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
2013/2014

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 alternate)
Mr. Tarn Sien Hao

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

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 alternate)

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

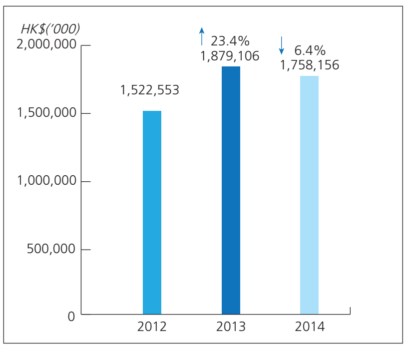
Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

FINANCIAL HIGHLIGHTS

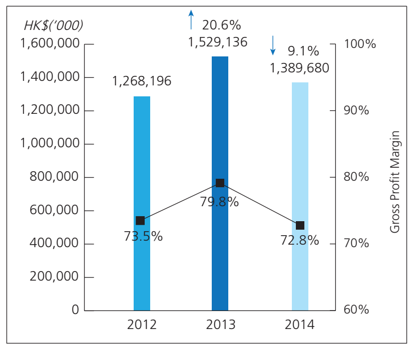
KEY FINANCIALS

	2014	2013	% Change
	HK$'000	*HK$'000*	
Turnover (as per financial statement)	**1,860,189**	1,754,392	6.0%
Turnover (gross basis)	**1,907,755**	1,916,168	-0.4%
• Traditional Chinese medicines (including mainly gynecological medicine)	**1,212,482**	1,362,538	-11.0%
• Bio-pharmaceutical products and bio-technology	**545,674**	516,568	56.3%
• Trading business	**149,599**	37,062	303.6%
Profit attributable to owners of the Company	**341,314**	223,041	53.0%
Earnings per shares (in Hong Kong cents) (restated)			
Basic	**8.65**	6.19	39.7%
Diluted	**8.62**	6.13	40.6%
Gearing ratio (%)	**0.7**	0.6	16.7%
Net Cash	**2,687,541**	2,774,328	-3.1%

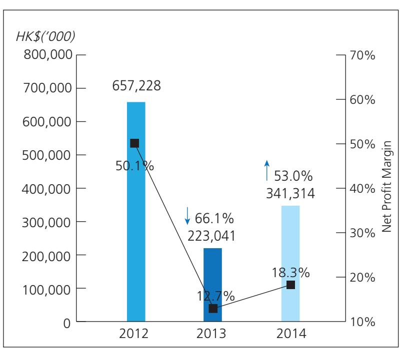
TURNOVER (GROSS BASIS AND EXCLUDING TRADING BUSINESS)



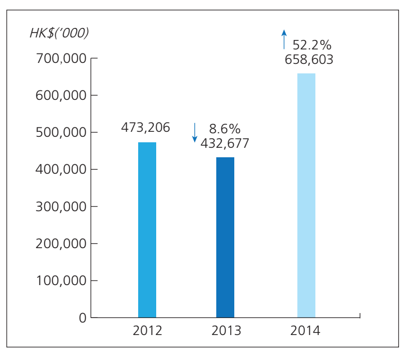
GROSS PROFIT (GROSS BASIS)



PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

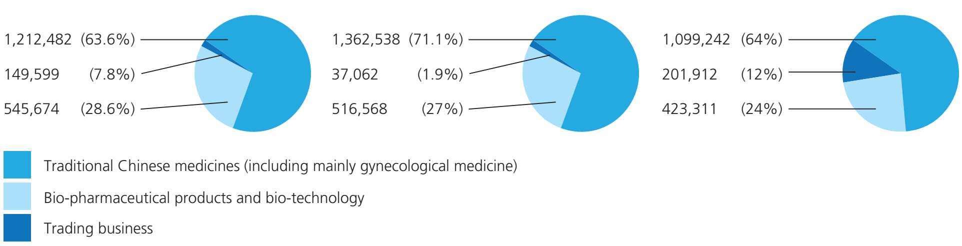


EBITDA (EXCLUDING NON-OPERATING INCOME/EXPENSE)



TURNOVER (GROSS BASIS)

2014 (figures below are in HK$'000) 2013 (figures below are in HK$'000) 2012 (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 2014 ("**Year**").

BUSINESS REVIEW

During the Year under review, the results of the Group continued to report a satisfactory growth. Turnover for the Year amounted to approximately HK$1,860,189,000, representing an increase of approximately 6.0% over approximately HK$1,754,392,000 of last financial year. Profit attributable to the owners of the Company amounted to approximately HK$341,314,000, representing an increase of approximately 53.0% over approximately HK$223,041,000 of last financial year. 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 facilities which were designed according to the new National GMP certification standards; perfect the business model that will drive the overall growth of prescription drugs with focus on the exclusive products in the National Medical Insurance Catalogue, and to sustain the market development of OTC products; devoting all efforts to ensure the commencement of production of placenta products such as "Human Nerve Growing Factor Injection (人神經生長因子注射液)" and "Human Placenta Blood Albumin Injection (人胎盤血白蛋白注射劑)" in expected time; undergo 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, immediately enter into medical service industry and make medical service an important and profitable business sector of the Group in the future through supply chain integration, value added service as well as integrated investment of hospital operation; structure the management system that can positively reflect the estimated market value of the Group by the overall development strategy for general health, and enhance and safeguard 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 the 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 ensure the domestic pharmaceutical demand to maintain its growing trend. With the launch and implementation of new healthcare reform plan, and creating opportunity for social capitals to enter into the medical service industry, the PRC general health market has entered into an important development stage.

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

1. maintain the leading position of the Group's exclusive products in the National Medical Insurance Catalogue in the segment market in the PRC, such as "Qijiao Shengbai Capsules (芪膠升白膠囊)", "Yi Fu (易孚)" and "Yi Bei (易貝)", so as to drive and increase the market share of other prescription drugs in the hospital market; devote more human and financial resources into economically developed regions to achieve a larger sale scale; effectively leverage on the opportunities arising from those exclusive products being included in the Provincial National Medical Insurance Catalogue to capture the whole provincial market speedily; strengthen the cooperation with beauty parlors and professional chain stores to secure rapid growth of "Golden Peptides (金紫肽)" line of products in the high-end health care products market.

2. by adopting TIOT model and overall acquisition of state-owned hospitals as its principal investment strategies, rapidly facilitate the cooperation of hospitals at provincial city levels; by capitalising on supply chain integration, provision of value added services mainly focusing on dominant science and technology, and application of IT technologies under cloud medical model, enhance the overall operating efficiency and performance of the hospitals; develop our medical services business, which is vital to the success of the Group's business and achieving growth in profits.

3. with the support from the government for development of bio-pharmaceutical industry, strengthen our efforts to ensure that placenta products such as "Human Nerve Growing Factor Injection (人神經生長因子注射液)" and "Human Placenta Blood Albumin Injection (人胎盤血白蛋白注射劑)"will gain GMP accreditation and commence operation in 2015, and thereby maintain our leading position in bio-pharmaceutical preparation and technology sector using placenta, cord blood and umbilical cord as raw materials in the world.

4. accelerate the construction of new facilities which were designed according to the new National GMP certification standards and adopt various measures to ensure that all projects will commence operation by 2015, while strictly organise the manufacturing and management under the GMP standards and stringently enforce quality control.

5. endeavour to gain government support in all possible ways, to include our advantageous products with independent intellectual property rights, reliable curing effect and those that can be widely applied in the National Medical Insurance Catalogue or Essential Drug List, while seek to include products yet to be listed in the national catalogue to be included in the provincial catalogue.

6. under the guidance of the development strategy for general health, optimise the Group's product portfolio and industrial structure so as to form a symbiosis system for mutual complement and development, improve operating efficiency and profitability and thereby create a more complete and clearer mechanism of the Group's value and achieve a stable growth in market value.

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
29 September 2014

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in the research and development, manufacture and sale of traditional Chinese medicines, and bio-pharmaceutical medicines in the People's Republic of China ("**PRC**" or "**China**"), and plans to involve in the field of medical services investment and management. By leveraging on the vast expanse of fast-developing macro healthcare market in China, the Group capitalised on the existing operational resources previously established in terms of products, technologies, marketing, talents, management and branding and continued to increase our market share and explore new growth opportunities so as to create greater returns for the Company's shareholders ("**Shareholders**") during the Year.

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 RMB2,059.29 billion in 2013, representing a year-on-year increase of 18.0%; with a recorded profit of RMB207.2 billion, representing a year-on-year increase of 17.8%. During the period from January to June 2014, sales revenue of the PRC pharmaceutical industry reached RMB1,079.7 billion, representing a year-on-year increase of 13.5%; with a recorded profit of RMB105.6 billion, representing a year-on-year increase of 14.9%. Continuous expansion of the PRC pharmaceutical market were driven by the following factors. Firstly, the pace of population aging 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 the relevant treatment costs. Secondly, the coverage of national medical insurance system, including basic medical insurance system for employees, basic medical insurance system for urban residents and new rural cooperative medical system, has reached 95%, and medical insurance premium is increasing at a faster pace. Thirdly, the government has been continuously enhancing its support to public healthcare, hierarchical diagnosis and treatment system has become more comprehensive while medical conditions significantly improved. Fourthly, the demand for healthcare services kept rising due to increasing affordability of urban residents. However, the growth rate of the pharmaceutical industry continued to slow down due to the effect of the overall downward trend of China's GDP.

During the Year, there were some new features witnessed in the PRC pharmaceutical industry. The PRC government strengthened its supervision efforts toward the pharmaceutical industry with various law enforcement agencies carrying out specific actions in the fight against commercial briberies in the sale and purchase of pharmaceutical products to promote standardised, healthy and sustainable development of pharmaceutical enterprises. The time limit requirements under the new Good Manufacturing Practice ("**GMP**") accreditation and the substantial increase in fixed asset investments accelerated the process of resources integration in the pharmaceutical manufacturing industry. Domestic listed companies have replaced foreign pharmaceutical conglomerates as the initiators of intensified mergers, acquisitions and reorganisations. Drug tenders became the government's key measure to control drug prices and to regulate the market. The PRC government has issued the "Several Opinions of the State Council on Promoting the Development of Health Service Industry" (《國務院關於促進健康服務業發展的若干意見》) to encourage the entry of social enterprises into the medical services sector, and hospitals become hotspots of capital investment from different sources. More new products and technologies were introduced to the industry. However, due to the lengthy approval time, it was not an easy task to control the increasing risks.

MANAGEMENT DISCUSSION AND ANALYSIS

The investigation of certain large foreign-invested pharmaceutical factories by the China Food and Drug Administration brought a great impact on the pharmaceutical industry, and industry rectification and self-discipline has changed the competitive landscape of the industry. Chinese medicine had gained strong backup from government policies. More Chinese medicines are listed in the "Essential Drug List" (基本藥物目錄), leading to rapid growth in the Chinese medicine manufacturing industry, reaching a market share of nearly 30%. Pharmaceutical enterprises are increasing their investments in new drugs and new technologies. However, the review and accessment process of new drugs in China is complicated and time-consuming, increased the research and development cost of new drugs and delayed their market launch, resulting in higher risks for the manufacturing of new drugs. The launch of National GMP accreditation standards, which are comparable to the GMP requirements of Europe and the World Health Organisation, in the long run, will help to consolidate the pharmaceutical industry, give impetus to industry upgrade as well as the modernisation and internationalisation of medicine preparation. Domestic listed companies played an important role in the intensified of merger, acquisition and reorganisations in the PRC pharmaceutical market. The Essential Drug List and Medical Insurance Catalogue and the tendering procedures are becoming the permit for entering the pharmaceutical industry.

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 targeted to facilitate transformation, upgrade and rapid development of the pharmaceutical industry, accelerate 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 were among the first batch of the key development areas. The Plan also encouraged the central-western region to develop distinctive pharmaceutical manufacturing industry, and strengthening of the reservation, development as well as application of Chinese medicine and ethnic medicine resources. At the same time, it stipulated to enhance the quality and safety standards of pharmaceutical products, reinforced the major responsibility of enterprises in terms of quality control and encouraged the enterprises to perfect its quality management system.

Undoubtedly, the PRC pharmaceutical market has entered into a great era. Enterprises with strong development prospects, market oriented development strategies, unique product portfolio and leading 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 compete internationally. At the same time, the medical service market in China is fully open, and its market capacity and high growth prospects are unanimously considered to be promising. If this rare historical opportunity is seized to integrate resources rapidly and to invest boldly, giant companies may be developed.

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 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 ("**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 ("**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 actively explores investment in public hospitals and the overall acquisition of businesses of state-owned hospitals. Progress has been made in the integration of medical resources of prefectural-level cities in Mainland China with the TIOT ("**Trust, Investment, Operation and Transfer**") model. Furthermore, the Group strictly followed the GMP production standards and processes, and focused on and upheld product quality. With the Group's ability to monitor expenditures, maintain 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, thereby providing the Group with a solid foundation for furthering a sustainable, healthy and rapid development.

FINANCIAL PERFORMANCE

During the Year, the Group's turnover was approximately HK$1,860.2 million (corresponding period in 2013: approximately HK$1,754.4 million). Out of the turnover, approximately HK$1,212.5 million was derived from traditional Chinese medicines mainly specialising in gynecological pharmaceutical products, representing a decrease of approximately 11.0% as compared to the corresponding period last year. During the Year, sales in bio-pharmaceutical products was approximately HK$498.1 million, representing a decrease of approximately 3.6% as compared to the corresponding period last year. Approximately HK$149.6 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$341.3 million, representing an increase of approximately 53.0% as compared to the corresponding period last year.

During the Year, the lower growth in the Group's turnover as compared to that of the previous financial year was mainly due to an adjustment to sales strategy which resulted in the settlement of several products based on base price.

MANAGEMENT DISCUSSION AND ANALYSIS

NEW BUSINESS EXPANSION

The Group rapidly expanded into the medical service segment and invested public hospitals and state-owned hospitals with TIOT model and by merger and acquisition, and entered into a framework cooperation agreement with the Liupanshui provincial government on 23 July 2014 pursuant to which two public hospitals in Liupanshui City will be entrusted to the Group for operation and their overall investment and acquisition will be taken by the Group after another two state-owned hospitals have been transferred to the Liupanshui provincial government. On 18 August 2014, the Group had entered into an agreement with the Liupanshui City People's Government in relating to the entrusted operation of 六盤水市人民醫院 (unofficial translation being Liupanshui City People's Hospital) and then reached agreement with the Liupanshui City People's Hospital in respect of the consolidation of supply chain management, value-added services, service fee commission and joint construction of 六盤水市涼都人民醫院 (unofficial translation being Liupanshui City Liang Dou People's Hospital). Apart from this, the Group was in negotiation with serveral local governments in Mainland China over the healthcare issue including medical service investment projects. The Group took a major step forward in the development of medical service segment.

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. The Group achieved a breakthrough in the skills of separation, purification and extraction of human placenta protein. The Group continued to participate in the research of "Mesenchymal Stem Cell Project" (間充質幹細胞項目) in Guizhou Province, and closely liaised and cooperated with the Chinese Academy of Science (中國科學院), National Vaccine & Serum Institute (北京生物製品所) 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.. "Qijiao Shengbai Capsules (芪膠升白膠囊)" was granted as a major national science and technology project in 2014. Preliminary research and development work for improved and upgraded version of products such as "Sugar-free Astragalus Granule (無糖型黃芪顆粒)" (including capsules), "Recombinant Human Epidermal Growth Factor Eye-Gel (重組人表皮生長因子眼用凝膠)" are actively underway. At the end of March 2014, "Human Nerve Growing Factor Injection (人神經生長因子注射液)" was formally submitted to National Institutes for Food and Drug Control (中國食品藥品檢定院) for drug registration inspection, and the re-examination of product standard and samples inspection were passed in July 2014.

PRODUCTION FACILITIES CONSTRUCTION AND COST CONTROL

During the Year, for the production facilities construction, the construction work of the Group's phase one plant of the 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 been commenced, and the major equipments had been ordered, while the purification decoration of production workshops is underway. The facilities construction was designed as thirteen production workshops for seven types of dosage with a total gross floor area of approximately 140,000 square metres. After completion, such facilities can handle up to 10,000 tonnes of Chinese medicine, with an annual production value of RMB8 billion.

MANAGEMENT DISCUSSION AND ANALYSIS

The production base of "Recombinant Human Epidermal Growth Factor Raw Material (重組人表皮生長因子原料) and Expansion Project of Pharmaceutical Production Workshops (製劑生產車間擴建項目)" plant in Guilin was completed, and the major equipments had been ordered, while the purification decoration of production workshops is underway. The estimated investment for this project was approximately RMB200 million. The project included newly-built raw material and pharmaceutical production workshops with an area of 11,000 square metres and advanced overseas equipment was introduced. Projects of "Human Placenta Blood Albumin Injection (人胎盤血白蛋白注射劑)", "Human Placenta Pills (人胎盤片)" and "Human Placenta Tissue Fluid Injection (人胎盤組織液注射劑)" were officially launched and major equipment have been ordered. Among them, "Human Placenta Blood Albumin Injection (人胎盤血白蛋白注射劑)" was granted with a production license by Guizhou Food and Drug Administration (貴州省藥監局).

For cost control, the Group will explore its potentials, pay more attention to details and endeavor to control the production cost. 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 the total purchase volume and unit price were determined in a single transaction, 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 the 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 12 open tenders organised by various provincial governments, out of which a total of 84 products and 96 specifications were accepted. As at 30 June 2014, four exclusive products of the Group listed on the National Essential Drug List together with 11 exclusive products listed in 14 Provincial Essential Drug List and Medical Insurance Catalogue in total, and "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).

PRODUCT AUTHORISATION AND HONOR

During the Year, the Group applied for invention patents for three items, all of which have been authorised, and applied for "utility model" authorisation for eight items, of which six items have been authorised; three products including "Qijiao Shengbai Capsules (芪膠升白膠囊)" were awarded the "Guizhou Famous Brand Product (貴州省名牌產品)" title by the Guizhou Bureau of Quality and Technical Supervision; and "De Chang Xiang (德昌祥)" was awarded the "Guizhou Famous Trademark (貴州省著名商標)" by the Guizhou Province Intellectual Property Bureau. "De Chang Xiang (德昌祥)" was recommended by the China Association of Traditional Chinese Medicine and the China Medical Association of Minorities to the State Administration for Industry and Commerce for the granting of "China Famous Trademark (中國馳名商標)".

MANAGEMENT DISCUSSION AND ANALYSIS

INVESTMENT AND CO-OPERATION

During the Year, the Group and the National Vaccine & Serum Institute (北京生物製品所) cooperated in the projects of "Human Placenta Blood Albumin (人胎盤血白蛋白)", including "Human Placenta Pills (人胎盤片)" and "Human Placenta Tissue Fluid Injection (人胎盤組織液注射劑)". Transfer of the product licenses and the relevant data is under progress.

TEAM BUILDING

During the Year, the Group continued to build a professional, diligent and responsible team with entrepreneur and innovative spirit.

PROSPECTS

The relevant information shows that the PRC became the world's third largest drug market in 2011, and will surpass Japan to become the world's second largest drug market by 2018. Therefore, becoming a highly competitive pharmaceutical group with unique and innovative products and technology in the PRC pharmaceutical market to enjoy the rapid growth of the pharmaceutical market in the PRC, and building up comprehensive marketing network with abundant operational resources remain the goal of our endeavor.

Meanwhile, the bio-pharmaceutical and bio-technological industry develops rapidly worldwide. As compared to the traditional synthetic chemical drugs, biopharmaceuticals, supported by more in-depth research, boasting more extensive therapeutic functions and advantages, more room for innovative pharmaceutical designs and dosages improvement, and more responsive to new diseases, thus, these products can provide an industry-wide re-pricing opportunity. It is estimated that bio-pharmaceutical products will account for more than one-third of the total drug sales by 2020. In line with this trend, the "12th Five-Year Plan in China Pharmaceutical Industry (中國醫藥工業十二五規劃)" introduced in the PRC in 2012, gave for priority to the bio-pharmaceutical and bio-technological industry and promulated preferential policies to research and development, technological transformation and market access. Optimistic outlook for the development of bio-pharmaceutical and bio-technological industry is predictable.

In addition, driven by internal factors such as aging population, urbanisation and upgraded consumption as well as continuous expansions brought by the new healthcare reform, the pharmaceutical market is developing vigorously. Along with the growth in medical demand, the total healthcare expenditure has been increasing annually, which has risen by 3.8 times from RMB759 billion in 2004 to RMB2,894.1 billion in 2012 with an annual growth rate of 16.75%. The healthcare expenditure per capita in China has recorded a net growth of 3.2 times from RMB584 in 2004 to RMB2,108 in 2012 with an annual growth rate of 17.4%. The percentage of total healthcare expenditure to GDP is 5.5%, much lower than that of 17.9% in the U.S. and the average level of the world of 9.7%, and ranked 147 on the lower level among the 193 members of the World Health Organization. With the launch and implementation of new healthcare reform plan, relevant policies favourable to the medical service industry have been promulated and reforms targeting public hospitals have been accelerated, creating opportunity for social capitals to enter into the medical service industry. It has become the general trend to carry out the relevant integration policy of promoting reform and innovations in the medical service industry with social capitals to secure rapid development of local medical service industry market in pursuant with the guidance of national industrial policy under the leadership of the government.

MANAGEMENT DISCUSSION AND ANALYSIS

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 established overall development strategies. 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 focus on the exclusive products in the National Medical Insurance Catalogue, so as to sustain the market development of OTC products; devoting all efforts to ensure the commencement of production of placenta products such as "Human Nerve Growing Factor Injection (人神經生長因子注射液)" and "Human Placenta Blood Albumin Injection (人胎盤血白蛋白注射劑)" in expected time; undergoing 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, immediately entering into medical service industry and making medical service an important and profitable business sector of the Group in the future through supply chain integration, value added service as well as integrated investment of hospital operation; structuring the management system that can positively reflect the estimated market value of the Group by the overall development strategy for general health, and enhance and safeguard Shareholders' interests.

The specific missions of the Group are to:

1. Focus on marketing to further increase 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 well-prepared to promote 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 accelerated the development of application to the retired cadres section and gynecology. Meanwhile, more human and financial resources will be devoted to regions including Yangtze River Delta, Beijing, Tianjin and Guangdong to achieve a larger sale scale. 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, and effectively leverage on the opportunities arising from being included in the Essential Drug List of the Guangdong Province, in order to capture the whole provincial market speedily. OTC drugs marketing: we continue to establish "Fuke Zaizaowan (婦科再造丸)" 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, with the view to increase singlestore sales by various means. In addition, through the close cooperation with established beauty parlors and professional chain stores, as well as different marketing and promotion initiatives to the multibranding strategy, we aim to secure rapid growth of "Golden Peptides (金紫肽)" line of products in the high-end health care products market.

2. Following the guidance of the national industrial policy, we will seize the chance of diversification in the medical service industry by deploying our resources effectively and adhering to the principle of "eight invariable conditions (八不變)", so as to rapidly facilitate the cooperation of hospitals at provincial city levels. Capitalising on supply chain integration, provision of value added services mainly focusing on dominant science and technology to establish a readily replicable and integrated hospital investment and management system, and application of IT technologies under cloud medical model, the operating efficiency and performance of the hospitals will be enhanced accordingly. Targeting at creating win-win situations for the government, hospitals, enterprises and patients, the government will focus on directing and monitoring healthcare reform, the hospitals will focus on improving and developing its medical technologies, the enterprises will focus on investment and operation, and the patients will therefore enjoy the benefits from healthcare reform and high quality medical services at low price. Under such model, developing our medical services business is vital to the success of the Group's business and achieving growth in profits. We will also actively explore medical services as our core platform, so as to develop an integrated retirement and tourism business model.

3. Taking the opportunity brought by the National Medical Insurance Catalogue update, and leveraging on the Group's advantages in larger number of exclusive products and principal products, we will endeavour to gain government support in all possible ways, to include our advantageous products with independent intellectual property rights, reliable curing effect and those that can be widely applied in the National Medical Insurance Catalogue or Essential Drug List, while seeking to include products yet to be listed in the national catalogue to be included in the provincial catalogue.

4. Accelerating development of new business strategies of the Group following the guidance of the new National GMP Standards, we are committed to topping out the factory in the Group's Chinese patent drugs production base in Guiyang Shawen New District (貴陽沙文新區), which will be granted the new GMP accreditation and commence production by the end of March 2015. Production base of Guilin will be completed by the end of April 2015. The "Recombinant Human Epidermal Growth Factor Raw Material (重組人表皮生長因子原料), Expansion Project of Pharmaceutical Production Workshops (製劑生產車間擴建項目)" in the production base of Guilin will be completed by the end of this year and they will be granted the New GMP accreditation and will commence operation. We strive to complete the placenta product project of "Human Placenta Blood Albumin Injection (人胎盤血白蛋白注射劑)" in the biological base of Guiyang (貴陽生物基地) by the end of June 2015. 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 gain GMP accreditation and commence operation. These projects will fully capitalise on the preferential policies promulgated by the government according to the PRC government'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.

5. According to the Group's research and development plan, we will 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 bioengineering protein drugs and polypeptide products, genetic therapy drugs and stem cell therapy products etc.. 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 and upgraded version of the products such as "Sugar-free Astragalus Granule (including capsules) (無糖型黃芪顆粒（含膠囊))" and "Recombinant Human Epidermal Growth Factor Eye-Gel (重組人表皮生長因子眼用凝膠)" has entered the testing stage. We will utilise effectively the PRC government's encouraging innovation fund to finance and make continuous contribution and 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 avoiding the research and development risk practically.

6. 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 agents 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 partnerships with hospitals on the basis of mutual benefits.

7. Strengthening 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 (北京生物製品所). While ensuring that three types of product including "Human 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 China National Biotech Group in vaccine production and plasma products and other aspects. At the same time, we will cooperate with various outstanding companies, with a view to implement mergers, acquisitions and reorganisations within the medicine and peneral healthcare industries, and cooperate to set up investment entities or funds, and to expand the source of projects, to make up any shortcoming in the Group's business and to generate new sources of profit. We will grasp valuable opportunities from market adjustment and falling asset prices and increase investments and enhance cooperation so as to promote the perfection of the product line and production chain of the Group and to shape our core competitiveness.

8. According to the distinct characteristics of Hong Kong capital market, we will implement market capitalisation management under the guidance of the development strategy for general health. By scheduling regular meetings between management and investors, reporting the results and primary working status of the Group in a timely manner to enhance 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.

9. Effectively integrating internal human resources, we will set up excellent research and development, production and marketing teams for each of the traditional Chinese medicine, bio-pharmaceutical products and technology and healthcare products platforms. We will also place more efforts in recruiting high-calibre talents based on the development needs of the Group's business, especially the development of hospital investment and management. 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.

10. Actively expanding the PRC market and enhancing our relationship with the government, we will proactively incorporate the Group's development into the overall domestic economic development layout and devote more contributions in 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. By virtue of government support, we will strengthen the integration of public hospitals with city as geographical unit and continue to strive for more investments and support from the respective government authorities for the development and technology re-engineering of the Group.

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-time 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 and Hong Kong. As at 30 June 2014, the Group had unpledged cash and bank balances of approximately HK$2,725.3 million (2013: approximately HK$2,799.4 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 0.7% (2013: approximately 0.6%). Net current assets were approximately HK$3,316.3 million (2013: approximately HK$3,208.4 million) and the current ratio was approximately 9.5 (2013: approximately 10.4) as at 30 June 2014.

The finance costs of the Group for the Year amounted to approximately HK$1.7 million (2013: approximately HK$2.0 million), representing approximately 0.1% (2013: approximately 0.1%) of the Group's total turnover and there is no significant change in finance costs over the corresponding period in 2013.

CONTINGENT LIABILITIES

As at 30 June 2014, the Group did not have any material contingent liability (2013: Nil).

BANK BORROWINGS

As at 30 June 2014, the Group had outstanding bank loans of approximately HK$38.0 million from the banks in the PRC (2013: approximately HK$25.1 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 2014, the Group's bank borrowings were secured by (i) certain plant and machinery of the Group; and (ii) certain prepaid land lease payments and buildings of the Group.

SEASONAL OR CYCLICAL FACTORS

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

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 instrument for hedging purpose.

TREASURY POLICIES

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

COMMITMENTS

In addition to the operating lease commitments, the Group had the following capital commitments at the end of the reporting period:

	2014	2013
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Property, plant and equipment	**362,865**	74,224
Prepaid land lease payment	**62,990**	–
Technical know-how	**731**	729
	426,586	74,953
Authorised, but not contracted for:		
Property, plant and equipment	**235,278**	838,607
	661,864	913,560

In addition, the Group's share of the joint venture's own capital commitments, which are not included in the above, is as follows:

	2014	2013
	HK$'000	*HK$'000*
Contracted, but not provided for	**3,247**	–

EMPLOYEES, TRAINING AND REMUNERATION POLICIES

As at 30 June 2014, the Group had a total of 975 employees (2013: 954), of whom 966 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$131.9 million (2013: approximately HK$87.7 million). Staff costs of the Group accounted for 7.1% of the Group's turnover (2013: 5.0%) during the Year. The Group participated in retirement benefit schemes for its staff both in Hong Kong and the PRC.

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

FINAL DIVIDEND AND BONUS ISSUE

The Directors recommended the payment of a final dividend of HK3.6 cents per share of the Company ("**Share**") for the Year (2013: final dividend of HK2.3 cents per Share and special dividend of HK4.0 cents per Share) totalling approximately HK$147,027,000, and a bonus issue of Shares on the basis of one new ordinary Share for every five existing ordinary Shares held to the Shareholders whose Shares are on the register of members on Tuesday, 6 January 2015, subject to the approval of the Shareholders in the Company's forthcoming annual general meeting to be held on 19 December 2014 ("**Annual General Meeting**"), and if passed, the final dividend together with the share certificate of the bonus issue Shares will be paid and posted respectively on Friday, 23 January 2015.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Zhang Peter Y. (張岳), aged 52, 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 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 50, 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 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 52, 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 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 53, 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 had assumed senior positions in certain renowned pharmaceutical companies in PRC. With his excellent industry background, apart from being 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 53, is 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 other public listed companies namely, United Industrial Corporation Limited and UOL Group Limited. He joined the Group in 2005.

Mr. Tarn Sien Hao (譚顯浩), aged 47, is 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 37, 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 Singapore Chartered Accountants. 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 72, 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 to 1998, he was the Chief of the Laboratory of Biochemical Physiology National Cancer Institute of the National Institute of Health in U.S.A.. 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 73, 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 of 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 54, 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 33, 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 43, 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 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 China.

Mr. Yao Chang Fa (姚廠發), aged 49, 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 52, 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 51, 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 50, 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 39, 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 38, 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 36, 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 39, 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 45, 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 45, 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 50, 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, Western 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 46, 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 2014.

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 2014.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 30 June 2014 and the state of affairs the Company and the Group at that date are set out in the financial statements on pages 44 to 127.

The directors recommend the payment of a final dividend of HK3.6 cents per share in respect of the Year to shareholders on the register of members on Tuesday, 6 January 2015. The proposed final dividend will be paid on or about Friday, 23 January 2015 if the recommendation is approved by the Shareholders at the Annual General Meeting. 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 Tuesday, 6 January 2015, 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 19 December 2014. 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, 15 December 2014 to Friday, 19 December 2014, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 12 December 2014.

REPORT OF THE DIRECTORS

The proposed final 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 and the bonus issue of Shares is Tuesday, 6 January 2015. For determining the entitlement to the proposed final dividend and the bonus issue of Shares, the register of members of the Company will be closed from Wednesday, 31 December 2014 to Tuesday, 6 January 2015, both days inclusive, during which period no transfer of Shares will be effected. In order to qualify for the proposed final 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 Tuesday, 30 December 2014. The payment of final dividend and the share certificates for the bonus Shares will be made and despatched on Friday, 23 January 2015.

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 128 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 33 and 34 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 35(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

REPORT OF THE DIRECTORS

DISTRIBUTABLE RESERVES

At 30 June 2014, 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$1,611,980,000 (as at 30 June 2013: HK$1,473,338,000) of which approximately HK$147,027,000 has been proposed as a final dividend for the Year. The amount of approximately HK$1,675,051,000 (note 35(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, the five largest customers accounted for approximately 48% of the Group's total sales. The largest customer of the Group accounted for approximately 21% 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

Mr. Long Xian Feng, Mr. Wee Ee Lim and Mr. Tarn Sien Hao will retire as Director by rotation at the Annual General Meeting in accordance with Article 108A of the Company's articles of association.

The Company has received annual confirmations of independence from its independent non-executive directors, and as at 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 18 to 22 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 and was renewed for a term of one year from 7 April 2013 to 6 April 2014.

Upon expiry of the service contracts, Mr. Zhou Chung Ke has entered into a service contract with the Company for an initial term of one year commencing from 7 April 2014, 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.

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.

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 39 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 2014, 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 of Hong Kong Limited ("**Stock Exchange**") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**"), 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	1,038,058,495 shares (L) *(Note 2a)*	25.42%
	The Company	Beneficial owner	3,000,000 shares (L) *(Note 2b)*	0.07%
Mr. Deng Jie	The Company	Beneficial owner	3,000,000 shares (L) *(Note 2b)*	0.07%
Mr. Long Xian Feng	The Company	Beneficial owner	3,000,000 shares (L) *(Note 2b)*	0.07%
Mr. Zhou Chong Ke	The Company	Beneficial owner	3,000,000 shares (L) *(Note 2b)*	0.07%
Mr. Tarn Sien Hao	The Company	Beneficial owner	3,082,944 shares (L) *(Note 2c)*	0.08%

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. Wee Ee Lim	The Company	Beneficial owner	3,000,000 shares (L) *(Note 2b)*	0.07%
Professor Kung Hsiang Fu	The Company	Beneficial owner	8,504,716 shares (L) *(Note 2d)*	0.21%
Professor Tso Wung Wai	The Company	Beneficial owner	3,000,000 shares (L) *(Note 2b)*	0.07%
Mr. Hon Yiu Ming, Matthew	The Company	Beneficial owner	3,160,000 shares (L) *(Note 2e)*	0.08%

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 1,038,058,495 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 SFO, 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. All of these options are exercisable at the subscription price of HK$1.60 per Share at any time during a period of two years commencing from and including 6 January 2014 to 5 January 2016.

2c. These 3,082,944 Shares included 3,000,000 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.

2d. These 8,504,716 Shares included 3,000,000 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.

2e. These 3,160,000 Shares included 3,000,000 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.

Save as disclosed above, as at 30 June 2014, 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.

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 (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 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 (the "**Scheme**") (together with the Old Scheme, the "**Schemes**") 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 Scheme became effective on 27 December 2012 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. Further details of the Schemes are disclosed in note 34 to the financial statements.

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

	Number of share options								
Name or Category of participants	At 1 July 2013	Granted during the year	Exercised during the year	Cancelled or lapsed during the year	At 30 June 2014	Date of grant of share options	Exercise period of share options	Exercise price of share options *(Note (a))* *HK$ per share*	Price of the Share at the date immediately preceding the date of grant of options *(Note (b))* *HK$*
Directors									
Executive									
Mr. Zhang Peter Y.	2,736,000	–	(2,736,000)	–	–	28 July 2011	28 July 2011 to 27 July 2013	1.4525	1.48
	144,000	–	(144,000)	–	–	3 October 2012	3 October 2012 to 2 October 2014	1.40	1.35
	–	3,000,000	–	–	3,000,000	6 January 2014	6 January 2014 to 5 January 2016	1.60	1.69
	2,880,000	3,000,000	(2,880,000)	–	3,000,000				
Mr. Deng Jie	2,736,000	–	(2,736,000)	–	–	28 July 2011	28 July 2011 to 27 July 2013	1.4525	1.48
	144,000	–	(144,000)	–	–	3 October 2012	3 October 2012 to 2 October 2014	1.40	1.35
	–	3,000,000	–	–	3,000,000	6 January 2014	6 January 2014 to 5 January 2016	1.60	1.69
	2,880,000	3,000,000	(2,880,000)	–	3,000,000				

Name or Category of participants	At 1 July 2013	Granted during the year	Exercised during the year	Cancelled or lapsed during the year	At 30 June 2014	Date of grant of share options	Exercise period of share options	Exercise price of share options (Note (a)) HK$ per share	Price of the Share at the date immediately preceding the date of grant of options (Note (b)) HK$
	Number of share options								
Mr. Long Xian Feng	2,736,000	–	(2,736,000)	–	–	28 July 2011	28 July 2011 to 27 July 2013	1.4525	1.48
	144,000	–	(144,000)	–	–	3 October 2012	3 October 2012 to 2 October 2014	1.40	1.35
	–	3,000,000	–	–	3,000,000	6 January 2014	6 January 2014 to 5 January 2016	1.60	1.69
	2,880,000	3,000,000	(2,880,000)	–	3,000,000				
Mr. Zhou Chong Ke	2,736,000	–	(2,736,000)	–	–	28 July 2011	28 July 2011 to 27 July 2013	1.4525	1.48
	144,000	–	(144,000)	–	–	3 October 2012	3 October 2012 to 2 October 2014	1.40	1.35
	–	3,000,000	–	–	3,000,000	6 January 2014	6 January 2014 to 5 January 2016	1.60	1.69
	2,880,000	3,000,000	(2,880,000)	–	3,000,000				
Non-executive									
Mr. Wee Ee Lim	–	3,000,000	–	–	3,000,000	6 January 2014	6 January 2014 to 5 January 2016	1.60	1.69
	–	3,000,000	–	–	3,000,000				
Mr. Tam Sien Hao	–	3,000,000	–	–	3,000,000	6 January 2014	6 January 2014 to 5 January 2016	1.60	1.69
	–	3,000,000	–	–	3,000,000				
Independent Non-executive									
Professor Kung Hsiang Fu	2,736,000	–	(2,736,000)	–	–	28 July 2011	28 July 2011 to 27 July 2013	1.4525	1.48
	144,000	–	(144,000)	–	–	3 October 2012	3 October 2012 to 2 October 2014	1.40	1.35
	–	3,000,000	–	–	3,000,000	6 January 2014	6 January 2014 to 5 January 2016	1.60	1.69
	2,880,000	3,000,000	(2,880,000)	–	3,000,000				
Professor Tso Wung Wai	–	3,000,000	–	–	3,000,000	6 January 2014	6 January 2014 to 5 January 2016	1.60	1.69
	–	3,000,000	–	–	3,000,000				
Mr. Hon Yiu Ming Matthew	–	3,000,000	–	–	3,000,000	6 January 2014	6 January 2014 to 5 January 2016	1.60	1.69
	–	3,000,000	–	–	3,000,000				
	14,400,000	27,000,000	(14,400,000)	–	27,000,000				

Name or Category of participants	Number of share options: At 1 July 2013	Granted during the year	Exercised during the year	Cancelled or lapsed during the year	At 30 June 2014	Date of grant of share options	Exercise period of share options	Exercise price of share options (Note (a)) HK$ per share	Price of the Share at the date immediately preceding the date of grant of options (Note (b)) HK$
Others	5,904,000	–	(5,904,000)	–	–	28 July 2011	28 July 2011 to 27 July 2013	1.4525	1.48
	–	255,600,000	(255,600,000)	–	–	6 January 2014	6 January 2014 to 5 January 2016	1.60	1.69
	5,904,000	255,600,000	(261,504,000)	–	–				
	20,304,000	**282,600,000**	**(275,904,000)**	**–**	**27,000,000**				

Notes:

(a) Pursuant to the Scheme, the exercise price of the share option of HK$1.60 per Share granted on 6 January 2014 is 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.

(b) 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.

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

At 30 June 2014, 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)*	1,038,058,495 (L)	Beneficial owner	25.42%
Liu Yu *(Note 3)*	1,041,058,495 (L)	Interest of spouse	25.49%
Haw Par Pharmaceutical Holdings Pte. Ltd	583,162,536 (L)	Beneficial owner	14.28%
Haw Par Corporation Limited *(Note 4)*	583,162,536 (L)	Interest of controlled corporation	14.28%
Kingston Finance Limited	411,264,000 (L)	Person having a security interest in Shares	10.06%
Ample Cheer Limited *(Note 5)*	411,264,000 (L)	Interest of controlled corporation	10.06%
Best Forth Limited *(Note 6)*	411,264,000 (L)	Interest of controlled corporation	10.06%
Chu Yuet Wah *(Note 7)*	411,264,000 (L)	Interest of controlled corporation	10.06%

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. 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.

6. 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.

7. 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 2014, 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 Corporate Governance Code and Corporate Governance Report ("**CG Code**") as set out in Appendix 14 to the Rules (the "**Listing Rules**") governing the Listing of Securities on the Stock Exchange throughout the Year.

AUDIT COMMITTEE

The Board has established an audit committee ("**Audit Committee**") in accordance with the requirements of the CG Code. The primary duties of the Audit Committee include reviewing and providing supervision over the financial reporting process and internal controls of the Group. The existing members of the Audit 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 independent non-executive Directors. The Group's financial statements for the Year have been reviewed by the Audit 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.

REPORT OF THE DIRECTORS

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events of the Group after the reporting period are set out in note 42 to the financial statements.

AUDITORS

During the year ended 30 June 2013, 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.

The financial statements for the year have been audited by Ernst & Young who will retire and offer themselves for re-appointment as auditors of the Company at the forthcoming annual general meeting.

On behalf of the Board

Zhang Peter Y.
Chairman

Hong Kong
29 September 2014

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board 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 of the CG Code and has adopted a written set of terms of reference of the Audit Committee which were prepared in accordance with the code provisions of the CG Code. The Board has also set up an internal audit team to monitor the effectiveness of the internal control of the Group. Throughout the Year, the Company has complied with the Code Provisions.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors and senior management of the Group on terms no less exacting than the required standard under the Model Code. 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 18 to 22 of this annual report. 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 of the CG Code.

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 alternate)*	4/4
Mr. Tarn Sien Hao	4/4
Independent non-executive Directors	
Professor Kung Hsiang Fu	2/4
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 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, during the Year, 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 2014 to provide protection against claims arising from the lawful discharge of duties by the Directors.

NOMINATION COMMITTEE

The nomination committee ("**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 *(Chairman)*	1/1
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 of the CG Code, including making recommendations to the Board on the remunerations packages of executive directors and the senior management.

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

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

	Attendance
Independent non-executive Directors	
Mr. Hon Yiu Ming, Matthew *(Chairman)*	1/1
Professor Kung Hsiang Fu	1/1
Professor Tso Wung Wai	1/1
Executive Directors	
Mr. Deng Jie	1/1
Non-executive Directors	
Mr. Wee Ee Lim *(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 2014 is set out below:

	Number of senior management
Nil to HK$2,000,000*	11
HK$8,000,001 to HK10,000,000	3
	14

* None of the senior management's remuneration fell within the bands from HK$2,000,001 to HK$8,000,000.

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 of the CG Code.

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

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

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

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

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

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

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

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

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

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Directors are responsible for the preparation of financial statements for each financial period which give a true and fair view of the state of affairs of the Group. In preparing the financial statements for the year ended 30 June 2014, 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 42 to 43 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 were no significant changes in the Company's constitutional documents during the Year.

INDEPENDENT AUDITORS' REPORT

EY 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 44 to 127, which comprise the consolidated and company statements of financial position as at 30 June 2014, 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 the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

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

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

INDEPENDENT AUDITORS' 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 2014, 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

29 September 2014

CONSOLIDATED INCOME STATEMENT

Year ended 30 June 2014

	Notes	2014 HK$'000	2013 HK$'000
REVENUE	5	**1,860,189**	1,754,392
Cost of sales		**(518,075)**	(387,032)
Gross profit		**1,342,114**	1,367,360
Other income	5	**24,858**	13,571
Selling and distribution expenses		**(643,620)**	(879,790)
Administrative expenses		**(118,298)**	(120,555)
Share-based payments	34	**(83,650)**	(28,058)
Impairment of an intangible asset	16	**(8,386)**	–
Impairment of items of property, plant and equipment	14	**(11,913)**	–
Impairment of deferred expenditure	17	**–**	(47,491)
Gain on disposal of an available-for-sale investment	7	**–**	19,582
Share of loss of an associate		**(249)**	(1,568)
Finance costs	6	**(1,736)**	(1,960)
PROFIT BEFORE TAX	7	**499,120**	321,091
Income tax expense	10	**(144,963)**	(97,766)
PROFIT FOR THE YEAR		**354,157**	223,325
Attributable to:			
Owners of the Company	11	**341,314**	223,041
Non-controlling interests		**12,843**	284
		354,157	223,325
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	13		
			(Restated)
— Basic		**HK8.65 cents**	HK6.19 cents
— Diluted		**HK8.62 cents**	HK6.13 cents

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 30 June 2014

	2014 *HK$'000*	2013 *HK$'000*
PROFIT FOR THE YEAR	**354,157**	223,325
OTHER COMPREHENSIVE INCOME/(EXPENSES)		
Items that will not be reclassified to income statement in subsequent periods:		
Gain/(loss) on revaluation of buildings, net	**(496)**	13,741
Deferred tax arising from revaluation on buildings	**590**	(2,928)
	94	10,813
Items that may be reclassified to income statement in subsequent periods:		
Exchange differences on translation of foreign operations		
— subsidiaries	**10,405**	163,239
— associate	**78**	–
	10,483	163,239
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**10,577**	174,052
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**364,734**	397,377
Attributable to:		
Owners of the Company	**352,922**	389,532
Non-controlling interests	**11,812**	7,845
	364,734	397,377

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**472,024**	361,560
Prepaid land lease payments	15	**28,964**	29,705
Intangible assets	16	**123,110**	164,220
Deferred expenditure	17	**51,651**	51,471
Goodwill	18	**110,273**	110,273
Investments in joint ventures	20	**18,885**	–
Investment in an associate	21	**370,557**	374,742
Deposits	22	**959,313**	467,093
Deferred tax assets	31	**34,202**	43,915
Total non-current assets		**2,168,979**	1,602,979
CURRENT ASSETS			
Inventories	23	**43,239**	41,383
Trade receivables	24	**917,018**	659,924
Prepayments, deposits and other receivables	25	**17,293**	43,605
Tax recoverable		**5,523**	6,815
Cash and cash equivalents	26	**2,725,335**	2,799,436
Total current assets		**3,708,408**	3,551,163
CURRENT LIABILITIES			
Trade payables	27	**59,494**	51,854
Other payables and accruals	28	**121,320**	139,769
Obligation under a finance lease	29	**31**	89
Interest-bearing bank borrowings	30	**37,794**	25,108
Tax payable		**173,498**	125,941
Total current liabilities		**392,137**	342,761
NET CURRENT ASSETS		**3,316,271**	3,208,402
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,485,250**	4,811,381
NON-CURRENT LIABILITIES			
Obligation under a finance lease	29	**–**	31
Deferred tax liabilities	31	**48,944**	55,868
Deferred income	32	**12,598**	17,576
Total non-current liabilities		**61,542**	73,475
Net assets		**5,423,708**	4,737,906

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2014

	Notes	2014 HK$'000	2013 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*33*	**408,408**	317,009
Reserves	*35(a)*	**4,812,440**	4,229,849
		5,220,848	4,546,858
Non-controlling interests		**202,860**	191,048
Total equity		**5,423,708**	4,737,906

Zhang Peter Y.
Director

Deng Jie
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2014

	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 31)*	–	–	(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 33)*	49,551	(49,551)	–	–	–	–	–	–	–	–	–	–
Issue of shares upon subscription of new shares *(note 33)*	5,800	111,360	–	–	–	–	–	–	–	117,160	–	117,160
Issue of shares upon exercise of share options *(note 33)*	20,625	365,841	–	–	–	(72,738)	–	–	–	313,728	–	313,728
Share-based payments *(note 34)*	–	–	–	–	–	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 dividend *(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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2014

	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 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
Profit for the year	–	–	–	–	–	–	–	341,314	–	341,314	12,843	354,157
Other comprehensive income for the year:												
Exchange differences on translation of foreign operations	–	–	–	–	10,483	–	–	–	–	10,483	–	10,483
Surplus on revaluation *(note 14)*	–	–	904	–	–	–	–	–	–	904	(1,400)	(496)
Effect of deferred tax *(note 31)*	–	–	221	–	–	–	–	–	–	221	369	590
Total comprehensive income for the year	–	–	1,125	–	10,483	–	–	341,314	–	352,922	11,812	364,734
Bonus shares issued *(note 33)*	63,809	(63,809)	–	–	–	–	–	–	–	–	–	–
Issue of shares upon exercise of share options *(note 33)*	27,590	494,174	–	–	–	(83,352)	–	–	–	438,412	–	438,412
Share-based payments *(note 34)*	–	–	–	–	–	83,650	–	–	–	83,650	–	83,650
Final and special 2013 dividends declared *(note 12)*	–	(1,278)	–	–	–	–	–	–	(199,716)	(200,994)	–	(200,994)
Proposed final 2014 dividend *(note 12)*	–	(147,027)	–	–	–	–	–	–	147,027	–	–	–
At 30 June 2014	408,408	1,417,112*	46,959*	100,781*	526,515*	7,992*	(8,410)*	2,574,464*	147,027*	5,220,848	202,860	5,423,708

* *These reserve accounts comprise the consolidated reserves of HK$4,812,440,000 (2013: HK$4,229,849,000) in the consolidated statement of financial position.*

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 30 June 2014

	Notes	2014 HK$'000	2013 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**499,120**	321,091
Adjustments for:			
Bank interest income	5	**(19,805)**	(8,628)
Finance costs	6	**1,736**	1,960
Depreciation	7	**19,496**	18,106
Amortisation of intangible assets	7	**33,205**	33,238
Amortisation of prepaid land lease payments	7	**848**	747
Share of loss of an associate		**249**	1,568
Loss/(gain) on disposal of items of property, plant and equipment	7	**11**	(3)
Gain on disposal of an available-for-sale investment	7	**–**	(19,582)
Impairment of an intangible asset	16	**8,386**	–
Impairment of items of property, plant and equipment	14	**11,913**	–
Impairment of deferred expenditure	17	**–**	47,491
Reversal of impairment of trade receivables	24	**(2,469)**	(961)
Impairment/(reversal of impairment) of other receivables	25	**884**	(79)
Amortisation of deferred income	32	**(5,053)**	(4,943)
Share-based payments	34	**83,650**	28,058
		632,171	418,063
Decrease/(increase) in inventories		**(1,715)**	2,365
Increase in trade receivables		**(252,919)**	(200,987)
Decrease in prepayments, deposits and other receivables		**25,644**	113,325
Increase in trade payables		**7,476**	8,937
Increase/(decrease) in other payables and accruals		**(18,984)**	32,352
Cash generated from operations		**391,673**	374,055
Profits tax paid		**(94,144)**	(74,945)
Net cash flows from operating activities		**297,529**	299,110
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**19,805**	8,628
Proceeds from disposal of items of property, plant and equipment		**–**	19
Proceeds from disposal of an available-for-sale investment, net of expenses	7	**–**	290,033
Deposit paid for acquisition of items of machines and equipment	22	**(306,096)**	(11,932)
Deposit paid for acquisition of plant and machineries	22	**(192,749)**	–
Deposit refund/(paid) for acquisition of intangible assets		**7,505**	(14,833)

/continued...

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 30 June 2014

	Notes	2014 HK$'000	2013 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES (continued)			
Purchases of items of property, plant and equipment		**(141,150)**	(24,548)
Repayment of advance from a third party		**–**	18,330
Advance to an associate		**(9,951)**	(192,076)
Repayment from an associate		**15,255**	–
Advance to a joint venture		**(18,267)**	–
Net cash flows from/(used in) investing activities		**(625,648)**	73,621
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	33	**438,412**	430,888
New bank loans		**37,884**	24,722
Repayment of bank loans		**(25,256)**	(32,015)
Repayment of obligation under a capital element of a finance lease		**(89)**	(83)
Dividends paid		**(200,994)**	(208,087)
Interest paid		**(1,736)**	(1,960)
Net cash flows from financing activities		**248,221**	213,465
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(79,898)**	586,196
Cash and cash equivalents at beginning of year		**2,799,436**	2,095,315
Effect of foreign exchange rate changes, net		**5,797**	117,925
CASH AND CASH EQUIVALENTS AT END OF YEAR		**2,725,335**	2,799,436
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	26	**2,720,764**	2,795,010
Time deposits with original maturity of less than three months when acquired	26	**4,571**	4,426
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows		**2,725,335**	2,799,436

STATEMENT OF FINANCIAL POSITION

30 June 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	19	**133,703**	133,703
CURRENT ASSETS			
Due from subsidiaries	19	**2,162,168**	1,809,486
Prepayments	25	**180**	180
Cash and cash equivalents	26	**6,738**	129,079
Total current assets		**2,169,086**	1,938,745
CURRENT LIABILITIES			
Due to subsidiaries	19	**273,586**	273,586
Accruals	28	**823**	821
Total current liabilities		**274,409**	274,407
NET CURRENT ASSETS		**1,894,677**	1,664,338
Net assets		**2,028,380**	1,798,041
EQUITY			
Issued capital	33	**408,408**	317,009
Reserves	35(b)	**1,472,945**	1,281,316
Proposed final dividend	12	**147,027**	199,716
Total equity		**2,028,380**	1,798,041

Zhang Peter Y.
Director

Deng Jie
Director

1. CORPORATE INFORMATION

Hua Han Bio-Pharmaceutical Holdings Limited is a limited liability company incorporated in the Cayman Islands. 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, medicinal healthcare products for women and bio-pharmaceutical products

- trading of pharmaceutical products

- research and development of pharmaceutical products

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("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 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. 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, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 *— Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets — Recoverable Amount Disclosures for Non-Financial Assets* (early adopted)
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

Other than as further explained below regarding the impact of HKFRS 10, HKFRS 12, HKFRS 13, amendments to HKFRS 10, HKFRS 11 and HKFRS 12, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements and addresses the issues in HK(SIC)-Int 12 *Consolidation — Special Purpose Entities*. It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in HKFRS 10, an investor must have (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled.

As a result of the application of HKFRS 10, the Group has changed the accounting policy with respect to determining which investees are controlled by the Group.

The application of HKFRS 10 does not change any of the consolidation conclusions of the Group in respect of its involvement with investees as at 1 July 2013.

(b) HKFRS 12 sets out the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

(c) The HKFRS 10, HKFRS 11 and HKFRS 12 Amendments clarify the transition guidance in HKFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10, HKFRS 11 and HKAS 27 or HK(SIC)-Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time.

(d) HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended. Additional disclosures required by HKFRS 13 for the fair value measurements of buildings classified as property, plant and equipment are included in note 14 to the financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

Other than the early adoption of HKAS 36 Amendments as disclosed in note 2.2, 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 9 (2014)	*Financial Instruments*[5]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — *Investment Entities*[1]
HKFRS 11 Amendments	Amendments to HKFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*[3]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKFRS 15	*Revenue from Contracts with customers*[4]
HKAS 16 and HKAS 38 Amendments	Amendments to HKAS 16 and HKAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*[3]
HKAS 16 and HKAS 41 Amendments	Amendments to HKAS 16 *Property, Plant and Equipment and* HKAS 41 *Agriculture*[3]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits — Defined Benefit Plans: Employee Contributions*[2]
HKAS 27 (2011) Amendments	Amendments to HKAS 27 *Separate Financial Statements*[1]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*[1]
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting*[1]
HK(IFRIC)-Int 21	*Levies*[1]
Annual Improvements 2010–2012 Cycle	Amendments to a number of HKFRSs issued in January 2014[2]
Annual Improvements 2011–2013 Cycle	Amendments to a number of HKFRSs issued in January 2014[2]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Effective for annual periods beginning on or after 1 January 2016
4 Effective for annual periods beginning on or after 1 January 2017
5 Effective for annual periods beginning on or after 1 January 2018

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application and is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

In addition, the new Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 30 June 2015. The Group is in the process of making an assessment of the impact of these changes.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

Investments in associates and joint ventures

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

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

The Group's investments in associates and joint ventures 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated income statement and consolidated statement of comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

The Group measures its buildings at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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 sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings and structures in progress, which are stated at cost less any impairment losses, and are 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)

Intangible assets (other than goodwill) (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 represents 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

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.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified at initial recognition as loans and receivables as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

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

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

Financial assets carried at amortised cost

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

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

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in 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.

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities as loans and borrowings as appropriate.

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

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

Subsequent measurement

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Offsetting of financial instruments

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

Inventories

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

Government grants

Government grants are recognised at the fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant related 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 34 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in benefit expense, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the 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 a 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries, joint ventures and an associate 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.

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.

Judgements

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.

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.

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

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 the estimate has been changed. A reversal of impairment of HK$2,469,000 (2013: HK$961,000) was made during the year ended 30 June 2014. The carrying amount of trade receivables at 30 June 2014 was HK$917,018,000 (2013: HK$659,924,000). Further details of trade receivables are given in note 24.

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 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. The carrying amount of buildings outside Hong Kong at 30 June 2014 was HK$235,874,000 (2013: HK$247,852,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 14 to the financial statements.

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 2014 was HK$110,273,000 (2013: HK$110,273,000). Further details are given in note 18.

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of intangible assets

The Group assesses whether there are any indicators of impairment for all non-financial 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 of disposal 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. An impairment of HK$8,386,000 (2013: Nil) was made during the year ended 30 June 2014. The carrying amount of intangible assets at 30 June 2014 was HK$123,110,000 (2013: HK$164,220,000). Further details of intangible assets are given in note 16.

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$535,438,000 (2013: HK$473,158,000) was derived from sales to a single customer during the year ended 30 June 2014, 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	
	2014	2013
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**1,907,755**	1,916,168
Less: rebates	**(47,566)**	(161,776)
	1,860,189	1,754,392
Other income		
Bank interest income	**19,805**	8,628
Recognition of deferred income on distribution rights *(note 32)*	**5,053**	4,943
	24,858	13,571

6. FINANCE COSTS

	Group	
	2014	2013
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	**1,730**	1,948
Interest on a finance lease	**6**	12
	1,736	1,960

7. PROFIT BEFORE TAX

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

	Notes	**2014 HK$'000**	2013 HK$'000
Cost of inventories sold		**518,075**	387,032
Depreciation	*14*	**19,496**	18,106
Amortisation of intangible assets[1]	*16*	**33,205**	33,238
Amortisation of prepaid land lease payments	*15*	**848**	747
Research and development costs		**3,067**	4,201
Minimum lease payments under operating leases in respect of land and buildings		**2,563**	2,678
Auditors' remuneration		**2,400**	2,400
Employee benefits expense (including directors' and chief executive's remuneration *(note 8)*):			
Wages and salaries		**57,037**	53,457
Share-based payments		**67,370**	28,058
Pension scheme contributions[2]		**7,505**	6,143
		131,912	87,658
Foreign exchange differences, net		**–**	35
Impairment of deferred expenditure	*17*	**–**	47,491
Impairment of an intangible asset	*16*	**8,386**	–
Reversal of impairment of trade receivables[3]	*24*	**(2,469)**	(961)
Impairment of items of property, plant and equipment	*14*	**11,913**	–
Impairment/(reversal of impairment) of other receivables[3]		**884**	(79)
Loss/(gain) on disposal of items of property, plant and equipment		**11**	(3)
Gain on disposal of an available-for-sale investment[4]		**–**	(19,582)

Notes:

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

2 At 30 June 2014, the Group had no forfeited contribution available to reduce its contributions to the pension schemes in future years (2013: Nil).

3 Reversal of impairment of trade receivables and impairment/(reversal of impairment) of other receivables are included in "Administrative expenses" in the consolidated income statement.

4 A gain on disposal of HK$19,582,000 for the year ended 30 June 2013 was resulted from a disposal of a listed equity investment by the Group at an aggregate consideration of HK$290,485,000 with related expenses of HK$452,000 during the year ended 30 June 2013.

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 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), is as follows:

	Group	
	2014	2013
	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	**637**	523
Discretionary bonuses	**3,640**	3,640
Share-based payments	**7,992**	351
Pension scheme contributions	**28**	28
	12,297	4,542
	13,297	5,542

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 34 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
2014						
Executive directors:						
Mr. Zhang Peter Y.	–	165	1,173	888	7	2,233
Mr. Deng Jie*	–	252	1,080	888	7	2,227
Mr. Long Xian Feng	–	110	987	888	7	1,992
Mr. Zhou Chong Ke	–	110	400	888	7	1,405
	–	637	3,640	3,552	28	7,857
Non-executive directors:						
Mr. Wee Ee Lim	200	–	–	888	–	1,088
Mr. Tarn Sien Hao	200	–	–	888	–	1,088
	400	–	–	1,776	–	2,176
Independent non-executive directors:						
Professor Kung Hsiang Fu	200	–	–	888	–	1,088
Professor Tso Wung Wai	200	–	–	888	–	1,088
Mr. Hon Yiu Ming, Matthew	200	–	–	888	–	1,088
	600	–	–	2,664	–	3,264
	1,000	637	3,640	7,992	28	13,297

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

* *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 (2013: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included five employees who are neither a director nor chief executive of the Company (2013: one employee and four directors). Details of the directors' remuneration are set out in note 8. Details of the remuneration for the year of the five highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2014	2013
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**2,298**	715
Share-based payments	**43,098**	–
Pension scheme contributions	**35**	12
	45,431	727

During the year, one, three and one non-director and non-chief executive highest paid employees whose remuneration fell within the band of HK$7,500,001 to HK$8,000,000, HK$9,000,001 to HK$9,500,000 and HK$9,500,001 to HK$10,000,000, respectively (2013: one non-director and non-chief executive highest paid employee whose remuneration fell within the band of nil to HK$1,000,000).

During the year and in prior years, share options were granted to non-director and non-chief executive, highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 34 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 (2013: 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 of the People's Republic of China ("PRC"), which became effective from 1 January 2008, enterprises are subject to corporate income tax ("CIT") at a rate of 25%.

	2014	2013
	HK$'000	*HK$'000*
Current — Mainland China		
Charge for the year	**142,568**	143,840
Underprovision in prior years	**176**	121
Deferred *(note 31)*	**2,219**	(46,195)
Total tax charge for the year	**144,963**	97,766

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 the PRC. Accordingly, DCX and 華諾威 are entitled to a preferential PRC 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 to be entitled to a PRC 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 is as follows:

	2014	2013
	HK$'000	*HK$'000*
Profit before tax	**499,120**	321,091
Tax at the statutory tax rate	**124,780**	80,273
Tax effect on preferential tax rate	**(52,589)**	(38,228)
Adjustments in respect of current tax of previous periods	**176**	121
Loss attributable to an associate	**62**	392
Income not subject to tax	**(711)**	(3,231)
Expenses not deductible for tax	**75,711**	56,407
Tax losses utilised from previous periods	**(2,466)**	1,533
Tax losses not recognised	**–**	499
Tax charge at the Group's effective rate	**144,963**	97,766

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 2014 includes a loss of HK$90,729,000 (2013: HK$37,209,000) which has been dealt with in the financial statements of the Company (note 35(b)).

12. DIVIDENDS

	2014	2013
	HK$'000	*HK$'000*
Dividends paid during the year:		
Final dividend in respect of the financial year ended 30 June 2013 — HK2.3 cents per ordinary share (2013: HK3.4 cents per ordinary share in respect of the financial year ended 30 June 2012)	**73,378**	84,226
Special dividend in respect of the financial year ended 30 June 2013 — HK4.0 cents per ordinary share (2013: HK5.0 cents) per ordinary share	**127,616**	123,861
	200,994	208,087
Proposed dividend:		
Final — HK3.6 cents (2013: HK2.3 cents) per ordinary share	**147,027**	72,912
Special — Nil (2013: HK4.0 cents) per ordinary share	**–**	126,804
	147,027	199,716

The proposed final dividend of HK$147,027,000, representing HK3.6 cents per share, and a bonus issue of shares on the basis of 1 new ordinary share for every 5 existing ordinary shares for the year ended 30 June 2014 is subject to the approval of the Company's shareholders at the Company's annual general meeting to be held on 19 December 2014. These financial statements do not reflect the dividend payable.

The proposed final and special dividends of HK$72,912,000 and HK$126,804,000, representing HK2.3 cents and HK4.0 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 "2013 Bonus Issue") for the year ended 30 June 2013 were approved by the Company's shareholders at the Company's annual general meeting on 20 December 2013. The final and special dividends of HK2.3 cents and HK4.0 cents per share, respectively, for the year ended 30 June 2013 were satisfied by cash payment. On 22 January 2014, 638,079,656 shares of HK$0.1 each were issued to satisfy the 2013 Bonus Issue. The dividend payable was not reflected in the financial statements as at 30 June 2013.

13. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	2014	2013
	HK$'000	*HK$'000*
Earnings:		
Profit for the year attributable to owners of the Company	**341,314**	223,041
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (2013: restated to reflect the effect of the 2013 Bonus Issue)	**3,943,977**	3,601,943
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 (2013: restated to reflect the effect of the 2013 Bonus Issue)	**13,472**	36,841
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share (2013: restated to reflect the effect of the 2013 Bonus Issue)	**3,957,449**	3,638,784

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings HK$'000 (Note (a))	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures, equipment and motor vehicles HK$'000	Construction in progress HK$'000 (Note (b))	Total HK$'000
30 June 2014						
Cost or valuation:						
At 1 July 2013	247,852	7,682	96,466	26,291	66,935	445,226
Additions	–	134	32,388	431	108,197	141,150
Disposals	–	–	–	(194)	–	(194)
Deficit on revaluation	(12,896)	–	–	–	–	(12,896)
Exchange realignment	918	69	377	94	191	1,649
At 30 June 2014	235,874	7,885	129,231	26,622	175,323	574,935
Accumulated depreciation and impairment:						
At 1 July 2013	–	4,142	59,420	20,104	–	83,666
Depreciation provided during the year	12,400	283	5,981	832	–	19,496
Disposals	–	–	–	(183)	–	(183)
Impairment *(note (c))*	–	–	11,913	–	–	11,913
Write-back upon revaluation	(12,400)	–	–	–	–	(12,400)
Exchange realignment	–	56	290	73	–	419
At 30 June 2014	–	4,481	77,604	20,826	–	102,911
Net carrying amount:						
At 30 June 2014	235,874	3,404	51,627	5,796	175,323	472,024
At 30 June 2013	247,852	3,540	37,046	6,187	66,935	361,560
Analysis of cost or valuation:						
At cost	–	7,885	129,231	26,622	175,323	339,061
At 30 June 2014 valuation	235,874	–	–	–	–	235,874
	235,874	7,885	129,231	26,622	175,323	574,935

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Group

	Buildings HK$'000 (Note (a))	Leasehold improvements HK$'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

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

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Notes:

(a) The Group's buildings situated outside Hong Kong for offices and production premises were revalued at the end of the reporting period based on valuations performed by DTZ Debenham Tie Leung Limited ("DTZ"), an independent firm of professionally qualified valuers, at an aggregate of HK$235,874,000 (2013: HK$247,852,000). In the opinion of the directors, the current use of the buildings situated outside Hong Kong equates to their highest and best use.

A revaluation deficit of HK$496,000 (2013: surplus of HK$13,741,000), resulting from the above valuations, has been debited (2013: credited) to other comprehensive income/expense.

Had the Group's buildings been carried at historical cost less accumulated depreciation, their net carrying amount would have been approximately HK$111,434,000 (2013: HK$123,834,000).

The net carrying amount of the Group's property, plant and equipment held under a finance lease included in the total amount of a motor vehicle at 30 June 2014 amounted to HK$29,000 (2013: HK$114,000).

At 30 June 2014, certain of the Group's buildings with an aggregate net carrying amounts of HK$38,425,000 (2013: HK$37,668,000), were pledged to secure banking facilities granted to the Group (note 30).

As at 30 June 2014, the Group had not yet obtained the title ownership certificates for certain of its buildings situated in Guizhou, the PRC, with an aggregate carrying amount of HK$123,575,000 (2013: HK$135,960,000). Subsequent to the year end, the Group has obtained the title ownership certificates of these buildings in September 2014.

Valuation processes for the leasehold buildings situated outside Hong Kong

The Group's finance department, which directly reports to the senior management, reviews the valuations performed by the external valuers for financial reporting purposes. Each year, senior management decides to appoint which external valuer to be responsible for the external valuations of the Group's buildings situated outside Hong Kong at fair value. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's finance department has discussions with the valuers on the valuation assumptions and valuation results once a year when the valuation is performed for annual financial reporting.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's buildings situated outside Hong Kong:

	Fair value measurement as at 30 June 2014 using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Recurring fair value measurement for:				
Buildings	–	–	**235,874**	**235,874**

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Notes: (continued)

(a) (continued)

Fair value hierarchy (continued)

Below is a summary of the valuation techniques used and the key inputs to the valuation of buildings for own use:

Description	Valuation technique	Fair value at 30 June 2014 (HK$'000)	Significant unobservable inputs	Range	Relationship of unobservable inputs to fair value
Commercial building situated outside Hong Kong	Net replacement cost	5,795	Construction cost (per square metre)	HK$5,669	Positively correlated
Industrial buildings situated outside Hong Kong	Depreciated replacement cost approach	230,079	Construction cost (per square metre)	HK$1,260 to HK$19,334	Positively correlated

(b) As at 30 June 2014, the pharmaceutical research centre and the new production plants (collectively the "New Plant") of the Group were under construction on a parcel of land (the "Land") located at Guiyang Shawen Ecological Park in Mainland China. The construction cost of RMB70,000,000 (approximately HK$88,186,000) paid for the New Plant during the current year was included under construction in progress as at 30 June 2014. In addition, since the Group had not yet obtained the land use right certificate of the Land as at 30 June 2014, the upfront deposit for acquisition of the Land paid by the Group was recorded as a deposit under non-current assets as at 30 June 2014. Further details are set out in note 22(b).

(c) During the year ended 30 June 2014, an impairment loss of HK$11,913,000 was recognised for certain items of plant and machinery with an aggregate net carrying amount of HK$11,913,000 (2013: Nil) because the Group has ceased the production of certain pharmaceutical products.

15. PREPAID LAND LEASE PAYMENTS

	Group	
	2014	2013
	HK$'000	*HK$'000*
Carrying amount at 1 July	**30,548**	30,473
Recognised during the year	**(848)**	(747)
Exchange realignment	**110**	822
Carrying amount at 30 June	**29,810**	30,548
Less: Current portion included in prepayments, deposits and other receivables *(note 25)*	**(846)**	(843)
Non-current portion	**28,964**	29,705

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

At 30 June 2014, certain of the Group's prepaid land lease payments with an aggregate carrying amount of HK$1,046,000 (2013: HK$4,564,000) were pledged to secure certain banking facilities granted to the Group (note 30).

16. INTANGIBLE ASSETS

Group

	Operating right *HK$'000*	Technical know-how *HK$'000*	Deferred development costs *HK$'000*	Total *HK$'000*
30 June 2014				
Cost:				
At 1 July 2013	**5,086**	**428,634**	**7,627**	**441,347**
Exchange realignment	**18**	**1,502**	**27**	**1,547**
At 30 June 2014	**5,104**	**430,136**	**7,654**	**442,894**
Accumulated amortisation and impairment:				
At 1 July 2013	**2,967**	**266,533**	**7,627**	**277,127**
Amortisation provided during the year	**1,279**	**31,926**	**–**	**33,205**
Impairment	**–**	**8,386**	**–**	**8,386**
Exchange realignment	**7**	**1,032**	**27**	**1,066**
At 30 June 2014	**4,253**	**307,877**	**7,654**	**319,784**
Net carrying amount:				
At 30 June 2014	**851**	**122,259**	**–**	**123,110**
At 30 June 2013	**2,119**	**162,101**	**–**	**164,220**

16. INTANGIBLE ASSETS (continued)

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

During the year ended 30 June 2014, the directors of the Company conducted a review of the intangible assets and determined that the technical know-how to produce DNA Bio-Chip, which is used for storing DNA information extracted from umbilical cord blood for future use, was fully impaired as the Group ceased selling DNA Bio-Chip during the year and no future cash flows are expected to be generated therefrom in the foreseeable future. Accordingly, an impairment loss of approximately HK$8,386,000 has been recognised in respect of the related technical know-how for the year ended 30 June 2014.

17. DEFERRED EXPENDITURE

	Group	
	2014	2013
	HK$'000	*HK$'000*
Carrying amount at 1 July	**51,471**	97,051
Impairment during the year	**–**	(47,491)
Exchange realignment	**180**	1,911
Carrying amount at 30 June	**51,651**	51,471

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 had 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 2012, 30 June 2013, 1 July 2013 and 30 June 2014	110,273

18. GOODWILL (continued)

Impairment testing of goodwill

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

- 貴州漢方藥業有限公司 ("GHMM");
- DCX; and
- Guilin Gu Jin Pharmaceutical Technology Co. Ltd. ("Guilin Gu Jin")

All of the cash-generating units 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 beyond the five-year period is 0%–3% (2013: 0%–3%). The discount rate applied to cash flow projections is 21% (2013: 18%).

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

	2014	2013
	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

	2014	2013
	HK$'000	*HK$'000*
Unlisted shares, 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 business	Nominal value of issued ordinary/registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Intended Features Limited	British Virgin Island ("BVI")	US$375,875	100	–	Investment holding
GHMM[1]	PRC/Mainland China	RMB466,909,000	–	100	Manufacture and trading of gynecological pharmaceutical products and feminine medicinal healthcare products
貴州泛特爾生物技術有限公司[1]	PRC/Mainland China	RMB103,000,000	–	75.1	Manufacture and sales of bio-pharmaceutical products
DCX[1]	PRC/Mainland China	RMB200,000,000	–	99.7	Manufacture, sale and distribution of pharmaceutical products
華諾威[1]	PRC/Mainland China	RMB100,000,000	–	65	Manufacture and sale of bio-pharmaceutical products
Guilin Gu Jin[1]	PRC/Mainland China	RMB1,000,000	–	100	Investment holding
昌都康源[1]	PRC/Mainland China	RMB5,000,000	–	80[2]	Trading of pharmaceutical products

19. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary/registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
深圳市雲晨廣江貿易有限公司[1]	PRC/Mainland China	RMB1,000,000	–	100	Investment holding
貴州漢方醫藥資產管理有限公司[1]	PRC/Mainland China	RMB100,000,000	–	100	Investment holding

Notes:

1 Registered as domestic enterprises under the laws of PRC

2 Pursuant to profit sharing agreements entered into between the Group and the non-controlling interest ("昌都 NCI") of 昌都康源, the revenue and profit generated by the sale of major product types of 昌都康源 are wholly attributable to the Group, with the remaining revenue and profit shared by the Group and the 昌都 NCI in accordance with their respective equity interests 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. INVESTMENTS IN JOINT VENTURES

	Group 2014 HK$'000	2013 HK$'000
Share of net assets	**618**	–
Due from a joint venture	**18,267**	–
	18,885	–

The amount due from a joint venture is unsecured, interest-fee and is not expected to be repaid within next twelve months from the end of the reporting period.

Particulars of the Group's joint ventures are as follows:

Name	Place of registration and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Guizhou Hanfang Medicine Research Co., Ltd. ("GHMR")*	PRC/Mainland China	50	40	50	Inactive
貴州北生所生物製品有限公司 ("北生所")*	PRC/Mainland China	49	60**	49	Research and development of bio-pharmaceutical products

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

** *The shareholding of the Company in 北生所 is held through certain wholly owned and non-wholly owned subsidiaries of the Company. The directors considered that 北生所 is a joint venture of the Group as at 30 June 2014 because (i) to form a quorum for directors' meeting of 北生所, at least one director representing the Group and the joint venture partner are required to present; and (ii) resolutions of board meeting of 北生所 require majority vote from directors and vote from at least one director representing the joint venture partner, the Group and the joint venture partner could not exercise unilateral control in 北生所.*

During the year, the Group did not share any of the losses of GHMR (2013: Nil) as, according to the joint venture agreement, the Group's share of losses of GHMR is limited to its capital contribution to GHMR, which was reached in prior years.

The shareholding of the Company in GHMR is held through certain wholly-owned subsidiaries of the Company.

21. INVESTMENT IN AN ASSOCIATE

	Group	
	2014	2013
	HK$'000	*HK$'000*
Share of net assets	**10,254**	10,425
Due from an associate	**360,303**	364,317
	370,557	374,742

The amount due from 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 provide adequate working capital for financing its operations. Accordingly, the amount is classified as a long term receivable.

Particulars of the associate are as follows:

Name	**Place of registration/ and business**	**Percentage of ownership interest attributable to the Group**	**Principal activity**
貴州北科泛特爾生物科技有限公司 ("北科泛特爾")*	PRC/ Mainland China	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.

The following table illustrates the financial information of the Group's associate:

	2014	2013
	HK$'000	*HK$'000*
Share of the associate's loss for the year	**(249)**	(1,568)
Share of the associate's other comprehensive income	**78**	–
Share of the associate's total comprehensive expense	**(171)**	(1,568)
Aggregate carrying amount of the Group's investment in the associate	**370,557**	374,742

22. DEPOSITS

	Group	
	2014	2013
	HK$'000	*HK$'000*
Deposits paid in respect of:		
Acquisition of items of machines and equipment *(note (a))*	**507,045**	200,949
Acquisition of prepaid land lease payments *(note (b))*	**251,960**	251,080
Acquisition of plant and machineries *(note (c))*	**192,749**	–
Acquisition of intangible assets	**7,559**	15,064
	959,313	467,093

Notes:

(a) Included in the balance are the upfront deposits of HK$187,321,000 (2013: HK$194,587,000) and HK$318,052,000 (2013: Nil) paid upon entering into the purchase agreements with Guizhou Shunzhi Trade Co., Ltd. ("Guizhou Shunzhi") on 9 May 2011 and 18 December 2013 respectively. Pursuant to the purchase agreements, Guizhou Shunzhi will be responsible for the sourcing of machines and equipment for the production of Human Placental Serum Albumin for the New Plant of the Group.

These plant and equipment were not yet received at 30 June 2014 and the amount is classified as deposits paid for acquisition of machines 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 "Land Vendor") dated 25 October 2011, the Group agreed to acquire the Land with an aggregate area of approximately 521 mu (equivalent to approximately 347,000 square metres) at a consideration of RMB250,000,000. The Land would be used by the New Plant of the Group.

An upfront deposit of prepaid land lease payments of RMB200,000,000 (equivalent to HK$251,960,000 (2013: HK$251,080,000)) has been made by the Group as at 30 June 2014. The transfer of the title of the Land is under the registration process and the amount is classified as a deposit paid for acquisition of prepaid land lease payments and included in non-current assets.

(c) During the year, the Company made payments totaling RMB153 million (equivalent to HK$193 million) (the "Deposit") to 貴州漢方(集團)有限公司 ("漢方集團"), a company established in PRC, for 漢方集團 to construct the stem cell plant and machineries on behalf of the Group. Certain shareholders and directors of 漢方集團 are also the directors of the Company.

Subsequent to the year end, management changed the plan and considered to properly set up a structured entity to construct the stem cell plant and machineries and carry out the stem cell business. Accordingly, the Deposits were subsequently refunded to the Group in September 2014. Details of the construction of stem cell storage bank are set out in note 42(a) to the financial statements.

23. INVENTORIES

	Group 2014 HK$'000	Group 2013 HK$'000
Raw materials	**19,270**	22,496
Finished goods	**23,969**	18,887
	43,239	41,383

24. TRADE RECEIVABLES

	Group 2014 HK$'000	Group 2013 HK$'000
Trade receivables	**922,082**	667,421
Impairment	**(5,064)**	(7,497)
	917,018	659,924

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 four to six months. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. 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 21% (2013: 28%) and 41% (2013: 41%) of the total trade 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 receivable balances. Trade receivables are non-interest-bearing.

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

	Group 2014 HK$'000	Group 2013 HK$'000
Within 3 months	**317,219**	474,661
3 months to 6 months	**165,582**	76,114
Over 6 months	**433,599**	109,149
Over 1 year	**618**	–
	917,018	659,924

24. TRADE RECEIVABLES (continued)

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

	Group	
	2014	2013
	HK$'000	*HK$'000*
At 1 July	**7,497**	8,248
Exchange realignment	**36**	210
Reversal of impairment losses *(note 7)*	**(2,469)**	(961)
	5,064	7,497

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$5,064,000 (2013: HK$7,497,000) with a carrying amount before provision of HK$5,064,000 (2013: HK$7,497,000). 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 receivables that are not individually nor collectively considered to be impaired is as follows:

	Group	
	2014	2013
	HK$'000	*HK$'000*
Neither past due nor impaired	**482,801**	550,775
Less than 6 months past due	**433,599**	108,184
Over 6 months past due	**618**	965
	917,018	659,924

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.

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Other receivables	**4,591**	15,055	**–**	–
Impairment	**(3,332)**	(2,451)	**–**	–
	1,259	12,604	**–**	–
Prepayments	**11,293**	6,890	**180**	180
Deposits	**3,895**	23,268	**–**	–
Prepaid land lease payments *(note 15)*	**846**	843	**–**	–
	17,293	43,605	**180**	180

Included in the above provision for impairment of other receivables is a provision for individually impaired other receivables of HK$3,332,000 (2013: HK$2,451,000) with a carrying amount before provision of HK$3,332,000 (2013: HK$2,451,000). The individually impaired other receivables relate to 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 receivable balances.

26. CASH AND CASH EQUIVALENTS

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**2,720,764**	2,795,010	**6,738**	129,079
Time deposit	**4,571**	4,426	**–**	–
	2,725,335	2,799,436	**6,738**	129,079

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$2,717,127,000 (2013: HK$2,664,243,000). 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.

27. 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	
	2014	2013
	HK$'000	*HK$'000*
Within 3 months	**41,309**	37,292
3 months to 6 months	**5,089**	6,461
6 months to 1 year	**9,826**	3,581
Over 1 year	**3,270**	4,520
	59,494	51,854

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

28. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Deferred income *(note 32)*	**5,039**	5,022	**–**	–
Deferred government grant	**3,420**	3,406	**–**	–
Receipt in advance	**555**	554	**–**	–
Other payables	**49,013**	36,384	**–**	–
Accruals	**63,293**	94,403	**823**	821
	121,320	139,769	**823**	821

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

29. OBLIGATION UNDER A FINANCE LEASE

The Group leases a motor vehicle and the lease is classified as a finance lease and has a remaining lease term of one year (2013: two years).

At 30 June 2014, the total future minimum lease payments under the finance lease and its present values were as follows:

Group

	Minimum lease payments 2014 *HK$'000*	Minimum lease payments 2013 *HK$'000*	**Present value of minimum lease payments 2014 *HK$'000***	Present value of minimum lease payments 2013 *HK$'000*
Amounts payable:				
Within one year	**31**	95	**31**	89
In the second year	**–**	31	**–**	31
	31	126	**31**	120
Future finance charges	**–**	(6)		
Total net finance lease payables	**31**	120		
Portion classified as current liabilities	**(31)**	(89)		
Non-current portion	**–**	31		

30. INTEREST-BEARING BANK BORROWINGS

Group	Effective interest rate *(%)*	Maturity	*HK$'000*
2014			
Current			
Bank loans — secured	6.00	March–April 2015	37,794
2013			
Current			
Bank loans — secured	6.00	March–April 2014	25,108

	Group	
	2014	2013
	HK$'000	*HK$'000*
Analysis into bank loans repayable:		
Within one year	**37,794**	25,108

Notes:

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

(b) All of the bank loans are denominated in RMB and bear interest at a fixed rate.

31. 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 2014			
At 1 July 2013	**41,589**	**14,279**	**55,868**
Deferred tax credited to other comprehensive income during the year	**–**	**(590)**	**(590)**
Deferred tax credited to the income statement during the year *(note 10)*	**(7,672)**	**–**	**(7,672)**
Exchange realignment	**(4)**	**1,342**	**1,338**
At 30 June 2014	**33,913**	**15,031**	**48,944**
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

31. 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 2014			
At 1 July 2013	**41,158**	**2,757**	**43,915**
Deferred tax charged to the income statement during the year *(note 10)*	**(6,805)**	**(3,086)**	**(9,891)**
Exchange realignment	**(151)**	**329**	**178**
At 30 June 2014	**34,202**	**–**	**34,202**
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

As at 30 June 2013, the Group has tax losses arising in Mainland China of HK$14,097,000 that will expire in one to five years for offsetting against future taxable profits of the companies in which the losses arose. The tax losses have been fully utilised during the year.

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.

31. DEFERRED TAX (continued)

At 30 June 2014, 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$281,514,000 at 30 June 2014 (2013: HK$150,622,000).

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

32. DEFERRED INCOME

	Group	
	2014	2013
	HK$'000	*HK$'000*
At 1 July	**22,598**	26,884
Deferred income recognised during the year	**(5,053)**	(4,943)
Exchange realignment	**92**	657
At 30 June	**17,637**	22,598
Less: Current portion included in other payables and accruals *(note 28)*	**(5,039)**	(5,022)
Non-current portion	**12,598**	17,576

33. SHARE CAPITAL

Shares

	2014	2013
	HK$'000	*HK$'000*
Authorised:		
8,000,000,000 (2013: 4,000,000,000) ordinary shares of HK$0.10 each	**800,000**	400,000
Issued and fully paid:		
4,084,077,940 (2013: 3,170,094,284) ordinary shares of HK$0.10 each	**408,408**	317,009

Pursuant to an ordinary resolution passed on 20 December 2013, the authorised share capital of the Company was increased from HK$400,000,000 to HK$800,000,000 by the creation of 4,000,000,000 additional shares of HK$0.1 each, ranking pari passu in all respects with the existing shares of the Company.

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

	Notes	Number of ordinary shares in issue	Issued share capital HK$'000	Share premium account HK$'000
At 1 July 2012		2,410,331,904	241,033	1,023,649
Exercise of share options	*(a)*	206,256,000	20,625	365,841
Subscription of new shares	*(b)*	58,000,000	5,800	111,360
Capitalisation of bonus shares	*(c)*	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 and 1 July 2013		3,170,094,284	317,009	1,245,964
Exercise of share options	*(d)*	275,904,000	27,590	494,174
Capitalisation of bonus shares	*(e)*	638,079,656	63,809	(63,809)
Adjustment for final 2013 dividend		–	–	(1,278)
At 30 June 2014		4,084,077,940	408,408	1,675,051

33. SHARE CAPITAL (continued)

Shares (continued)

Notes:

(a) During the year ended 30 June 2013, an aggregate of 206,256,000 share options had been exercised at a weighted average subscription price of 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.

(b) On 11 April 2013, the Company, Bull's-Eye Limited ("BEL"), a shareholder of the Company which 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.

(c) Pursuant to an ordinary resolution passed by the shareholders at the annual general meeting held on 27 December 2012, a bonus issue of shares on the basis of one bonus share, credited as fully paid, for every five existing issued ordinary shares was 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.

(d) During the year ended 30 June 2014, an aggregate of 275,904,000 share options had been exercised at a weighted average subscription price of HK$1.589 per share for a total consideration of HK$438,412,000, resulting in an issue of 275,904,000 new ordinary shares of HK$0.10 each. The new shares rank pari passu with the existing shares in all respects.

(e) Pursuant to an ordinary resolution passed by the shareholders at the annual general meeting held on 20 December 2013, a bonus issue of shares on the basis of one bonus share, credited as fully paid, for every five existing issued ordinary shares was approved. On 22 January 2014, 638,079,656 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 34 to the financial statements.

34. SHARE OPTION SCHEME

The Company adopted a share option scheme (the "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 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 Group's subsidiaries and advisers to the business development of the Group. The Scheme became effective on 27 December 2012 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

Under the 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 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 Scheme.

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

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

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.

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30 June 2014

34. SHARE OPTION SCHEME (continued)

As at 30 June 2014, 27,000,000 share options were outstanding under the Scheme. As at 30 June 2013, 20,304,000 share options were outstanding under the share option scheme (the ''Old scheme'') adopted on 25 November 2002 and expired during the year ended 30 June 2013. All the share option under the Old scheme have been exercised during the year.

The following share options were outstanding during the year:

	2014		2013	
	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	**1.4506**	**20,304**	1.7430	114,000
Granted during the year	**1.6000**	**282,600**	1.6800	86,000
Adjustment*	**–**	**–**	N/A	26,560*
Exercised during the year	**1.5890**	**(275,904)**	1.5211	(206,256)
At 30 June	**1.6000**	**27,000**	1.4506	20,304

* *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 2013 Bonus Issue. Further details of the 2013 Bonus Issue are set out in the announcement of the Company dated 22 January 2013.*

34. SHARE OPTION SCHEME (continued)

The weighted average share price at the date of exercise for share options exercised during the year was HK$1.6059 per share (2013: HK$2.0328 per share).

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

2014

Number of options *'000*	**Exercise price* per share** *HK$*	**Exercise period**
27,000	**1.6000**	**6 January 2014 to 5 January 2016**

2013

Number of options *'000*	Exercise price* per share *HK$*	Exercise period
19,584	1.4525	28 July 2011 to 27 July 2013
720	1.4000	3 October 2012 to 2 October 2014
20,304		

* *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.*

The fair value of the share options granted during the year was HK$83,650,000, HK$0.296 each (2013: HK$28,058,000, HK$0.32626 each), of which the Group recognised a share option expense of HK$83,650,000 (2013: HK$28,058,000) during the year ended 30 June 2014.

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:

	2014	2013
Dividend yield (%)	**1.46**	1.51
Expected volatility (%)	**38.14**	39.27
Risk-free interest rate (%)	**0.349**	0.25
Expected life of options (years)	**2**	2
Closing price at the date of grant (HK$ per share)	**1.60**	1.68

34. SHARE OPTION SCHEME (continued)

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, 275,904,000 share options were exercised which resulted in the issue of 275,904,000 ordinary shares of the Company and new share capital of HK$275,904,000 and share premium of HK$494,174,000 (before issue expenses), as further detailed in note 33 to the financial statements.

At the end of the reporting period, the Company had 27,000,000 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 27,000,000 additional ordinary shares of the Company and additional share capital of HK$2,700,000 and share premium of HK$40,500,000 (before issue expenses).

35. RESERVES

(a) Group

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

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

In accordance with the relevant PRC regulations, each 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.

35. RESERVES (continued)

(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 2012		1,023,649	52,374	64,867	1,140,890
Bonus shares issued	33	(49,551)	–	–	(49,551)
Shares issued upon exercise of share options	33	365,841	(72,738)	–	293,103
Issue of shares	33	111,360	–	–	111,360
Share-based payments	34	–	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	12	(199,716)	–	–	(199,716)
At 30 June 2013 and 1 July 2013		1,245,964	7,694	27,658	1,281,316
Bonus shares issued	33	(63,809)	–	–	(63,809)
Shares issued upon exercise of share options	33	494,174	(83,352)	–	410,822
Share-based payments	34	–	83,650	–	83,650
Loss for the year		–	–	(90,729)	(90,729)
Final and special 2013 dividends		(1,278)	–	–	(1,278)
Proposed final 2014 dividends	12	(147,027)	–	–	(147,027)
At 30 June 2014		1,528,024	7,992	(63,071)	1,472,945

Notes:

(i) The share premium account of the Company includes share premium of HK$1,441,184,000 (2013: HK$1,159,124,000) 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 (2013: HK$86,840,000) pursuant to the Group Reorganisation.

(ii) The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will be transferred to the share premium account when the related options are exercised, or transferred to retained profits should the related options expire or be forfeited.

(iii) 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.

36. MAJOR NON-CASH TRANSACTIONS

During the year ended 30 June 2013, deposits in respect of purchases and construction of items of property, plant and equipment HK$9,749,000 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.

37. OPERATING LEASE ARRANGEMENTS

As lessee

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

At 30 June 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2014	2013
	HK$'000	*HK$'000*
Within one year	**2,028**	727
In the second to fifth years, inclusive	**1,720**	270
More than five years	**–**	26
	3,748	1,023

The Company had no operating lease commitments at 30 June 2014 (2013: Nil).

38. COMMITMENTS

In addition to the operating lease commitments detailed in note 37 above, the Group had the following capital commitments at the end of the reporting period:

	2014	2013
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Property, plant and equipment	**362,865**	74,224
Prepaid land lease payment	**62,990**	–
Technical know-how	**731**	729
	426,586	74,953
Authorised, but not contracted for:		
Property, plant and equipment	**235,278**	838,607
	661,864	913,560

In addition, the Group's share of the joint venture's own capital commitments, which are not included in the above, is as follows:

	2014	2013
	HK$'000	*HK$'000*
Contracted, but not provided for	**3,247**	–

39. 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 years ended 30 June 2014 and 2013.

(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.

40. 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 — loans and receivables

Group

	2014	2013
	HK$'000	*HK$'000*
Trade receivables	**917,018**	659,924
Due from a joint venture *(note 20)*	**18,267**	–
Due from an associate *(note 21)*	**360,303**	364,317
Financial assets included in prepayments, deposits and other receivables *(note 25)*	**5,154**	35,872
Cash and cash equivalents	**2,725,335**	2,799,436
	4,026,077	3,859,549

Company

	2014	2013
	HK$'000	*HK$'000*
Due from subsidiaries	**2,162,168**	1,809,486
Cash and cash equivalents	**6,738**	129,079
	2,168,906	1,938,565

40. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities — financial liabilities at amortised cost

Group

	2014	2013
	HK$'000	*HK$'000*
Trade payables	**59,494**	51,854
Financial liabilities included in other payables and accruals	**37,828**	50,340
Obligation under a finance lease	**31**	120
Interest-bearing bank borrowings	**37,794**	25,108
	135,147	127,422

Company

	2014	2013
	HK$'000	*HK$'000*
Due to subsidiaries	**273,586**	273,586
Financial liabilities included in accruals	**823**	821
	274,409	274,407

Management has assessed the fair value of the above financial assets and financial liabilities of the Group and the Company approximate to their carrying amounts largely due to the short term maturities of these instruments.

41. 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, trade payables, other payables and accruals, an obligation under a finance lease, and interest-bearing bank borrowings, 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 interest rates of the interest-bearing bank borrowings of the Group are disclosed in note 30 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 years ended 30 June 2014 and 2013, management considers there is no significant interest rate risk for the Group as the Group's bank borrowings at 30 June 2014 and 2013 bear interest at a fixed rate.

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 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.

41. 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		**2014**	
	Less than 12 months	**1 to 5 years**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Trade payables	**59,494**	**–**	**59,494**
Financial liabilities included in other payables and accruals	**37,828**	**–**	**37,828**
Interest-bearing bank borrowings	**39,369**	**–**	**39,369**
Obligation under a finance lease	**31**	**–**	**31**
	136,722	**–**	**136,722**

		2013	
	Less than 12 months	1 to 5 years	Total
	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
Obligation under a finance lease	95	31	126
	128,546	31	128,577

41. 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

		2014	
	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	**–**	**823**	**823**
	273,586	**823**	**274,409**

		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

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 24 to the financial statements.

41. 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 2014 and 2013.

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	**2014** ***HK$'000***	2013 *HK$'000*
Interest-bearing bank borrowings	**37,794**	25,108
Equity attributable to owners of the Company	**5,220,848**	4,546,858
Gearing ratio	**0.7%**	0.6%

42. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in these financial statements, the Group also had the following events after the reporting period:

(a) On 23 July 2014, the Group entered into a cooperation framework agreement (the "Cooperation Framework Agreement") with the People's Government of Liupanshui City of Guizhou Province (the "Liupanshui Government").

Pursuant to the Cooperation Framework Agreement, Liupanshui Government would invite the Group to participate in the reform of the medical service system of Liupanshui City in order to enhance the development of medical services in Liupanshui City by (i) invest, operate and manage two hospitals, namely 水城礦業集團有限責任公司總醫院 and 首鋼水城鋼鐵(集團)有限責任公司總醫院, in Liupanshui City; (ii) entrust the Group to invest, operate and manage the value-added medical services and supply chain of 六盤水市第二人民醫院 and 六盤水市婦幼保健院 under the Trust, Invest, Operate and Transfer ("TIOT") model; and (iii) construct stem cell anti-aging healthcare base, stem cells private storage bank with a storage capacity of 200,000 units and stem cell public storage bank with a storage capacity of 1,000,000 units sourced from placenta, cord blood and umbilical cord by the end of year 2015. Further details are set out in the Company's announcements dated 23 July 2014 and 24 July 2014.

(b) Further to the Cooperation Framework Agreement, on 18 August 2014, the Group and Liupanshui Government have entered into the TIOT Cooperation Agreement (the "TIOT Agreement"). Pursuant to the TIOT Agreement, Liupanshui Government entrust the Group to invest, operate and manage the value-added medical services and supply chain of 六盤水市人民醫院 (the "People's Hospital") under the TIOT model for a fixed term of 20 years. At the end of the term, the operating right and the assets invested will be transferred to the Liupanshui Government. In addition, the Group agreed to invest with the People's Hospital at an agreed investment ratio, to construct a new hospital, 六盤水市涼都人民醫院 (the "New Hospital").

On 5 September 2014, the Group and the People's Hospital have entered into the Healthcare Investment and Operation Management Cooperation Agreement (the "Management Agreement"). Pursuant to the Management Agreement, the People's Hospital entrust the Group to invest, operate and manage the value-added medical services, supply chain and medical outsourcing service (collectively the "Medical Services") of the People's Hospital for a term of 20 years commencing from 1 October 2014 and the profits generated from these Medical Services would be shared between the Group and the People's Hospital at an agreed profit sharing ratio. In addition, the Group will receive an annual management fee income based on a fixed percentage of medical income of the People's Hospital.

42. EVENTS AFTER THE REPORTING PERIOD (continued)

(c) On 5 September 2014, the Group has further entered into another cooperation agreement ("New Hospital Agreement") with the People's Hospital and Liupanshui Government in respect of the set up and construction of the New Hospital. The registered capital of the New Hospital will be RMB200 million (approximately HK$252 million), of which RMB136 million (approximately HK$171 million) or 68% of the registered capital would be invested by the Group. Up to the date of these financial statements, the New Hospital has not yet been established.

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 September 2014.

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				
	2014	2013	2012	2011	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**1,860,189**	1,754,392	1,312,127	1,157,263	808,642
Profit before tax	**499,120**	321,091	774,249	355,825	322,430
Income tax expense	**(144,963)**	(97,766)	(79,278)	(73,478)	(77,962)
Profit for the year from continuing operation	**354,157**	223,325	694,971	282,347	244,468
Profit for the year from discontinued operation	**–**	–	–	192,944	117,446
Profit for the year	**354,157**	223,325	694,971	475,291	361,914
Attributable to:					
Owners of the Company	**341,314**	223,041	657,228	441,838	265,300
Non-controlling interests	**12,843**	284	37,743	33,453	96,614
	354,157	223,325	694,971	475,291	361,914

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 30 June				
	2014	2013	2012	2011	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**5,877,387**	5,154,142	4,404,381	3,659,108	3,428,917
Total liabilities	**(453,679)**	(416,236)	(314,711)	(333,028)	(346,271)
Non-controlling interests	**(202,860)**	(191,048)	(183,203)	(143,462)	(388,498)
	5,220,848	4,546,858	3,906,467	3,182,618	2,694,148