General Manager of Haw Par Corporation Limited, a public company listed on the Singapore Exchange Securities Trading Limited. He joined the Group in 2006.

Ms. Lim Seok Bin Zann (林舒敏), aged 36, was appointed as an alternate director to Mr. Wee Ee Lim in 2011. Ms. Lim holds a Master Degree in Business Administration from INSEAD and Tsinghua University. She is a member of the Institute of Certified Public Accountants of Singapore. Ms. Lim is the Chief Financial Officer and Company Secretary of Haw Par Corporation Limited, a public company listed on the Singapore Exchange Securities Trading Limited.

Independent Non-Executive Directors

Professor Kung Hsiang Fu (孔祥復), aged 71, 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 38 years of experience in 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 U.S.A. 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 72, is an independent non-executive Director of the Company. Professor Tso holds a Doctorate Degree in Biochemistry from the University of Wisconsin-Madison in U.S.A. After his honorable retirement from 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 immobilized 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Hon Yiu Ming, Matthew (韓耀明), aged 53, 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 (Practicing) 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 32, 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 and an associate member of the Hong Kong Institute of Certified Public Accountants. 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 9 years of experience in auditing, accounting and financial management. He joined the Group in 2008.

Mr. Chen Lei (陳磊), aged 42, is the assistant to General Manager of the Group. Mr. Chen graduated from Jiangxi University of Finance and Economics (江西財經大學) in 1997. He was awarded as the Senior Finance Manager by International Institute of Management (國際管理師協會) in 2005. He was obtained the Master of Business Administration Degree in Executive Management issued by Royal Roads University of Canada in 2009. He joined the Group in 2002 and is currently responsible for assisting the Group's General Manager in financial management of the operations in Mainland China.

Mr. Yao Chang Fa (姚廠發), aged 48, 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. He acquired the professional qualification of principal Chinese medical practitioner in 1996, and graduated from Beijing University of Aeronautics and Astronautics (北京航空航天大學) in postgraduate studies in business administration in 2004. Mr. Yao joined the Group in 1992 and was entitled the outstanding entrepreneur in Guizhou (貴州省優秀企業家) in 2011. He is now wholly responsible for the operation management functions for Guiyang De Chang Xiang Pharmaceutical Company Limited (貴陽德昌祥藥業有限公司).

Mr. Zhang Jin Yi (張勁翼), aged 51, is the General Manager of Guizhou Hanfang Medicine Manufacture Co., Ltd. (貴州漢方製藥有限公司). Mr. Zhang graduated from North western 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 wholly responsible for the operation management functions for Guizhou Hanfang Medicine Manufacture Co., Ltd. (貴州漢方製藥有限公司).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhang Kun Mou (張昆謀), aged 50, 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) (formerly known as Harbin Vessel Engineering College (哈爾濱船舶工程學院)) 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. Yang Hong Ming (楊洪銘), aged 49, 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 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).

Ms. Niu Yi (牛藝), aged 38, is the Chief Inspector of Human Resources Administration of the Group. She joined the Group in 1996 and is responsible for the Group's general human resources, administration and corporate culture build up. Ms. Niu graduated from Guizhou Normal University (貴州師範大學) majoring in English with a Bachelor Degree in Literature in 1996, and obtained a Master Degree in Business Administration from Guizhou University (貴州大學) in 2007. She acquired the professional qualification of Human Resources Manager in 2005, and was awarded the Global Career Development Facilitator (GCDF) Certification by the Consulting and Education Certification Center of the USA (美國諮詢與教育認證中心) in 2009. Ms. Niu has solid theoretical foundation and extensive experience in human resources and administration management.

Mr. Zhang Bing Sheng (張炳生), aged 37, is the Chief Investment Supervisor of the Group. He joined the Group in May 2007. Mr. Zhang graduated from Hubei Medical College (湖北醫學院) majoring in Clinical Medication. He worked in Shenzhen Medical Enhancement Import and Export Company Limited (深圳醫藥保健品進出口有限公司) and Shenzhen Qing Hua Yuan Xing Bio-pharmaceutical Technology Company Limited (深圳市清華源興生物醫藥科技有限公司) etc.. He has extensive experience in the academic promotion of market specialization as well as the marketing and operation of prescription drugs. Especially, Mr. Zhang achieved outstanding results in areas such as marketing, sales planning and expert network construction. He has solid personal network in Chinese Medical Association (中華醫學會) and its subordinate professional institutions and the large and medium scale local general hospitals.

Mr. Luo Zhan Biao (羅戰彪), aged 35, is the Director and Deputy General Manager of Guiyang De Chang Xiang Pharmaceutical Company Limited (貴陽德昌祥藥業有限公司). Mr. Luo graduated from Guiyang Chinese Medical College (貴陽中醫學院) majoring in Chinese Medicine with Bachelor Degree in Science in 2000, and was qualified as Engineer in 2011. Mr. Luo joined in the Group in 2000, and is mainly responsible for the management of the sales and production of Guiyang De Chang Xiang Pharmaceutical Company Limited.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Zou Bang Yin (鄒邦銀), aged 38, is the Deputy General Manager of Guizhou Hanfang Medicine Manufacture Co., Ltd. (貴州漢方製藥有限公司), being in charge of technological service, product development and quality control functions of the company. Mr. Zou graduated from Beijing Institute of Technology (北京理工大學) majoring Biochemical Engineering in 1999, and obtained a Master Degree in Medicine from Guiyang Medical College (貴陽醫學院) with a qualification certificate of national licensed pharmacist in 2002. He joined the Group in 1999.

Mr. Zhang Shou Xue (張壽學), aged 44, is the Factory Manager of Guizhou Hanfang Medicine Manufacture Co., Ltd. (貴州漢方製藥有限公司). He graduated from Guiyang Chinese Medical College (貴陽中醫學院) in 1989. Mr. Zhang acquired the qualifications of chief pharmacist and licensed pharmacist, and has extensive experience in medicine production and management with comprehensive capabilities of total quality management. He was honored as the advanced individual on technological renovation (技術改造先進個人) of Guiyang City in 2009. Mr. Zhang joined in the Group in 2001, and is responsible for assisting the General Manager in production management of Guizhou Hanfang Medicine Manufacture Co., Ltd. (貴州漢方製藥有限公司).

Mr. Dai Li Gui (戴禮貴), aged 44, is the Chief Inspector of Marketing function 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 functions of biological medicine. Mr. Dai graduated from Department of Medicine, 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 has completed doctorate 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. Zhang Ming Hong (張明紅), aged 49, 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 Department of Pharmacy, 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 the research and development of drugs and GMP implementation works of Guizhou Factorr Bio-Technology Co., Ltd (貴州泛特爾生物技術有限公司).

Mr. Wei Zhong Ming (韋忠明), aged 45, 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 graduated from Department of Chemistry, 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).

REPORT OF THE DIRECTORS

The directors ("**Directors**") of the Company present their report and the audited financial statements for the year ended 30 June 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group comprise the manufacture and sale of pharmaceutical products, medicinal healthcare products for women and bio-pharmaceutical products, trading of pharmaceutical products, and research and development of pharmaceutical products. Details of the principal activities of the principal subsidiaries of the Company are set out in note 19 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year ended 30 June 2013.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 30 June 2013 and the state of affairs the Company and the Group at that date are set out in the financial statements on pages 43 to 123.

The directors recommend the payment of a final dividend of HK2.3 cents per share and a special dividend of HK4 cents per share in respect of the Year to shareholders on the register of members on Monday, 30 December 2013. The proposed final dividend and special dividend will be paid on or about Friday, 17 January 2014 if the recommendation is approved by the Shareholders at the forthcoming annual general meeting ("**Annual General Meeting**") of the Company to be held on Friday, 13 December 2013. This recommendation has been incorporated in the financial statements as an allocation of share premium account within the capital and reserves section of the statement of financial position.

The Directors also recommended a bonus issue of shares on the basis of one new ordinary share for every five existing shares held by the shareholders whose names appear on the register of members on Monday, 30 December 2013, subject to the approval of the shareholders in the Annual General Meeting. For further details of the bonus issue, please refer to the circular despatched to the Shareholders together with this report.

CLOSURE OF REGISTER OF MEMBERS

The forthcoming Annual General Meeting is scheduled on Friday, 13 December 2013. For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Monday, 9 December 2013 to Friday, 13 December 2013, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the Annual General Meeting, all transfers of shares, accompanied by the relevant share certificates, 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, for registration not later than 4:30 p.m. on Friday, 6 December 2013.

The proposed final dividend, special dividend and the bonus issue of shares are subject to the passing of ordinary resolutions by the shareholders at the Annual General Meeting. The record date for entitlement to the proposed final dividend, special dividend and the bonus issue of shares is Monday, 30 December 2013. For determining the entitlement to the proposed final dividend, special dividend and the bonus issue of shares, the register of members of the Company will be closed from Monday, 23 December 2013 to Monday, 30 December 2013, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, special dividend and the bonus issue of shares, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Tricor Tengis Limited, for registration not later than 4:30 p.m. on Friday, 20 December 2013. The payment of final dividend, special dividend and the share certificates for the bonus shares will be made and despatched on Friday, 17 January 2014.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements as appropriate, is set out on page 124 of this report. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Year are set out in note 14 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the Year are set out in notes 34 and 35 to the financial statements, respectively.

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 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, have 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 the Group during the Year are set out in note 36(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 30 June 2013, 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 approximately HK$1,473,338,000 (as at 30 June 2012: HK$1,290,984,000) of which approximately HK$199,716,000 has been proposed as a final dividend and a special dividend for the Year. The amount of approximately HK$1,445,680,000 (note 36(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 under review, the five largest customers accounted for approximately 39.1% of the Group's total sales. The largest customer of the Group accounted for approximately 27.0% of the Group's total sales. Purchases from the Group's largest and five largest suppliers accounted for less than 30% of the total purchases for the year.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

DIRECTORS

The Directors during the Year were:

Executive directors:

Mr. Zhang Peter Y.
Mr. Deng Jie
Mr. Long Xian Feng
Mr. Zhou Chong Ke

Non-executive directors:

Mr. Wee Ee Lim *(Ms. Lim Seok Bin Zann as his alternate)*
Mr. Tarn Sien Hao

Independent non-executive directors:

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

REPORT OF THE DIRECTORS

Professor Tso Wung Wai and Mr. Hon Yiu Ming Matthew will retire as Director by rotation at the Annual General Meeting in accordance with Article 108A of the Company's articles of association. Since they have served the Company for more than nine years as an independent non-executive Director, they are also required to offer themselves for re-election for the purpose of complying with A.4.3 of the code provisions ("**Code Provision**") of the Corporate Governance Code and Corporate Governance Report ("**CG 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**").

Professor Kung Hsiang Fu, who has served the Company for more than nine years as an independent non-executive Director, will also retire voluntarily at the Annual General Meeting and, being eligible, offer himself for re-election for the purpose of complying with Code Provision A.4.3 of the Code which came into effect on 1 April 2012.

The Board is of the opinion that Professor Kung Hsiang Fu, Professor Tso Wung Wai and Mr. Hon Yiu Ming Matthew remain independent notwithstanding the length of their service and believes that their valuable knowledge and experience in the Group's business and their general business acumen continue to generate significant contribution to the Board, the Company and the shareholders as a whole. The Company's circular to be despatched to shareholders of the Company on or about November 2013 will contain the biographical information of Professor Kung Hsiang Fu, Professor Tso Wung Wai and Mr. Hon Yiu Ming Matthew and the detailed reasons behind the Board's recommendation of the continuing appointment of them as independent non-executive Directors.

The Company has received annual confirmations of independence from its independent non-executive directors, and as a the date of this report still consider them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 17 to 21 of this 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. Zhou Chong Ke has entered into service contracts for an initial term of three years from 7 April 2010 to 6 April 2013 unless terminated by not less than three months notice in writing served by either party on the other, and renewed for a term of one year from 7 April 2013 to 6 April 2014.

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.

Apart from the foregoing, no director proposed for re-election at the forthcoming 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.

REPORT OF THE DIRECTORS

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 40 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.

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.

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

At 30 June 2013, the interests and short positions of the directors and chief executive in the share capital and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions in securities/equity interest of the Company and associated corporations:

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**
Mr. Zhang Peter Y.	The Company	Interest of controlled corporation	853,528,746 shares (L) *(Note 2a)*	26.92%
	The Company	Beneficial owner	2,880,000 shares (L) *(Note 2b)*	0.09%
Mr. Deng Jie	Guizhou Hanfang Xifeng Medical Industry Co., Ltd. ("**GHXM**")	Interest of controlled corporation	5% (L) *(Note 3)*	5%
	The Company	Beneficial owner	2,880,000 shares (L) *(Note 2b)*	0.09%

REPORT OF THE DIRECTORS

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
Mr. Long Xian Feng	The Company	Beneficial owner	2,880,000 shares (L) *(Note 2b)*	0.09%
Mr. Zhou Chong Ke	The Company	Beneficial owner	2,880,000 shares (L) *(Note 2b)*	0.09%
Mr. Tarn Sien Hao	The Company	Beneficial owner	69,120 shares (L)	0.002%
Professor Kung Hsiang Fu	The Company	Beneficial owner	4,587,264 shares (L) *(Note 2c)*	0.14%
Mr. Hon Yiu Ming, Matthew	The Company	Beneficial owner	860,000 shares (L)	0.03%

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.

2a. These 853,528,746 Shares were held by Bull's-Eye Limited ("**BEL**"), more than one-third of the issued share capital of which was beneficially owned by Mr. Zhang Peter Y.. By virtue of the provisions of Divisions 7 and 8 of Part XV of the SF Ordinance, Mr. Zhang Peter Y. was deemed to be interested in all the Shares held by BEL.

2b. These Shares were Shares which would be allotted and issued upon the exercise in full of the options granted under the share option scheme of the Company. Out of these options, all of which remained exercisable as at 30 June 2012, there are 2,736,000 options which are exercisable at the subscription price of HK$2.092 (being adjusted to HK$1.743 at 13 January 2012 and further adjusted to HK$1.4525 at 22 January 2013 as a result of the bonus issue of shares by the Company on January 2012 and January 2013, respectively) per Share at any time during a period of two years commencing from and including 28 July 2011 to 27 July 2013 and there are 144,000 options which are exercisable at the subscription price of HK$1.68 per Share (adjusted to HK$1.40 per Share on 22 January 2013) at any time during a period of two years commencing from and including 3 October 2012 to 2 October 2014.

2c. These 4,587,264 Shares included 2,880,000 shares which would be allotted and issued upon the exercise in full of the options granted under the share option scheme of the Company as mentioned in note (2b) above.

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 Divisions 7 and 8 of Part XV of the SF Ordinance, Mr. Deng Jie was deemed to be interested in the equity interests in GHXM held by GHKA.

Save as disclosed above, as at 30 June 2013, none of the directors and chief executive had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed in the section "Share option scheme" below, 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 spouses 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 any other body corporate.

SHARE OPTION SCHEME

The Company operated a share option scheme ("**Old 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, remained in force for 10 years from that date. The scheme had expired on 25 November 2012 and the Company adopted a new share option scheme ("**New Scheme**") pursuant to a resolution passed by shareholders in the annual general meeting held on 27 December 2012, for the purpose of providing incentives or rewards to selected eligible participants for their contributions to the Group. The New Scheme became effective on 27 December 2012 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. As at the date of this report, no share options were granted under the New Scheme. Further details of the Scheme are disclosed in note 35 to the financial statements.

The following table discloses movements in the Company's share options outstanding under the Old Scheme during the year:

	Number of share options									
Name or Category of participants	At 1 July 2012	Granted during the year	Adjustment made during the year *(Note (a))*	Exercised during the year	Cancelled or lapsed during the year	At 30 June 2013	Date of grant of share options	Exercise period of share options	Exercise price of share options *(Note (b))* *HK$ per share*	Price of the Share at the date immediately preceding the date of grant of options *(Note (c))* *HK$*
Directors										
Executive										
Mr. Zhang Peter Y.	2,280,000	–	456,000	–	–	2,736,000	28 July 2011	28 July 2011 to 27 July 2013	1.4525	1.48
	–	120,000	24,000	–	–	144,000	3 October 2012	3 October 2012 to 2 October 2014	1.40	1.35
	2,280,000	120,000	480,000	–	–	2,880,000				
Mr. Deng Jie	2,280,000	–	456,000	–	–	2,736,000	28 July 2011	28 July 2011 to 27 July 2013	1.4525	1.48
	–	120,000	24,000	–	–	144,000	3 October 2012	3 October 2012 to 2 October 2014	1.40	1.35
	2,280,000	120,000	480,000	–	–	2,880,000				

Name or Category of participants	Number of share options: At 1 July 2012	Granted during the year	Adjustment made during the year *(Note (a))*	Exercised during the year	Cancelled or lapsed during the year	At 30 June 2013	Date of grant of share options	Exercise period of share options	Exercise price of share options *(Note (b))* *HK$ per share*	Price of the Share at the date immediately preceding the date of grant of options *(Note (c))* *HK$*
Mr. Long Xian Feng	2,280,000	–	456,000	–	–	2,736,000	28 July 2011	28 July 2011 to 27 July 2013	1.4525	1.48
	–	120,000	24,000	–	–	144,000	3 October 2012	3 October 2012 to 2 October 2014	1.40	1.35
	2,280,000	120,000	480,000	–	–	2,880,000				
Mr. Zhou Chong Ke	2,280,000	–	456,000	–	–	2,736,000	28 July 2011	28 July 2011 to 27 July 2013	1.4525	1.48
	–	120,000	24,000	–	–	144,000	3 October 2012	3 October 2012 to 2 October 2014	1.40	1.35
	2,280,000	120,000	480,000	–	–	2,880,000				
Non-executive										
Mr. Wee Ee Lim	2,280,000	–	–	(2,280,000)	–	–	28 July 2011	28 July 2011 to 27 July 2013	1.4525	1.48
	–	120,000	–	(120,000)	–	–	3 October 2012	3 October 2012 to 2 October 2014	1.40	1.35
	2,280,000	120,000	–	(2,400,000)	–	–				
Mr. Tam Sien Hao	2,280,000	–	–	(2,280,000)	–	–	28 July 2011	28 July 2011 to 27 July 2013	1.4525	1.48
	–	120,000	–	(120,000)	–	–	3 October 2012	3 October 2012 to 2 October 2014	1.40	1.35
	2,280,000	120,000	–	(2,400,000)	–	–				
Independent Non-executive										
Professor Kung Hsiang Fu	2,280,000	–	456,000	–	–	2,736,000	28 July 2011	28 July 2011 to 27 July 2013	1.4525	1.48
	–	120,000	24,000	–	–	144,000	3 October 2012	3 October 2012 to 2 October 2014	1.40	1.35
	2,280,000	120,000	480,000	–	–	2,880,000				
Professor Tso Wung Wai	2,280,000	–	–	(2,280,000)	–	–	28 July 2011	28 July 2011 to 27 July 2013	1.4525	1.48
	–	120,000	–	(120,000)	–	–	3 October 2012	3 October 2012 to 2 October 2014	1.40	1.35
	2,280,000	120,000	–	(2,400,000)	–	–				

Name or Category of participants	Number of share options: At 1 July 2012	Granted during the year	Adjustment made during the year *(Note (a))*	Exercised during the year	Cancelled or lapsed during the year	At 30 June 2013	Date of grant of share options	Exercise period of share options	Exercise price of share options *(Note (b))* *HK$ per share*	Price of the Share at the date immediately preceding the date of grant of options *(Note (c))* *HK$*
Mr. Hon Yiu Ming Matthew	2,280,000	–	456,000	(2,736,000)	–	–	28 July 2011	28 July 2011 to 27 July 2013	1.4525	1.48
	–	120,000	24,000	(144,000)	–	–	3 October 2012	3 October 2012 to 2 October 2014	1.40	1.35
	2,280,000	120,000	480,000	(2,880,000)	–	–				
	20,520,000	1,080,000	2,880,000	(10,080,000)	–	14,400,000				
Other employees *(Note (d))*	93,480,000	–	6,696,000	(94,272,000)	–	5,904,000	28 July 2011	28 July 2011 to 27 July 2013	1.4525	1.48
	–	84,920,000	16,984,000	(101,904,000)	–	–	3 October 2012	3 October 2012 to 2 October 2014	1.40	1.35
	93,480,000	84,920,000	23,680,000	(196,176,000)	–	5,904,000				
	114,000,000	86,000,000	26,560,000	(206,256,000)	–	20,304,000				

Notes:

(a) In accordance with the Old Scheme, the exercise price of the share options, granted on 28 July 2011, was adjusted from HK$1.743 per Share to HK$1.4525 per Share and the exercise price of the share options, granted on 3 October 2012, was adjusted from HK$1.68 per share to HK$1.40 per Share, and the total number of Shares to be issued upon exercise of the outstanding share options was also adjusted correspondingly on 22 January 2013, as a result of the bonus issue of Shares by the Company in January 2013.

(b) Pursuant to the Old Scheme, the exercise price of the share option of HK$1.743 per Share (adjusted to HK$1.4525 per share on 22 January 2013) granted on 28 July 2011 and the exercise price of the share option of HK$1.68 per share (adjusted to HK$1.40 per Share on 22 January 2013) granted on 3 October 2012 are subject to adjustment in the case of capitalisation of profits or reserves, rights issue, consolidation, sub-division, reduction of the Company's share capital, or other similar changes in the Company's share capital.

(c) The price of the shares disclosed as at the date of the grant of the share options is the Stock Exchange closing price on the date immediately preceding the date of the grant of the options.

(d) Other employees include employees of the Group (other than the Directors) working under employment contracts with the Group.

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

At 30 June 2013, the following interests and short positions of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name of shareholder	Number of Shares held *(Note 1)*	Capacity and nature of interest	Approximate percentage of interest
BEL *(Note 2)*	853,528,746 (L)	Beneficial owner	26.92%
Liu Yu *(Note 3)*	856,408,746 (L)	Interest of spouse	27.02%
Haw Par Pharmaceutical Holdings Pte. Ltd	485,968,780 (L)	Beneficial owner	15.33%
Haw Par Corporation Limited *(Note 4)*	485,968,780 (L)	Interest of controlled corporation	15.33%
Atlantis Capital Holdings Limited *(Note 5)*	372,016,000 (L)	Interest of controlled corporation	11.74%
Liu Yang *(Note 6)*	372,016,000 (L)	Interest of controlled corporation	11.74%
Kingston Finance Limited	342,720,000 (L)	Person having a security interest in Shares	10.81%
Ample Cheer Limited *(Note 7)*	342,720,000 (L)	Interest of controlled corporation	10.81%
Best Forth Limited *(Note 8)*	342,720,000 (L)	Interest of controlled corporation	10.81%
Chu Yuet Wah *(Note 9)*	342,720,000 (L)	Interest of controlled corporation	10.81%

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. 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. Atlantis Investment Management (Hong Kong) Limited which is a wholly-owned subsidiary of Atlantis Capital Holdings Limited, held 372,016,000 shares in the Company in the capacity of investment manager. By virtue of the provisions of Division 2 and 3 of Part XV of the SF Ordinance, Atlantis Capital Holdings Limited is deemed to be interested in all the Shares in which Atlantis Investment Management (Hong Kong) Limited is interested.

6. Atlantis Capital Holdings Limited is owned as to 100% by Ms. Liu Yang. By virtue of the provisions of Divisions 2 and 3 of Part XV of the SF Ordinance, Ms. Liu Yang is deemed to be interested in all Shares in which Atlantis Capital Holdings Limited is deemed to be interested.

7. Kingston Finance Limited is owned as to 100% by Ample Cheer Limited. By virtue of the provisions of Division 2 and 3 of part XV of the SF Ordinance, Ample Cheer Limited is deemed to be interested in all Shares in which Kingston Finance Limited is deemed to be interested.

8. Ample Cheer Limited is owned as to 80% by Best Forth Limited. By virtue of the provisions of Division 2 and 3 of Part XV of the SF Ordinance, Best Forth Limited is deemed to be interested in all Shares in which Ample Cheer Limited is deemed to be interested.

9. Best Forth Limited is owned as to 100% 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 Best Forth Limited is deemed to be interested.

Save as disclosed above, as at 30 June 2013, no person, other than the directors and chief executive of the Company, whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares and underlying shares and debentures" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

CONTRACT OF SIGNIFICANCE

No contracts of significance in relation to the Group's business in which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during or at the end of 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.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied with the CG Code as set out in Appendix 14 to the Listing Rules throughout the Year.

AUDIT COMMITTEE

The Board has established an audit committee (the "**Committee**") in accordance with the requirements of the CG Code. The primary duties of the Committee include reviewing and providing supervision over the financial reporting 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, which is 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.

AUDITORS

During the year, Shinewing (HK) CPA Limited retired as auditors of the Company and Ernst & Young were appointed by the directors to fill the casual vacancy so arising. There have been no changes of auditors in the past three years. A resolution for the reappointment of Ernst & Young 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
30 September 2013

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 of the CG Code as set out in Appendix 14 to the Listing Rules.

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 ended 30 June 2013 ("**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. Zhou Chong Ke; two non-executive Directors comprising Mr. Wee Ee Lim (Ms. Lim Seok Bin Zann 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 17 to 21 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;

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

(4) determined the policy for the corporate governance of the Company, and duties under Code D.3.1.

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	4/4
Mr. Zhou Chong Ke	4/4
Non-executive Directors	
Mr. Wee Ee Lim *(Ms. Lim Seok Bin Zann as his alternative)*	4/4
Mr. Tarn Sien Hao	4/4
Independent non-executive Directors	
Professor Kung Hsiang Fu	3/4
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.

The Company provides relevant reading materials to all of the Directors to help ensure that they are apprised of the latest changes in the commercial, legal and regulatory environment in which the Group conducts its businesses, and to refresh their knowledge and skills on the roles, functions and duties of a listed company director to ensure that the Directors' contribution to the Board remains informed and relevant. In addition, all Directors have participated in external forums or training courses on relevant topics such as listing rules updates and corporate governance which count towards Continuous Professional Development training.

With the support of the executive Directors and the management of the Group, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and receive adequate information, which are complete and reliable, in a timely manner. Each of the Directors keeps abreast of his/her responsibilities as a director of the Company and of the conduct, business activities and development of the Company. Monthly updates are provided to Directors to ensure that they are aware of the business and regulatory environment in which the Group conducts its business.

The Company renewed the directors' and officers' liability insurance for members of the Board in January 2013 to provide protection against claims arising from the lawful discharge of duties by the Directors.

NOMINATION COMMITTEE

The Nomination Committee was established by the Board with written terms of reference with effect from 30 March 2012, comprising three independent non-executive Directors, namely Professor Kung Hsiang Fu (Chairman), Professor Tso Wung Wai, Mr. Hon Yiu Ming, Matthew; one executive Director Mr. Deng Jie and one non-executive Director Mr. Wee Ee Lim (Ms. Lim Seok Bin Zann as his alternate). Its duties include reviewing the structure, size and composition (including the skills, knowledge, experience and diversity of perspective) of the Board at least annually, making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board on the selection of individuals nominated for directorships.

The Nomination Committee has reviewed the existing policy for the nomination of directors, the nomination procedures and the process and criteria and believes that they are fair and reasonable and is in the best interests of the shareholders of the Company as a whole.

The Company has adopted a board diversity policy in August 2013 which sets out the approach to achieve diversity on the Board in order to enhance the quality of performance of the Board. The Company aims to build and maintain the Board with a diversity of Directors, in terms of skills, experience, knowledge, expertise, culture, independence, age and gender. The Nomination Committee will discuss and agree annually measurable objectives for implementing diversity on the Board and recommend them to the Board for adoption.

Details of attendance of each member of the Nomination Committee during the Year are as follows:

	Attendance
Independent non-executive Directors	
Professor Kung Hsiang Fu	0/1
Professor Tso Wung Wai	1/1
Mr. Hon Yiu Ming, Matthew	1/1
Executive Directors	
Mr. Deng Jie	1/1
Non-executive Directors	
Mr. Wee Ee Lim *(Ms. Lim Seok Bin Zann as his alternate)*	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 (Ms. Lim Seok Bin Zann 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	0/1
Professor Tso Wung Wai	1/1
Executive Directors	
Mr. Deng Jie	1/1
Non-executive Directors	
Mr. Wee Ee Lim *(Ms. Lim Seok Bin Zann 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.

REMUNERATION OF SENIOR MANAGEMENT

The remuneration of the members of the senior management by bands for the year ended 30 June 2013 is set out below:

	Number of senior management
Nil to HK$2,000,000	14

AUDITORS' REMUNERATION

During the Year, the auditors of the Company provided audit services to the Group at the fee of HK$2,400,000.

AUDIT COMMITTEE

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Hon Yiu Ming, Matthew (Chairman), Professor Kung Hsiang Fu, 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	1/2
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 2013, 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 41 to 42 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.

Business plans and budgets are prepared annually by the management of each business unit and are subject to review and approval by the executive Directors of the Company. Plans and budgets are reviewed regularly to measure actual performance against the budget. When setting budgets and forecasts, management identifies, evaluates and reports on the likelihood and potential financial impact of significant business risks. Guidelines and procedures have been established for the approval and control of operating expenditures, capital expenditures and the unbudgeted expenditures and acquisitions.

The executive Directors of the Company review monthly management reports on the financial results and key operating statistics of each business unit and hold periodical meetings with the senior management and the finance team to review these reports, discuss business performance against budgets, forecasts and market conditions, and to address accounting and finance related matters.

The Board is responsible for internal control of the Group and for reviewing its effectiveness. Procedures have been designed to safeguard assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for management use and for publication, and ensure compliance of applicable laws, rules and regulations. The procedures provide reasonable but not absolute assurance against material errors, losses or fraud.

SHAREHOLDERS' COMMUNICATIONS

A Shareholders Communication Policy was adopted in March 2012 to ensure that shareholders of the Company are provided with ready, equal and timely access to balanced and understandable information about the Company.

The Company arranges for the notice to its shareholders to be sent at least 20 clear business days before each of the annual general meetings of the Company. Separate resolutions are proposed at annual general meeting on each substantially separate issue, including the election or re-election of each individual director.

Pursuant to Article 64 of the articles of association of the Company, any shareholder holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by depositing a written requisition to the Board or the Secretary of the Company at Unit 3405, 34th Floor, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition and such meeting shall be held within two months after the deposit of such requisition. Any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The chairman of meeting will explain the poll voting procedures at the relevant general meeting and answer any questions from shareholders on voting by poll.

The Board always welcomes shareholders' views and input. Shareholders may at any time send their enquiries by addressing them to the Company Secretary by post to Unit 3405, 34th Floor, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong.

There was no significant changes in the Company's constitutional documents during the Year.

INDEPENDENT AUDITOR'S REPORT

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 consolidated financial statements of Hua Han Bio-Pharmaceutical Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 43 to 123, which comprise the consolidated and company statements of financial position as at 30 June 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2013, 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
22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

30 September 2013

CONSOLIDATED INCOME STATEMENT

Year ended 30 June 2013

	Notes	2013 HK$'000	2012 HK$'000
REVENUE	5	**1,754,392**	1,312,127
Cost of sales		**(387,032)**	(456,269)
Gross profit		**1,367,360**	855,858
Other income	5	**13,571**	13,510
Selling and distribution expenses		**(879,790)**	(365,318)
Administrative expenses		**(120,555)**	(84,564)
Share-based payments	35	**(28,058)**	(52,374)
Impairment of deferred expenditure	17	**(47,491)**	–
Gain on disposal of an available-for-sale investment	22	**19,582**	–
Gain on partial disposal and deemed partial disposal in interest in an associate	21	**–**	257,053
Gain on deemed disposal of interest in an associate	21	**–**	125,335
Share of profits/(loss) of associates		**(1,568)**	27,707
Finance costs	6	**(1,960)**	(2,958)
PROFIT BEFORE TAX	7	**321,091**	774,249
Income tax expense	10	**(97,766)**	(79,278)
PROFIT FOR THE YEAR		**223,325**	694,971
Attributable to:			
Owners of the Company	11	**223,041**	657,228
Non-controlling interests		**284**	37,743
		223,325	694,971
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	13		(Restated)
— Basic		**HK7.43 cents**	HK22.75 cents
— Diluted		**HK7.36 cents**	HK22.74 cents

Details of the dividends are included in note 12 to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 30 June 2013

	2013 HK$'000	2012 HK$'000
PROFIT FOR THE YEAR	**223,325**	694,971
OTHER COMPREHENSIVE INCOME/(EXPENSES)		
Items that will not be reclassified to income statement in subsequent periods:		
Gains on revaluation of buildings	**13,741**	13,577
Deferred tax arising from revaluation on buildings	**(2,928)**	(2,828)
	10,813	10,749
Items that may be reclassified to income statement in subsequent periods:		
Exchange differences on translation of foreign operations	**163,239**	42,999
Share of other comprehensive income of associates	**–**	11,558
Release of reserves upon partial and deemed partial disposal of interest in an associate	**–**	(8,764)
	163,239	45,793
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**174,052**	56,542
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**397,377**	751,513
Attributable to:		
Owners of the Company	**389,532**	711,772
Non-controlling interests	**7,845**	39,741
	397,377	751,513

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**361,560**	322,281
Prepaid land lease payments	15	**29,705**	29,707
Intangible assets	16	**164,220**	192,711
Deferred expenditure	17	**51,471**	97,051
Goodwill	18	**110,273**	110,273
Investment in a jointly-controlled entity	20	**–**	–
Investment in an associate	21	**374,742**	179,059
Available-for-sale investment	22	**–**	270,451
Deposits	23	**467,093**	436,265
Deferred tax assets	32	**43,915**	4,816
Total non-current assets		**1,602,979**	1,642,614
CURRENT ASSETS			
Inventories	24	**41,383**	42,543
Trade and bills receivables	25	**659,924**	442,723
Prepayments, deposits and other receivables	26	**43,605**	174,552
Tax recoverable		**6,815**	6,634
Cash and cash equivalents	27	**2,799,436**	2,095,315
Total current assets		**3,551,163**	2,761,767
CURRENT LIABILITIES			
Trade payables	28	**51,854**	41,639
Other payables and accrued expenses	29	**139,769**	104,463
Obligation under a finance lease	30	**89**	83
Interest-bearing bank borrowings	31	**25,108**	31,650
Tax payable		**125,941**	54,768
Total current liabilities		**342,761**	232,603
NET CURRENT ASSETS		**3,208,402**	2,529,164
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,811,381**	4,171,778
NON-CURRENT LIABILITIES			
Obligation under a finance lease	30	**31**	120
Deferred tax liabilities	32	**55,868**	59,992
Deferred income	33	**17,576**	21,996
Total non-current liabilities		**73,475**	82,108
Net assets		**4,737,906**	4,089,670

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

30 June 2013

	Notes	2013 HK$'000	2012 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*34*	**317,009**	241,033
Reserves	*36(a)*	**4,229,849**	3,665,434
		4,546,858	3,906,467
Non-controlling interests		**191,048**	183,203
Total equity		**4,737,906**	4,089,670

Zhang Peter Y.
Director

Deng Jie
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2013

	Attributable to owners 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$'000*	Share option reserve *HK$'000*	Other reserve *HK$'000*	Retained profits *HK$'000*	Proposed final dividend *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1 July 2011	197,433	1,122,131	26,184	100,781	321,679	13,987	(8,410)	1,341,706	67,127	3,182,618	143,462	3,326,080
Profit for the year	–	–	–	–	–	–	–	657,228	–	657,228	37,743	694,971
Other comprehensive income for the year:												
Exchange differences on translation of foreign operations	–	–	–	–	41,370	–	–	–	–	41,370	1,629	42,999
Share of other comprehensive income of associates	–	–	–	–	4,526	7,032	–	–	–	11,558	–	11,558
Release of reserves upon partial and deemed partial disposal of interest in an associate	–	–	–	–	(8,764)	(12,341)	–	12,341	–	(8,764)	–	(8,764)
Surplus on revaluation *(note 14)*	–	–	13,129	–	–	–	–	–	–	13,129	448	13,577
Effect of deferred tax *(note 32)*	–	–	(2,749)	–	–	–	–	–	–	(2,749)	(79)	(2,828)
Total comprehensive income for the year	–	–	10,380	–	37,132	(5,309)	–	669,569	–	711,772	39,741	751,513
Bonus shares issued *(note 34)*	40,172	(40,172)	–	–	–	–	–	–	–	–	–	–
Issue of shares upon exercise of share options *(note 34)*	3,428	33,246	–	–	–	(8,678)	–	–	–	27,996	–	27,996
Share-based payments *(note 35)*	–	–	–	–	–	52,374	–	–	–	52,374	–	52,374
Final 2011 dividend declared *(note 12)*	–	–	–	–	–	–	–	(1,166)	(67,127)	(68,293)	–	(68,293)
Proposed final and special 2012 dividends *(note 12)*	–	(202,468)	–	–	–	–	–	–	202,468	–	–	–
At 30 June 2012	241,033	912,737*	36,564*	100,781*	358,811*	52,374*	(8,410)*	2,010,109*	202,468*	3,906,467	183,203	4,089,670

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Year ended 30 June 2013

	Attributable to owners 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$'000*	Share option reserve *HK$'000*	Other reserve *HK$'000*	Retained profits *HK$'000*	Proposed final dividend *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1 July 2012	241,033	912,737	36,564	100,781	358,811	52,374	(8,410)	2,010,109	202,468	3,906,467	183,203	4,089,670
Profit for the year	–	–	–	–	–	–	–	223,041	–	223,041	284	223,325
Other comprehensive income for the year:												
Exchange differences on translation of foreign operations	–	–	–	–	157,221	–	–	–	–	157,221	6,018	163,239
Surplus on revaluation *(note 14)*	–	–	11,726	–	–	–	–	–	–	11,726	2,015	13,741
Effect of deferred tax *(note 32)*	–	–	(2,456)	–	–	–	–	–	–	(2,456)	(472)	(2,928)
Total comprehensive income for the year	–	–	9,270	–	157,221	–	–	223,041	–	389,532	7,845	397,377
Bonus shares issued *(note 34)*	49,551	(49,551)	–	–	–	–	–	–	–	–	–	–
Issue of shares upon subscription of new shares *(note 34)*	5,800	111,360	–	–	–	–	–	–	–	117,160	–	117,160
Issue of shares upon exercise of share options *(note 34)*	20,625	365,841	–	–	–	(72,738)	–	–	–	313,728	–	313,728
Share-based payments *(note 35)*	–	–	–	–	–	28,058	–	–	–	28,058	–	28,058
Final and special 2012 dividends declared *(note 12)*	–	(5,619)	–	–	–	–	–	–	(202,468)	(208,087)	–	(208,087)
Proposed final and special 2013 dividends *(note 12)*	–	(199,716)	–	–	–	–	–	–	199,716	–	–	–
At 30 June 2013	317,009	1,135,052*	45,834*	100,781*	516,032*	7,694*	(8,410)*	2,233,150*	199,716*	4,546,858	191,048	4,737,906

* *These reserve accounts comprise the consolidated reserves of HK$4,229,849,000 (2012: HK$3,665,434,000) in the consolidated statement of financial position.*

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 30 June 2013

	Notes	**2013 HK$'000**	2012 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**321,091**	774,249
Adjustments for:			
Bank interest income	5	**(8,628)**	(8,575)
Finance costs	6	**1,960**	2,958
Depreciation	7	**18,106**	19,129
Amortisation of intangible assets	7	**33,238**	33,823
Amortisation of prepaid land lease payments	7	**747**	768
Share of loss/(profit) of associates		**1,568**	(27,707)
Gain on disposal of items of property, plant and equipment	7	**(3)**	–
Gain on deemed partial disposal of interest in an associate	21	**–**	(257,053)
Gain on deemed disposal of interest in an associate	21	**–**	(125,335)
Gain on disposal of an available-for-sale investment	22	**(19,582)**	–
Government grants	5	**–**	(37)
Impairment of deferred expenditure	17	**47,491**	–
Impairment/(reversal of impairment) of trade receivables	25	**(961)**	3,633
Impairment/(reversal of impairment) of other receivables		**(79)**	210
Amortisation of deferred income	33	**(4,943)**	(4,898)
Share-based payments	35	**28,058**	52,374
		418,063	463,539
Decrease/(increase) in inventories		**2,365**	(14,375)
Decrease/(increase) in trade and bills receivables		**(200,987)**	121,308
Decrease in prepayments, deposits and other receivables		**113,325**	129,906
Increase in trade payables		**8,937**	8,886
Increase/(decrease) in other payables and accruals		**32,352**	(26,867)
Cash generated from operations		**374,055**	682,397
PRC profits tax paid		**(74,945)**	(85,795)
Net cash flows from operating activities		**299,110**	596,602
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**8,628**	8,575
Proceeds from partial disposal of an associate, net of expenses		**–**	449,462
Proceeds from disposal of prepaid land lease payments		**–**	79,836
Proceeds from disposal of items of property, plant and equipment		**19**	–
Proceeds from disposal of an available-for-sale investment, net of expenses	22	**290,033**	–
Deposit paid for acquisition of items of property, plant and equipment		**(11,932)**	(2,460)
Deposit paid for acquisition of prepaid land lease payments		**–**	(244,400)
Deposit paid for acquisition of intangible assets		**(14,833)**	–
Addition to deferred expenditure		**–**	(37,625)
Purchases of items of property, plant and equipment	37	**(24,548)**	(11,779)

/continued...

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Year ended 30 June 2013

	Notes	2013 HK$'000	2012 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES (continued)			
Capital injection to an associate		–	(11,976)
Dividend received from an associate		–	7,513
Repayment of/(advance to) a third party		18,330	(18,330)
Advance to an associate		(192,076)	(167,659)
Net cash flows from investing activities		73,621	51,157
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	34	430,888	27,996
New bank loans		24,722	31,721
Repayment of bank loans		(32,015)	(32,946)
Repayment of obligation under a capital element of finance lease		(83)	(672)
Dividends paid		(208,087)	(68,293)
Government grant received		–	37
Interest paid		(1,960)	(2,958)
Net cash flows from/(used in) financing activities		213,465	(45,115)
NET INCREASE IN CASH AND CASH EQUIVALENTS		586,196	602,644
Cash and cash equivalents at beginning of year		2,095,315	1,456,597
Effect of foreign exchange rate changes, net		117,925	36,074
CASH AND CASH EQUIVALENTS AT END OF YEAR		2,799,436	2,095,315
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	27	2,795,010	2,095,315
Time deposit with original maturity of less than three months when acquired	27	4,426	–
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows		2,799,436	2,095,315

STATEMENT OF FINANCIAL POSITION

30 June 2013

	Notes	**2013**	2012
		HK$'000	*HK$'000*
NON-CURRENT ASSETS			
Investments in subsidiaries	*19*	**133,703**	133,703
CURRENT ASSETS			
Due from subsidiaries	*19*	**1,809,486**	1,724,697
Prepayments	*26*	**180**	180
Cash and cash equivalents	*27*	**129,079**	218
Total current assets		**1,938,745**	1,725,095
CURRENT LIABILITIES			
Due to subsidiaries	*19*	**273,586**	273,586
Accruals	*29*	**821**	821
Total current liabilities		**274,407**	274,407
NET CURRENT ASSETS		**1,664,338**	1,450,688
Net assets		**1,798,041**	1,584,391
EQUITY			
Issued capital	*34*	**317,009**	241,033
Reserves	*36(b)*	**1,281,316**	1,140,890
Proposed final dividend	*12*	**199,716**	202,468
Total equity		**1,798,041**	1,584,391

Zhang Peter Y.	**Deng Jie**
Director	*Director*

1. CORPORATE INFORMATION

Hua Han Bio-Pharmaceutical Holdings Limited is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is 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, medical healthcare products for woman, 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 ("HKICPA"), 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 classified as property, plant and equipment, 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 2013. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from inter-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if it results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes — Deferred Tax: Recovery of Underlying Assets*

Other than as further explained below regarding the impact of amendments to HKAS 1, the adoption of the revised HKFRSs has had no significant financial effect on these financial statements.

The HKAS 1 Amendments change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gain on hedge of a net investment, exchange differences on translation of foreign operations and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, revaluation surplus of buildings). The amendments affect presentation only and have no impact on the financial position or performance.

2.3 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 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Government Loans*[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*[1]
HKFRS 9	*Financial Instruments*[3]
HKFRS 10	*Consolidated Financial Statements*[1]
HKFRS 11	*Joint Arrangements*[1]
HKFRS 12	*Disclosure of Interests in Other Entities*[1]
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 — *Transition Guidance*[1]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — *Investment Entities*[2]
HKFRS 13	*Fair Value Measurement*[1]
HKAS 19 (2011)	*Employee Benefits*[1]
HKAS 27 (2011)	*Separate Financial Statements*[1]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[1]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*[2]
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets — Recoverable Amount Disclosures for Non-Financial Assets*[2]
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurements — Novation of Derivatives and Continuation of Hedge Accounting*[2]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[1]
HK(IFRIC)-Int 21	*Levies*[2]
Annual Improvements 2009–2011 Cycle	Amendments to a number of HKFRSs issued in June 2012[1]

1 Effective for annual periods beginning on or after 1 January 2013
2 Effective for annual periods beginning on or after 1 January 2014
3 Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on its 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 that are not classified as held for sale in accordance with HKFRS 5 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, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Jointly-controlled entities

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 investment in a jointly-controlled entity is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and reserves of the jointly-controlled entity is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entity are eliminated to the extent of the Group's investment in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of the jointly-controlled entity is included as part of the Group's investment in the jointly-controlled entity.

The result of jointly-controlled entity is included in the Company's income statement to the extent of dividends received and receivable. The Company's investment in the jointly-controlled entity is treated as non-current assets and is stated at cost less any impairment losses.

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 investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates and is not individually tested for impairment.

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in associates are treated as non-current assets and are stated at cost less any impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill

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

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

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

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, goodwill, tax recoverable and deferred tax assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs 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, 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 the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to 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 is a person or a close member of that person's family and that person

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

  (ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost 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 the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

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 method are reviewed, and adjusted if appropriate, at least at each financial year end.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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.

Intangible assets (other than goodwill)

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

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

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.

Technical know-how

The cost of acquiring the rights to technical know-how 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 know-how of a maximum of ten years, commencing from the date when the products are ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 put into commercial production.

Deferred expenditure

Deferred expenditure represented the cost of acquiring a know-how 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.

Leases

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as loans and receivables and available-for-sale financial investments as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs.

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

Subsequent measurement

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

Loans and receivables

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

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Available-for-sale financial investments (continued)

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the income statement. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the income statement as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. Reclassification to the held-to-maturity category is permitted only when the Group has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

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

Financial assets carried at amortised cost

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

If there is objective evidence that an impairment loss 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 yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

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

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

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, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or ''prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement — is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

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

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

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

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

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as loans and borrowings. The Group determines the classification of its financial liabilities at initial recognition.

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

The Group's financial liabilities include trade and other payables, obligations under finance lease, and interest-bearing bank borrowings.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement

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

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate amortisation process.

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

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.

Offsetting of financial instruments

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

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. These techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value after making due allowances for 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 statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

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

Provisions

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

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

Income tax

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 on a systematic basis over the period that the costs, which it is intended to compensate, are expensed.

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

Revenue recognition

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

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

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

Share-based payments

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

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 35 to the financial statements.

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. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the 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)

Share-based payments (continued)

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

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

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

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

Other employee benefits

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. 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 Group's subsidiaries which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of their payroll costs to the central pension scheme. 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 directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. 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 recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the income statement.

Differences arising on settlement or translation of monetary items are recognised in the income statement with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the income statement. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

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

The functional currencies of certain overseas subsidiaries and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated statement of cash flows, 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 their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

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

The Group has to exercise judgement in determining whether an asset is impaired or the event previously causing the asset impairment no longer exists, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such 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 or derecognition; 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

Withholding tax arising from the distribution of dividends

The Group's determination as to whether to accrue for withholding taxes arising from the distributions of dividends from certain subsidiaries according to the relevant tax jurisdictions is subject to judgement on the timing of the payment of the dividends in the future. The management exercise full control over the dividend policy of the Group. The directors considered as it is not possible that the Group's subsidiaries established in Mainland China will distribute dividends in the foreseeable future, and therefore considered no deferred tax for withholding taxes on undistributed profits should be recognised.

Estimation uncertainty

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

Impairment of trade receivables

Impairment of trade receivables is made based on assessment of the recoverability of trade receivables. 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 14 to the financial statements, the buildings located outside Hong Kong were revalued at the end of the reporting period 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 the end of each reporting period.

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES (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 2013 was HK$110,273,000 (2012: HK$110,273,000). Further details are given in note 18.

Impairment of intangible assets

The Group assesses whether there are any indicators of impairment for all intangible assets at the end of each reporting period. The intangible assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an intangible asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. When value in use calculations are undertaken, management must estimate the expected future cash flows from the intangible asset and choose a suitable discount rate in order to calculate the present value of those cash flows.

4. OPERATING SEGMENT INFORMATION

The Group has only one business segment, namely pharmaceutical products, and accordingly no business segment information is presented. No geographical segment information is presented as the Group's revenue is solely derived from customers based in Mainland China, and over 90% of the Group's assets are located in Mainland China.

Information about a major customer

Revenue of HK$473,158,000 was derived from sales to a single customer during the year ended 30 June 2013, including sales to a group of entities which are known to be under common control with that customer.

5. REVENUE AND OTHER INCOME

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 and other income is as follows:

	Group	
	2013	2012
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**1,916,168**	1,724,465
Less: rebates	**(161,776)**	(412,338)
	1,754,392	1,312,127
Other income		
Bank interest income	**8,628**	8,575
Recognition of deferred income on distribution rights *(note 33)*	**4,943**	4,898
Government grants*	**–**	37
	13,571	13,510

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

6. FINANCE COSTS

	Group	
	2013	2012
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	**1,948**	2,897
Interest on finance lease	**12**	61
	1,960	2,958

7. PROFIT BEFORE TAX

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

	Notes	2013 HK$'000	2012 HK$'000
Cost of inventories sold		**387,032**	456,269
Depreciation	14	**18,106**	19,129
Amortisation of intangible assets*	16	**33,238**	33,823
Amortisation of prepaid land lease payments	15	**747**	768
Research and development costs		**4,201**	3,324
Minimum lease payments under operating leases in respect of land and buildings		**2,678**	2,662
Auditors' remuneration		**2,400**	2,000
Employee benefits expense (including directors' and chief executive's remuneration) *(note 8)*:			
Wages and salaries		**53,457**	46,719
Share-based payments		**28,058**	52,374
Pension scheme contributions**		**6,143**	4,658
		87,658	103,751
Foreign exchange differences, net		**35**	418
Impairment of deferred expenditure	17	**47,491**	–
Impairment/(reversal of impairment) of trade receivables	25	**(961)**	3,633
Impairment/(reversal of impairment) of other receivables		**(79)**	210
Gain on disposal of items of property, plant and equipment		**(3)**	–

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

** *At 30 June 2013, the Group had no forfeited contribution available to reduce its contributions to the pension schemes in future years (2012: Nil).*

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	Group	
	2013	2012
	HK$'000	*HK$'000*
Fees:		
Independent non-executive directors	**600**	600
Non-executive directors	**400**	400
	1,000	1,000
Other emoluments:		
Salaries, allowances and benefits in kind	**523**	523
Discretionary bonuses	**3,640**	3,640
Share-based payments	**351**	9,423
Pension scheme contributions	**28**	28
	4,542	13,614
	5,542	14,614

During the year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 35 to the financial statements. The fair value of these options, which has been vested upon grant and recognised in full in the income statement, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Share-based payments HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2013						
Executive directors:						
Mr. Zhang Peter Y.	–	165	1,173	39	7	1,384
Mr. Deng Jie*	–	138	1,080	39	7	1,264
Mr. Long Xian Feng	–	110	987	39	7	1,143
Mr. Zhou Chong Ke	–	110	400	39	7	556
	–	523	3,640	156	28	4,347
Non-executive directors:						
Mr. Wee Ee Lim	200	–	–	39	–	239
Mr. Tarn Sien Hao	200	–	–	39	–	239
	400	–	–	78	–	478
Independent non-executive directors:						
Professor Kung Hsiang Fu	200	–	–	39	–	239
Professor Tso Wung Wai	200	–	–	39	–	239
Mr. Hon Yiu Ming, Matthew	200	–	–	39	–	239
	600	–	–	117	–	717
	1,000	523	3,640	351	28	5,542

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

	Fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Discretionary bonuses *HK$'000*	Share-based payments *HK$'000*	Pension scheme contributions *HK$'000*	Total remuneration *HK$'000*
2012						
Executive directors:						
Mr. Zhang Peter Y.	–	165	1,173	1,047	7	2,392
Mr. Deng Jie*	–	138	1,080	1,047	7	2,272
Mr. Long Xian Feng	–	110	987	1,047	7	2,151
Mr. Zhou Chong Ke	–	110	400	1,047	7	1,564
	–	523	3,640	4,188	28	8,379
Non-executive directors:						
Mr. Wee Ee Lim	200	–	–	1,047	–	1,247
Mr. Tarn Sien Hao	200	–	–	1,047	–	1,247
	400	–	–	2,094	–	2,494
Independent non-executive directors:						
Professor Kung Hsiang Fu	200	–	–	1,047	–	1,247
Professor Tso Wung Wai	200	–	–	1,047	–	1,247
Mr. Hon Yiu Ming, Matthew	200	–	–	1,047	–	1,247
	600	–	–	3,141	–	3,741
	1,000	523	3,640	9,423	28	14,614

* *Mr. Deng Jie is also the chief executive officer of the Company.*

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2012: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2012: four) directors, details of whose remuneration are set out in note 8. Details of the remuneration for the year of the remaining one (2012: one), highest paid employee who is neither a director nor chief executive of the Company are as follows:

	2013	2012
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**715**	661
Share-based payments	**–**	1,047
Pension scheme contributions	**12**	12
	727	1,720

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

	Number of employees	
	2013	2012
Nil to HK$1,000,000	**1**	–
HK$1,000,001 to HK$1,500,000	**–**	–
HK$1,500,001 to HK$2,000,000	**–**	1
	1	1

During the year and in prior years, share options were granted to a non-director and non-chief executive, highest paid employee in respect of his services to the Group, further details of which are included in the disclosures in note 35 to the financial statements. The fair value of these options, which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive, highest paid employees' remuneration disclosures.

10. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2012: Nil). Taxes on profits assessable in the Mainland China have been calculated at the tax rates prevailing in the jurisdictions in which the Group operates.

Under the Corporate Income Tax Law (the "New CIT Tax Law") of the PRC, which became effective from 1 January 2008, enterprises are subject to corporate income tax ("CIT") at a rate of 25%. Under the New CIT Tax Law, for those enterprises benefiting from lower preferential tax rates, the preferential rates will be gradually phased out by increasing them to 25% over five years.

	2013	2012
	HK$'000	*HK$'000*
Current — Mainland China		
Charge for the year	**143,840**	90,371
Underprovision in prior years	**121**	131
Deferred *(note 32)*	**(46,195)**	(11,224)
Total tax charge for the year	**97,766**	79,278

Guiyang De Chang Xiang Pharmaceutical Company Limited ("DCX") and 桂林華諾威基因藥業有限公司 ("華諾威"), subsidiaries of the Company, were classified as approved High and New Technology Enterprises in Mainland China. Accordingly, DCX and 華諾威 are entitled to a preferential Mainland China corporate income tax rate of 15%. Moreover, pursuant to an approval received from 西藏自治區人民政府 on 1 January 2011, 西藏昌都地區康源醫藥有限公司 ("昌都康源"), a subsidiary of the Company, was approved a Mainland China corporate income tax rate of 15% with respect to the preferential tax policy granted for entities established in Tibet.

10. INCOME TAX (continued)

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

	2013	2012
	HK$'000	*HK$'000*
Profit before tax	**321,091**	774,249
Tax at the statutory tax rate	**80,273**	193,562
Tax effect on lower/preferential tax rates	**(38,228)**	(54,691)
Adjustments in respect of current tax of previous periods	**121**	131
Profits and losses attributable to associates	**392**	(7,716)
Income not subject to tax	**(3,231)**	(62,574)
Expenses not deductible for tax	**56,407**	10,566
Tax losses utilised from previous periods	**1,533**	–
Tax losses not recognised	**499**	–
Tax charge at the Group's effective rate	**97,766**	79,278

11. PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 30 June 2013 includes a loss of HK$37,209,000 (2012: profit of HK$140,531,000) which has been dealt with in the financial statements of the Company (note 36(b)).

12. DIVIDENDS

	2013	2012
	HK$'000	*HK$'000*
Dividends paid during the year:		
Final dividend in respect of the financial year ended 30 June 2012		
— HK3.4 cents per ordinary share (2012: HK3.4 cents per ordinary share in respect of the financial year ended 30 June 2011)	**84,226**	68,293
Special dividend in respect of the financial year ended 30 June 2012		
— HK5 cents per ordinary share (2012: Nil)	**123,861**	–
	208,087	68,293
Proposed dividend:		
Final — HK2.3 cents (2012: HK3.4 cents) per ordinary share	**72,912**	81,951
Special — HK4.0 cents (2012: HK5 cents) per ordinary share	**126,804**	120,517
	199,716	202,468

The proposed final and special dividend of HK$72,912,000 and HK$126,804,000, representing HK2.3 cents and HK4 cents per share, respectively, and a bonus issue of shares on the basis of 1 new ordinary share for every 5 existing ordinary shares (the "Bonus Issue") for the year ended 30 June 2013 is subject to the approval of the Company's shareholders at the Company's annual general meeting on 13 December 2013. These financial statements do not reflect the dividend payable.

The proposed final and special dividend of HK$81,951,000 and HK$120,517,000, representing HK3.4 cents and HK5 cents per share, respectively, and a bonus issue of shares on the basis of 1 new ordinary share for every 5 existing ordinary shares (the "2012 Bonus Issue") for the year ended 30 June 2012 were approved by the Company's shareholders at the Company's annual general meeting on 27 December 2012. The final and special dividend of HK3.4 cents and HK5 cents per share, respectively, for the year ended 30 June 2012 were satisfied by cash payment. On 22 January 2013, 495,506,380 shares of HK$0.1 each were issued to satisfy the 2012 Bonus Issue of shares. The dividend payable was not reflected in the financial statements as at 30 June 2012.

13. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company of HK$223,041,000 (2012: HK$657,228,000), and the weighted average of number of ordinary shares of 3,001,619,000 (2012: 2,888,689,000 adjusted for the effect of the Bonus Issue) in issue during the year, as adjusted for the effect of the Bonus Issue during the year.

The calculation of diluted earnings per share amounts is based on the profit for the year attributable to owners of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options into ordinary shares.

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

	2013	2012
	HK$'000	*HK$'000*
Earnings:		
Profit for the year attributable to owners of the Company	**223,041**	657,228
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (2012: restated to reflect the effect of the 2012 Bonus Issue)	**3,001,619**	2,888,689
Weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options outstanding during the year (2012: restated to reflect the effect of the 2012 Bonus Issue)	**30,701**	965
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**3,032,320**	2,889,654

14. 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 2013						
Cost or valuation:						
At 1 July 2012	222,563	7,162	80,143	24,498	62,986	397,352
Additions	–	–	5,121	1,947	27,229	34,297
Disposals	–	–	–	(310)	–	(310)
Transfers	17,243	–	8,339	(540)	(25,042)	–
Surplus on revaluation	1,591	–	–	–	–	1,591
Exchange realignment	6,455	520	2,863	696	1,762	12,296
At 30 June 2013	247,852	7,682	96,466	26,291	66,935	445,226
Accumulated depreciation:						
At 1 July 2012	–	3,445	52,613	19,013	–	75,071
Depreciation provided during the year	12,150	272	4,842	842	–	18,106
Disposals	–	–	–	(294)	–	(294)
Transfers	–	–	13	(13)	–	–
Write-back upon revaluation	(12,150)	–	–	–	–	(12,150)
Exchange realignment	–	425	1,952	556	–	2,933
At 30 June 2013	–	4,142	59,420	20,104	–	83,666
Net carrying amount:						
At 30 June 2013	247,852	3,540	37,046	6,187	66,935	361,560
At 30 June 2012	222,563	3,717	27,530	5,485	62,986	322,281
Analysis of cost or valuation:						
At cost	–	7,682	96,466	26,291	66,935	197,374
At 30 June 2013 valuation	247,852	–	–	–	–	247,852
	247,852	7,682	96,466	26,291	66,935	445,226

14. PROPERTY, PLANT AND EQUIPMENT (continued)

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 2012						
Cost or valuation:						
At 1 July 2011	192,073	6,859	76,677	22,600	67,628	365,837
Additions	–	–	2,197	1,563	19,243	23,003
Transfers	25,000	–	–	–	(25,000)	–
Surplus on revaluation	2,444	–	–	–	–	2,444
Exchange realignment	3,046	303	1,269	335	1,115	6,068
At 30 June 2012	222,563	7,162	80,143	24,498	62,986	397,352
Accumulated depreciation:						
At 1 July 2011	–	2,935	45,511	17,381	–	65,827
Provided during the year	11,133	269	6,363	1,364	–	19,129
Write-back upon revaluation	(11,133)	–	–	–	–	(11,133)
Exchange realignment	–	241	739	268	–	1,248
At 30 June 2012	–	3,445	52,613	19,013	–	75,071
Net carrying amount:						
At 30 June 2012	222,563	3,717	27,530	5,485	62,986	322,281
At 30 June 2011	192,073	3,924	31,166	5,219	67,628	300,010
Analysis of cost or valuation:						
At cost	–	7,162	80,143	24,498	62,986	174,789
At 30 June 2012 valuation	222,563	–	–	–	–	222,563
	222,563	7,162	80,143	24,498	62,986	397,352

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

14. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group's buildings situated outside Hong Kong for offices and production premises were revalued individually on 30 June 2013 by DTZ Debenham Tie Leung Limited ("DTZ"), independent professionally qualified valuers, on an open market, existing use basis, at an aggregate of HK$247,852,000 (2012: HK$222,563,000) existing use basis. A revaluation surplus of HK$13,741,000 (2012: HK$13,577,000) resulting from the above valuations, has been credited to other comprehensive income.

Had the Group's buildings been carried at historical cost less accumulated depreciation, their net carrying amount would have been approximately HK$123,834,000 (2012: HK$118,741,000).

The net carrying amounts of the Group's property, plant and equipment held under a finance lease included in the total amounts of motor vehicles at 30 June 2013 amounted to HK$114,000 (2012: HK$200,000).

At 30 June 2013, certain of the Group's buildings, and plant and machineries with an aggregate net carrying amounts of HK$37,668,000 (2012: HK$36,432,000), were pledged to secure certain banking facilities granted to the Group (note 31).

As at 30 June 2013, the Group had not yet obtained the title ownership certificates for certain of its buildings situated in Guizhou, the PRC, with an aggregate carrying value of HK$135,960,000 (2012: HK$115,190,000), and the respective title ownership certificates are currently under application. The Company's directors confirmed that there is no significant legal barrier for the Group to obtain the relevant title ownership certificates for these buildings from the relevant PRC authority.

15. PREPAID LAND LEASE PAYMENTS

	Group	
	2013	2012
	HK$'000	*HK$'000*
Carrying amount at 1 July	**30,473**	30,740
Recognised during the year	**(747)**	(768)
Exchange realignment	**822**	501
Carrying amount at 30 June	**30,548**	30,473
Less: Current portion included in prepayments, deposits and other receivables *(note 26)*	**(843)**	(766)
Non-current portion	**29,705**	29,707

The leasehold land is situated in Mainland China and is held under medium term leases.

At 30 June 2013, certain of the Group's prepaid land lease payments with an aggregate carrying amount of HK$4,564,000 (2012: HK$4,598,000) were pledged to secure certain banking facilities granted to the Group (note 31).

16. INTANGIBLE ASSETS

Group

	Operating right HK$'000	Technical know-how HK$'000	Deferred development costs HK$'000	Total HK$'000
30 June 2013				
Cost:				
At 1 July 2012	**4,951**	**417,230**	**7,424**	**429,605**
Exchange realignment	**135**	**11,404**	**203**	**11,742**
At 30 June 2013	**5,086**	**428,634**	**7,627**	**441,347**
Accumulated amortisation and impairment:				
At 1 July 2012	**1,650**	**227,820**	**7,424**	**236,894**
Amortisation provided during the year	**1,251**	**31,987**	**–**	**33,238**
Exchange realignment	**66**	**6,726**	**203**	**6,995**
At 30 June 2013	**2,967**	**266,533**	**7,627**	**277,127**
Net carrying amount:				
At 30 June 2013	**2,119**	**162,101**	**–**	**164,220**
At 30 June 2012	**3,301**	**189,410**	**–**	**192,711**

16. INTANGIBLE ASSETS (continued)

Group

	Operating right *HK$'000*	Technical know-how *HK$'000*	Deferred development costs *HK$'000*	Total *HK$'000*
30 June 2012				
Cost:				
At 1 July 2011	4,872	412,736	7,305	424,913
Exchange realignment	79	4,494	119	4,692
At 30 June 2012	4,951	417,230	7,424	429,605
Accumulated amortisation and impairment:				
At 1 July 2011	406	192,194	7,305	199,905
Amortisation provided during the year	1,240	32,583	–	33,823
Exchange realignment	4	3,043	119	3,166
At 30 June 2012	1,650	227,820	7,424	236,894
Net carrying amount:				
At 30 June 2012	3,301	189,410	–	192,711
At 30 June 2011	4,466	220,542	–	225,008

17. DEFERRED EXPENDITURE

	Group	
	2013	2012
	HK$'000	*HK$'000*
Carrying amount at 1 July	**97,051**	59,426
Additions	**–**	36,742
Impairment during the year	**(47,491)**	–
Exchange realignment	**1,911**	883
Carrying amount at 30 June	**51,471**	97,051

Balance represents the costs of acquiring a technical know-how that is in the process of registering with the relevant regulatory bodies, in relation to the production of a category I new medicine (the "New Medicine") in Mainland China.

During the year ended 30 June 2013, the directors of the Company conducted a review of the deferred expenditure and determined that the technical know-how to produce the New Medicine was impaired with reference to the valuation of the technical know-how performed by a firm of professional valuers as at 30 June 2013. Accordingly, impairment losses of approximately HK$47,491,000 has been recognised in respect of the deferred expenditure for the year ended 30 June 2013.

18. GOODWILL

	Group
	HK$'000
Cost and net carrying amount at 1 July 2011, 30 June 2012, 1 July 2012 and 30 June 2013	110,273

Impairment testing of goodwill

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

- 貴州漢方製藥有限公司 ("GHMM");
- DCX; and
- Guilin Gu Jin Pharmaceutical Technology Co. Ltd. ("Guilin Gu Jin")

All of the CGUs are operating in the manufacturing, sales and trading of Chinese pharmaceutical products. The recoverable amount of these cash-generating units has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The growth rate used to extrapolate the cash flows of the industrial products unit beyond the five-year period is 0%–3% (2012: 0%–3%). The discount rate applied to cash flow projections is 18% (2012: 18%).

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

	2013	2012
	HK$'000	*HK$'000*
GHMM	**1,603**	1,603
DCX	**16,038**	16,038
Guilin Gu Jin	**92,632**	92,632
	110,273	110,273

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, which is before tax and reflects specific risks relating to the cash-generating unit.

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 there was no impairment of the goodwill at the end of the reporting period.

19. INVESTMENTS IN SUBSIDIARIES

	2013	2012
	HK$'000	*HK$'000*
Unlisted investments, at cost	**133,703**	133,703

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

Particulars of the principal subsidiaries are as follows:

Name	**Place of incorporation/ registration and operations**	**Nominal value of issued ordinary/ registered capital**	**Percentage of equity attributable to the Company**		**Principal activities**
			Direct	**Indirect**	
Intended Features Limited	British Virgin Island ("BVI")	US$375,875	100	–	Investment holding
GHMM*	PRC/Mainland China	HK$466,909,000	–	100	Manufacture and trading of gynecological pharmaceutical products and feminine medicinal healthcare products
Factorr Universal Limited ("Factorr")	BVI	US$200	–	69.5	Investment holding
貴州泛特爾生物技術有限公司 ("泛特爾")**	PRC/Mainland China	RMB103,000,000	–	75.1	Manufacture and sales of bio-pharmaceutical products
DCX*	PRC/Mainland China	RMB200,000,000	–	99.7	Manufacture and sales of pharmaceutical products
華諾威*	PRC/Mainland China	RMB100,000,000	–	65	Manufacture and sales of bio-pharmaceutical products

19. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Guilin Gu Jin*	PRC/Mainland China	RMB1,000,000	–	100	Investment holding
昌都康源*	PRC/Mainland China	RMB5,000,000	–	80#	Trading of pharmaceutical products
深圳市雲晨廣江貿易有限公司*	PRC/Mainland China	RMB1,000,000	–	100	Investment holding

Notes:

* *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*

\# *Pursuant to profit sharing agreements entered into between the Group and the non-controlling interest of 昌都康源 (the "昌都 NCI"), the revenue and profit generated by the sales of major product types of 昌都康源 are wholly attributable to the Group, with the remaining revenue and profit are shared by the Group and the 昌都 NCI in accordance with their respective equity interest in 昌都康源.*

Except for Intended Features Limited, all the above subsidiaries are indirectly held by the Company.

The statutory financial statements of the subsidiaries listed above are not audited by Ernst & Young, Hong Kong or another 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.

20. INVESTMENT IN A JOINTLY-CONTROLLED ENTITY

	Group 2013 HK$'000	Group 2012 HK$'000
Share of net assets	**–**	–

Particulars of the jointly-controlled entity are as follows:

Name	Place of registration	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Guizhou Hanfang Medicine Research Co., Ltd. ("GHMR")*	PRC	50	40	50	Inactive

* *Not audited by Ernst & Young Hong Kong or another member firm of the Ernst & Young global network.*

During the year, the Group did not share any of the losses of GHMR (2012: 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.

21. INVESTMENTS IN AN ASSOCIATE

	Group 2013 HK$'000	Group 2012 HK$'000
Share of net assets	**10,425**	11,400
Amount due from an associate	**364,317**	167,659
	374,742	179,059

The amount due from an associate is unsecured, interest-free and has no fixed terms of repayment.

The directors of the Company do not intend to demand settlement of the amount due from the associate until the associate has surplus funds available to those necessary to provide adequate working capital for financing its operations. Accordingly, the amount is classified as a long-term receivable.

21. INVESTMENTS IN AN ASSOCIATE (continued)

Particulars of the associate are as follows:

Name	Place of registration	Percentage of ownership interest attributable to the Group	Principal activity
貴州省北科泛特爾生物科技有限公司 ("北科泛特爾")*	PRC	46.76	Developing stem cell medical engineering business

* *Not audited by Ernst & Young Hong Kong or another member firm of the Ernst & Young global network.*

The shareholding of the Company in 北科泛特爾 is held through certain wholly-owned and non-wholly-owned subsidiaries of the Company.

On 19 January 2012, the Group sold a total of 150,284,000 shares of Magic Holdings International Limited ("Magic Holdings") at cash consideration of approximately HK$450,852,000. After the completion of the disposal of 150,284,000 shares of Magic Holdings (the "Partial Disposal"), the Group's interests in Magic Holdings was decreased to approximately 9.998%. Since the Group still then held 2 out of 9 seats of the board of directors in Magic Holdings, the directors of the Company were of the opinion that the Group still exercise significant influence over Magic Holdings and its subsidiaries (collectively referred to as the "Magic Group") after the Disposal. During the year ended 30 June 2012, after the exercise of the share options of Magic Holdings by the share options holders, the Group's interests in Magic Holdings further diluted from 9.998% to 9.928% (the "Deemed Partial Disposal"). The total gain on the Partial Disposal and the Deemed Partial Disposal of approximately HK$257,053,000 was recognised in the consolidated income statement for the year ended 30 June 2012.

On 18 June 2012, two nominees directors from the Company has tendered their resignation as executive directors of Magic Group with effect from 30 June 2012. Upon the resignation of the nominees directors from the Company, the Group ceased to have significant influence over Magic Holdings. Accordingly, the Group's remaining interests in Magic Holdings measured at fair value of approximately HK$270,451,000 was reclassified as available-for-sale investments immediately after the resignation of the nominees directors from the Company. A gain on deemed disposal of interests in associates amounted to approximately HK$125,335,000 was recognised in the consolidated income statement for the year ended 30 June 2012.

21. INVESTMENTS IN AN ASSOCIATE (continued)

The following table illustrates the summarised financial information of the Group's associate extracted from their management accounts:

	2013	2012
	HK$'000	*HK$'000*
Assets	**389,342**	192,039
Liabilities	**(368,478)**	(167,659)
Revenues	**1,452**	1,349,409
Profit/(loss)	**(4,145)**	200,066

22. AVAILABLE-FOR-SALE INVESTMENT

	Group	
	2013	2012
	HK$'000	*HK$'000*
Listed equity investment, at fair value:		
Hong Kong	**–**	270,451

The investment is disposed of by the Group at an aggregate consideration of HK$290,485,000, with related expenses of HK$452,000 during the year, resulting in a gain on disposal of HK$19,582,000 for the year ended 30 June 2013.

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

23. DEPOSITS

	Group 2013 HK$'000	2012 HK$'000
Deposits paid in respect of:		
Acquisition of items of property, plant and equipment *(note (a))*	**200,949**	191,865
Acquisition of prepaid land lease payments *(note (b))*	**251,080**	244,400
Acquisition of intangible assets	**15,064**	–
	467,093	436,265

Notes:

(a) Included in deposits paid in respect of acquisition of items of plant and equipment, the upfront deposit of RMB155,000,000 (equivalent to HK$194,587,000 (2012: HK$189,405,000)) had been paid upon entering into the purchase agreement with Guizhou Shunzhi Trade Co., Ltd. ("Guizhou Shunzhi") on 9 May 2011. Pursuant to the purchase agreement, Guizhou Shunzhi will be responsible for the sourcing of plant and equipment for the production of Human Placental Serum Albumin. Those plant and equipment were not yet received at 30 June 2013 and the amount is classified as a deposit paid for acquisition of items of plant and equipment and included in non-current assets.

(b) Pursuant to the agreement entered into between the Group and 貴陽高科控股集團有限公司 (the "Vendor") dated 25 October 2011, the Group agreed to acquire a parcel of land (the "Land") located at Guiyang Shawen Ecological Park, with an aggregate area of 521 mu (equivalent to 347,000 square metres) at a consideration of RMB250,000,000. The Land would be used as a pharmaceutical research centre and the new production plants of the Group. Further details are set out in the announcement of the Group dated 26 March 2012.

An upfront deposit paid for acquisition of prepaid land lease payments of RMB200,000,000 (equivalent to HK$251,080,000 (2012: HK$244,400,000)) has been made by the Group as at 30 June 2013. The transfer of the title of the land is under process and the amount is classified as a deposit paid for acquisition of prepaid lease payments and included in non-current assets.

24. INVENTORIES

	Group 2013 HK$'000	2012 HK$'000
Raw materials	**22,496**	28,056
Finished goods	**18,887**	14,487
	41,383	42,543

25. TRADE AND BILLS RECEIVABLES

	Group	
	2013	2012
	HK$'000	*HK$'000*
Trade and bills receivables	**667,421**	450,971
Impairment	**(7,497)**	(8,248)
	659,924	442,723

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 three months, extending up to one year for major customers. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. At the end of the reporting period, the Group had a certain concentration of credit risk as 28% (2012: 22%) and 41% (2012: 33%) of the total trade and bills receivables were due from the largest customer and the five largest customers, respectively. The Group does not hold any collateral or other credit enhancements over its trade and bills receivables balances. Trade and bills receivables are non-interest-bearing.

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

	Group	
	2013	2012
	HK$'000	*HK$'000*
Within 3 months	**474,661**	342,428
3 months to 6 months	**76,114**	65,500
Over 6 months	**109,149**	34,795
	659,924	442,723

25. TRADE AND BILLS RECEIVABLES (continued)

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

	Group	
	2013	2012
	HK$'000	*HK$'000*
At 1 July	**8,248**	4,549
Exchange realignment	**210**	66
Impairment/(reversal of impairment) losses recognised *(note 7)*	**(961)**	3,633
	7,497	8,248

Included in the above provision for impairment of trade receivables is a provision for individual impaired trade receivables of HK$7,497,000 (2012: HK$8,248,000) with a carrying amount before provision of HK$7,497,000 (2012: HK$8,248,000). The individually impaired trade receivables relate to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered.

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

	Group	
	2013	2012
	HK$'000	*HK$'000*
Neither past due nor impaired	**550,775**	407,928
Less than 6 months past due	**108,184**	31,559
Over 6 months	**965**	3,236
	659,924	442,723

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

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the 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.

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Other receivables	**15,055**	79,763	**–**	–
Impairment	**(2,451)**	(2,465)	**–**	–
	12,604	77,298	**–**	–
Prepayments	**6,890**	73,518	**180**	180
Deposits	**23,268**	22,970	**–**	–
Prepaid land lease payments *(note 15)*	**843**	766	**–**	–
	43,605	174,552	**180**	180

Included in the above provision for impairment of other receivables is a provision for individual impaired other receivable of HK$2,451,000 (2012: HK$2,465,000) with a carrying amount before provision of HK$2,451,000 (2012: HK$2,465,000). The individually impaired other receivables relate debtors that were long outstanding and only a portion of the receivables is expected to be recovered.

The Group does not hold any collateral or other credit enhancements over its other receivables balances.

27. CASH AND CASH EQUIVALENTS

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**2,795,010**	2,095,315	**129,079**	218
Time deposit	**4,426**	–	**–**	–
	2,799,436	2,095,315	**129,079**	218

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$2,664,243,000 (2012: HK$2,061,585,000). RMB is not freely convertible into other currencies. However, 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. Short term time deposit is made for a period of 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.

28. TRADE PAYABLES

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

	Group	
	2013	2012
	HK$'000	*HK$'000*
Within 3 months	**37,292**	33,466
3 months to 6 months	**6,461**	3,399
6 months to 1 year	**3,581**	1,505
Over 1 year	**4,520**	3,269
	51,854	41,639

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

29. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Deferred income *(note 33)*	**5,022**	4,888	**–**	–
Deferred government grant	**3,406**	3,128	**–**	–
Receipt in advance	**554**	881	**–**	–
Other payables	**36,384**	33,412	**–**	–
Accruals	**94,403**	62,154	**821**	821
	139,769	104,463	**821**	821

Other payables are non-interest-bearing and have an average term of three months.

30. OBLIGATIONS UNDER A FINANCE LEASE

The Group leases a motor vehicle. This lease is classified as a finance lease and has a remaining lease term of two years (2012: three years).

At 30 June 2013, the total future minimum lease payments under the finance lease and its present values were as follows:

Group

	Minimum lease payments 2013 *HK$'000*	Minimum lease payments 2012 *HK$'000*	**Present value of minimum lease payments 2013** *HK$'000*	Present value of minimum lease payments 2012 *HK$'000*
Amounts payable:				
Within one year	**95**	95	**89**	83
In the second year	**31**	95	**31**	89
In the third to fifth years, inclusive	**–**	31	**–**	31
	126	221	**120**	203
Future finance charges	**(6)**	(18)		
Total net finance lease payables	**120**	203		
Portion classified as current liabilities	**(89)**	(83)		
Non-current portion	**31**	120		

31. INTEREST-BEARING BANK BORROWINGS

Group	Effective interest rate (%)	Maturity	HK$'000
2013			
Current			
Bank loans — secured	6.00	March–April 2014	25,108
2012			
Current			
Bank loans — secured	6.31–6.56	March–May 2013	31,650

	Group	
	2013	2012
	HK$'000	*HK$'000*
Analysis into bank loans repayable:		
Within one year	**25,108**	31,650

Notes:

(a) The Group's bank loans were secured by the pledge of certain of the Group's buildings, and plant and machineries (note 14) and prepaid land lease payments (note 15); and

(b) All of the bank loans are denominated in RMB and they either bear interest at floating rate or fixed rate.

32. DEFERRED TAX

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

Deferred tax liabilities

Group

	Fair value adjustments arising from acquisition of subsidiaries *HK$'000*	Revaluation of buildings *HK$'000*	Total *HK$'000*
30 June 2013			
At 1 July 2012	**49,016**	**10,976**	**59,992**
Deferred tax charged to other comprehensive income during the year	**–**	**2,928**	**2,928**
Deferred tax credited to the income statement during the year *(note 10)*	**(7,827)**	**–**	**(7,827)**
Exchange realignment	**400**	**375**	**775**
At 30 June 2013	**41,589**	**14,279**	**55,868**
30 June 2012			
At 1 July 2011	54,921	7,772	62,693
Deferred tax charged to other comprehensive income during the year	–	2,828	2,828
Deferred tax credited to the income statement during the year *(note 10)*	(6,660)	–	(6,660)
Exchange realignment	755	376	1,131
At 30 June 2012	49,016	10,976	59,992

32. DEFERRED TAX (continued)

Deferred tax assets

Group

	Deductible temporary differences	Losses available for offsetting against future taxable profits	Total
	HK$'000	*HK$'000*	*HK$'000*
30 June 2013			
At 1 July 2012	**307**	**4,509**	**4,816**
Deferred tax credited/(charged) to the income statement during the year *(note 10)*	**40,219**	**(1,851)**	**38,368**
Exchange realignment	**632**	**99**	**731**
At 30 June 2013	**41,158**	**2,757**	**43,915**
30 June 2012			
At 1 July 2011	235	–	235
Deferred tax credited to the income statement during the year *(note 10)*	55	4,509	4,564
Exchange realignment	17	–	17
At 30 June 2012	307	4,509	4,816

The Group also has tax losses arising in Mainland China of HK$14,097,000 (2012: HK$21,643,000) that will expire in one to five years for offsetting against future taxable profits of the companies in which the losses arose.

32. DEFERRED TAX (continued)

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 30 June 2013, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$150,622,000 at 30 June 2013 (2012: HK$121,154,000).

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

33. DEFERRED INCOME

	Group	
	2013	2012
	HK$'000	*HK$'000*
At 1 July	**26,884**	31,264
Deferred income recognised during the year	**(4,943)**	(4,898)
Exchange realignment	**657**	518
At 30 June	**22,598**	26,884
Less: Current portion included in other payables and accruals *(note 29)*	**(5,022)**	(4,888)
Non-current portion	**17,576**	21,996

34. SHARE CAPITAL

Shares

	2013	2012
	HK$'000	*HK$'000*
Authorised:		
4,000,000,000 (2012: 4,000,000,000) ordinary shares of HK$0.10 each	**400,000**	400,000
Issued and fully paid:		
3,170,094,284 (2012: 2,410,331,904) ordinary shares of HK$0.10 each	**317,009**	241,033

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

	Notes	**Number of ordinary shares in issue**	**Issued share capital**	**Share premium account**
			HK$'000	*HK$'000*
At 1 July 2011		1,974,329,920	197,433	1,233,043
Exercise of share options	*(a)*	34,280,000	3,428	33,246
Capitalisation of bonus shares	*(b)*	401,721,984	40,172	(40,172)
Proposed final and special 2012 dividend		–	–	(202,468)
At 30 June 2012 and 1 July 2012		2,410,331,904	241,033	1,023,649
Exercise of share options	*(c)*	206,256,000	20,625	365,841
Subscription of new shares	*(d)*	58,000,000	5,800	111,360
Capitalisation of bonus shares	*(e)*	495,506,380	49,551	(49,551)
Adjustment for final 2012 dividend		–	–	(5,619)
Proposed final and special 2013 dividend		–	–	(199,716)
At 30 June 2013		3,170,094,284	317,009	1,245,964

34. SHARE CAPITAL (continued)

Shares (continued)

Notes:

(a) During the year ended 30 June 2012, an aggregate of 34,280,000 share options had been exercised by certain employees of the Company at a subscription price of HK$0.8167 per share for a total consideration approximately of HK$27,996,000, resulting in an issue of 34,280,000 new ordinary shares of HK$0.10 each. The new shares rank pari passu with the existing shares in all respects.

(b) Pursuant to an ordinary resolution passed by the shareholders at the annual general meeting held on 16 December 2011, bonus issue of shares on the basis of one bonus share, credited as fully paid, for every five existing issued ordinary shares (the "2012 Bonus Issue") was approved. On 13 January 2012, 401,721,984 ordinary shares were issued to the shareholders. The new shares rank pari passu with the existing shares in all respects.

(c) During the year ended 30 June 2013, an aggregate of 206,256,000 share options had been exercised by certain employees of the Company at a weighted average subscription price of approximately HK$1.5211 per share for a total consideration of HK$313,728,000, resulting in an issue of 206,256,000 new ordinary shares of HK$0.10 each. The new shares rank pari passu with the existing shares in all respects.

(d) On 11 April 2013, the Company, Bull's-Eye Limited ("BEL"), a shareholder of the Company which then held 27.43% of the Company's shares and was beneficially owned by Zhang Peter Y., the Chairman of the Group, and an independent third party placing agent (the "Placing Agent") entered into a placing and subscription agreement pursuant to which (i) BEL conditionally agreed to place, through the Placing Agent on a best effort basis, a maximum of 58,000,000 existing shares of the Company at the placing price of HK$2.02 per share; and (ii) BEL conditionally agreed to subscribe for such number of shares equal to the number of shares which are placed by the Placing Agent at the subscription price of HK$2.02 per subscription share. 57,420,000 and 580,000 placing shares were placed to two subscribers. The placing and subscription of 57,420,000 and 580,000 existing shares was completed on 16 April 2013 and 22 April 2013, respectively.

(e) Pursuant to an ordinary resolution passed by the shareholders at the annual general meeting held on 27 December 2012, bonus issue of shares on the basis of one bonus share, credited as fully paid, for every five existing issued ordinary shares were approved. On 22 January 2013, 495,506,380 ordinary shares were issued to the shareholders. The new shares rank pari passu with the existing shares in all respects.

Share options

Details of the Company's share option scheme and the share options issued under the Scheme are included in note 35 to the financial statements.

35. SHARE OPTION SCHEME

The Company operated a share option scheme (the "Old 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 Old 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, remained in force for 10 years from 25 November 2002, the date on which the Scheme was conditionally adopted. The scheme had expired on 25 November 2012.

Under the Old Scheme, 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.

Under the Old Scheme, 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 board 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 Old Scheme.

Under the Old 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.

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

The Company adopted a new share option scheme ("New Scheme") pursuant to a resolution passed by shareholders in the annual general meeting held on 27 December 2012, for the purpose of providing incentives or rewards to selected eligible participants for their contributions to the Group. Eligible participants of the New 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 New Scheme became effective on 27 December 2012 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

35. SHARE OPTION SCHEME (continued)

Under the New Scheme, 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.

Under the New Scheme, 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 board 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 New Scheme.

Under the New 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.

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

The total number of securities which may be issued upon exercise of all options to be granted under the Old Scheme, the New 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, i.e. 247,753,190 shares, representing approximately 7.77% of the issued share capital of the Company as at the date of this report. 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 Old Scheme, the New 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 Old Scheme, the New 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.

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 or 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.

There were no outstanding share options from the New Scheme as at 30 June 2013, as no share options have been granted to any eligible participants under the New Scheme since 27 December 2012.

35. SHARE OPTION SCHEME (continued)

The following share options were outstanding under the Old Scheme during the year:

	2013		2012	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
	HK$ per share	***'000***	*HK$ per share*	*'000*
At 1 July	**1.7430**	**114,000**	0.8988	34,280
Granted during the year	**1.6800**	**86,000**	2.0920	95,000
Adjustment	**N/A**	**26,560***	N/A	19,000**
Exercised during the year	**1.5211**	**(206,256)**	0.8167	(34,280)
At 30 June	**1.4506**	**20,304**	1.7430	114,000

* *On 22 January 2013, the weighted average exercise price and number of share options have been adjusted from HK$1.7035 to HK$1.4193, and from 72,800,000 shares to 99,360,000 shares, respectively, as a result of the Bonus Issue. Further details of the Bonus Issue are set out in the announcement of the Company dated 22 January 2013.*

** *On 13 January 2012, the exercise price and number of share options had been adjusted from HK$2.092 to HK$1.743, and from 53,800,000 shares to 72,800,000 shares, respectively, as a result of the 2012 Bonus Issue. Further details of the 2012 Bonus Issue are set out in the announcement of the Company dated 16 December 2011.*

The weighted average share price at the date of exercise for share options exercised during the year was HK$2.0328 per share (2012: HK$2.1456 per share).

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2013

Number of options *'000*	**Exercise price* per share *HK$***	**Exercise period**
19,584	**1.4525**	**28 July 2011 to 27 July 2013**
720	**1.40**	**3 October 2012 to 2 October 2014**
20,304		

2012

Number of options *'000*	Exercise price* per share *HK$*	Exercise period
114,000	1.743	28 July 2011 to 27 July 2013

* *The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.*

35. SHARE OPTION SCHEME (continued)

The fair value of the share options granted during the year was HK$28,058,000 (HK$0.32626 each) (2012: HK$52,374,000, HK$0.5513 each), of which the Group recognised a share option expense of HK$28,058,000 (2012: HK$52,374,000) during the year ended 30 June 2013.

The fair value of equity-settled share options granted during the year was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2013	2012
Dividend yield *(%)*	**1.51**	1.56
Expected volatility *(%)*	**39.27**	50.78
Risk-free interest rate *(%)*	**0.25**	0.254
Expected life of options *(years)*	**2**	2
Closing price at the date of grant *(HK$ per share)*	**1.68**	2.09

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

During the year, 206,256,000 share options were exercised resulted in the issue of 206,256,000 ordinary shares of the Company and new share capital of HK$20,625,000 and share premium of HK$365,841,000 (before issue expenses), as further detailed in note 34 to the financial statements.

At the end of the reporting period, the Company had 20,304,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 20,304,000 additional ordinary shares of the Company and additional share capital of HK$2,030,000 and share premium of HK$35,117,000 (before issue expenses).

Subsequent to the end of the reporting period, on 24 July 2013, a total of 20,304,000 share options were exercised at a weighted average exercise price of HK$1.4506 per share by certain of the directors of the Company and employees of the Group in respect of their services to the Group in the forthcoming year. The price of the Company's shares at the date of exercise was HK$2.48 per share.

At the date of approval of these financial statements, the Company did not have any share options outstanding under the Scheme.

36. 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 on pages 47 to 48 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 the relevant PRC regulations certain of the Group's subsidiaries in the PRC is required to transfer 10% of its profit after tax, as determined under the PRC accounting regulations, 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.

(b) Company

	Notes	Share premium account HK$'000	Share option reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 July 2011		1,233,043	8,678	(74,498)	1,167,223
Bonus issue of shares	34	(40,172)	–	–	(40,172)
Shares issued upon exercise of share options	34	33,246	(8,678)	–	24,568
Share-based payments	35	–	52,374	–	52,374
Profit for the year		–	–	140,531	140,531
Final 2011 dividend		–	–	(1,166)	(1,166)
Proposed final and special 2012 dividends	12	(202,468)	–	–	(202,468)
At 30 June 2012 and 1 July 2012		1,023,649	52,374	64,867	1,140,890
Bonus issue of shares	34	(49,551)	–	–	(49,551)
Shares issued upon exercise of share options	34	365,841	(72,738)	–	293,103
Issue of shares	34	111,360	–	–	111,360
Share-based payments	35	–	28,058	–	28,058
Loss for the year		–	–	(37,209)	(37,209)
Final and special 2012 dividends		(5,619)	–	–	(5,619)
Proposed final and special 2013 dividends		(199,716)	–	–	(199,716)
At 30 June 2013		1,245,964	7,694	27,658	1,281,316

36. RESERVES (continued)

(b) Company (continued)

The share premium account of the Company includes share premium of HK$1,358,840,000 (2012: HK$936,809,000) 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 (2012: 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.

37. MAJOR NON-CASH TRANSACTIONS

During the year, deposits in respect of purchases and construction of items of property, plant and equipment of HK$9,749,000 (2012: HK$11,224,000) were transferred to construction in progress in property, plant and equipment upon acceptance and delivery of those items of property, plant and equipment to the Group.

38. OPERATING LEASE ARRANGEMENTS

As lessee

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

At 30 June 2013, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2013	2012
	HK$'000	*HK$'000*
Within one year	**727**	3,225
In the second to fifth years, inclusive	**270**	1,055
More than five years	**26**	33
	1,023	4,313

The Company had no operating lease commitments at 30 June 2013 (2012: Nil).

39. COMMITMENTS

In addition to the operating lease commitments detailed in note 38 above, the Group had the following capital commitments at the end of the reporting period:

	2013	2012
	HK$	*HK$*
Contracted, but not provided for:		
Property, plant and equipments	**74,224**	78,187
Technical know-how	**729**	709
Prepaid land lease payments *(note 23)*	**–**	61,100
	74,953	139,996
Authorised, but not contracted for:		
Property, plant and equipment*	**838,607**	816,297
	913,560	956,293

* *According to a factory expansion implementation plan prepared by the Group's management in June 2012, the total investment amount would be approximately RMB668,000,000 (equivalent to approximately HK$838.6 million (2012: HK$816.3 million), representing the budgeted investment in the acquisition of items of property, plant and equipment to be used in the new production plants to be constructed on the Land. The amount was included as an authorised but not contracted for commitment as at 30 June 2013 and 2012.*

40. RELATED PARTY TRANSACTIONS

(a) Save as disclosed elsewhere in the financial statements, the Group had not entered into any other material related party transactions for the year ended 30 June 2013 and 2012.

(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. The remuneration of directors and key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trend.

41. FINANCIAL INSTRUMENTS BY CATEGORY

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

Financial assets

Group

	2013		2012	
	Loans and receivables	Loans and receivables	Available-for-sale financial asset	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Available-for-sale investments	**–**	–	270,451	270,451
Trade and bills receivables	**659,924**	442,723	–	442,723
Financial assets included in prepayments, deposits and other receivables *(note 26)*	**35,872**	100,268	–	100,268
Cash and cash equivalents	**2,799,436**	2,095,315	–	2,095,315
	3,495,232	2,638,306	270,451	2,908,757

Company

	2013	2012
	HK$'000	*HK$'000*
Due from subsidiaries	**1,809,486**	1,724,697
Cash and cash equivalents	**129,079**	218
	1,938,565	1,724,915

41. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities

Group

	2013	2012
	HK$'000	*HK$'000*
Trade payables	**51,854**	41,639
Financial liabilities included in other payables and accrued expenses	**50,340**	66,111
Obligation under a finance lease	**120**	203
Interest-bearing bank borrowings	**25,108**	31,650
	127,422	139,603

Company

	2013	2012
	HK$'000	*HK$'000*
Due to subsidiaries	**273,586**	273,586
Financial liabilities included in accruals	**821**	821
	274,407	274,407

42. FAIR VALUE HIERARCHY

The Company uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

The Group did not have any financial assets measured at fair value as at 30 June 2013. As at 30 June 2012, the financial instruments measured at fair value held by the Group comprised available-for-sale investments and were classified as Level 1.

During the year, there were no transfers into or out of Level 3 fair value measurements (2012: Nil).

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, other receivables, available-for-sale investment trade payables and other payables, 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 board of 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 31 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.

During the year ended 30 June 2013, management considers there is no significant interest rate risk for the Group as the Group's bank borrowings at 30 June 2013 bear interest at fixed rate.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) and the Group's equity for the year ended 30 June 2012.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax *HK$'000*	Increase/ (decrease) in equity* *HK$'000*
2012			
RMB	100	(316)	–
RMB	(100)	316	–

* *Excluding retained profits*

Foreign currency risk

The Group mainly operates in Mainland China with most of the transactions settled in RMB. Most of the Group's financial instruments such as trade and bills receivables, cash and bank balances are denominated in the same currency to the functional currency of the operations to which transactions relate. The Group has not used any forward contract or currency borrowing to hedge its exposure as foreign currency risk is considered not significant.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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.

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

Group		**2013**		
	Less than 12 months	**1 to 5 years**	**Over 5 years**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Trade payables	**51,854**	**–**	**–**	**51,854**
Financial liabilities included in other payables and accruals	**50,340**	**–**	**–**	**50,340**
Interest-bearing bank borrowings	**26,257**	**–**	**–**	**26,257**
Obligations under finance lease	**95**	**31**	**–**	**126**
	128,546	**31**	**–**	**128,577**

		2012		
	Less than 12 months	1 to 5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	41,639	–	–	41,639
Financial liabilities included in other payables and accruals	66,111	–	–	66,111
Interest-bearing bank borrowings	33,716	–	–	33,716
Obligations under finance lease	95	126	–	221
	141,561	126	–	141,687

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

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

Company

		2013	
	On demand	**Less than 12 months**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Due to subsidiaries	**273,586**	**–**	**273,586**
Financial liabilities included in accruals	**–**	**821**	**821**
	273,586	**821**	**274,407**

		2012	
	On demand	Less than 12 months	Total
	HK$'000	*HK$'000*	*HK$'000*
Due to subsidiaries	273,586	–	273,586
Financial liabilities included in accruals	–	821	821
	273,586	821	274,407

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.

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

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 30 June 2013 and 2012.

The Group monitors capital using a gearing ratio, which is total interest-bearing bank borrowings divided by equity attributable to owners of the Company. The gearing ratios as at the end of the reporting period were as follows:

Group	**2013**	2012
	HK$'000	*HK$'000*
Interest-bearing bank borrowings	**25,108**	31,650
Equity attributable to owners of the Company	**4,546,858**	3,906,467
Gearing ratio	**0.6%**	0.8%

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 September 2013.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below.

RESULTS

	Year ended 30 June				
	2013	2012	2011	2010	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**1,754,392**	1,312,127	1,157,263	808,642	649,154
Profit before tax	**321,091**	774,249	355,825	322,430	157,925
Income tax expense	**(97,766)**	(79,278)	(73,478)	(77,962)	(39,219)
Profit for the year from continuing operation	**223,325**	694,971	282,347	244,468	118,706
Profit for the year from discontinued operation	**–**	–	192,944	117,446	66,228
Profit for the year	**223,325**	694,971	475,291	361,914	184,934
Attributable to:					
Owners of the Company	**223,041**	657,228	441,838	265,300	147,853
Non-controlling interests	**284**	37,743	33,453	96,614	37,081
	223,325	694,971	475,291	361,914	184,934

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 30 June				
	2013	2012	2011	2010	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**5,154,142**	4,404,381	3,659,108	3,428,917	2,172,748
Total liabilities	**(416,236)**	(314,711)	(333,028)	(346,271)	(300,408)
Non-controlling interests	**(191,048)**	(183,203)	(143,462)	(388,498)	(243,551)
	4,546,858	3,906,467	3,182,618	2,694,148	1,628,789