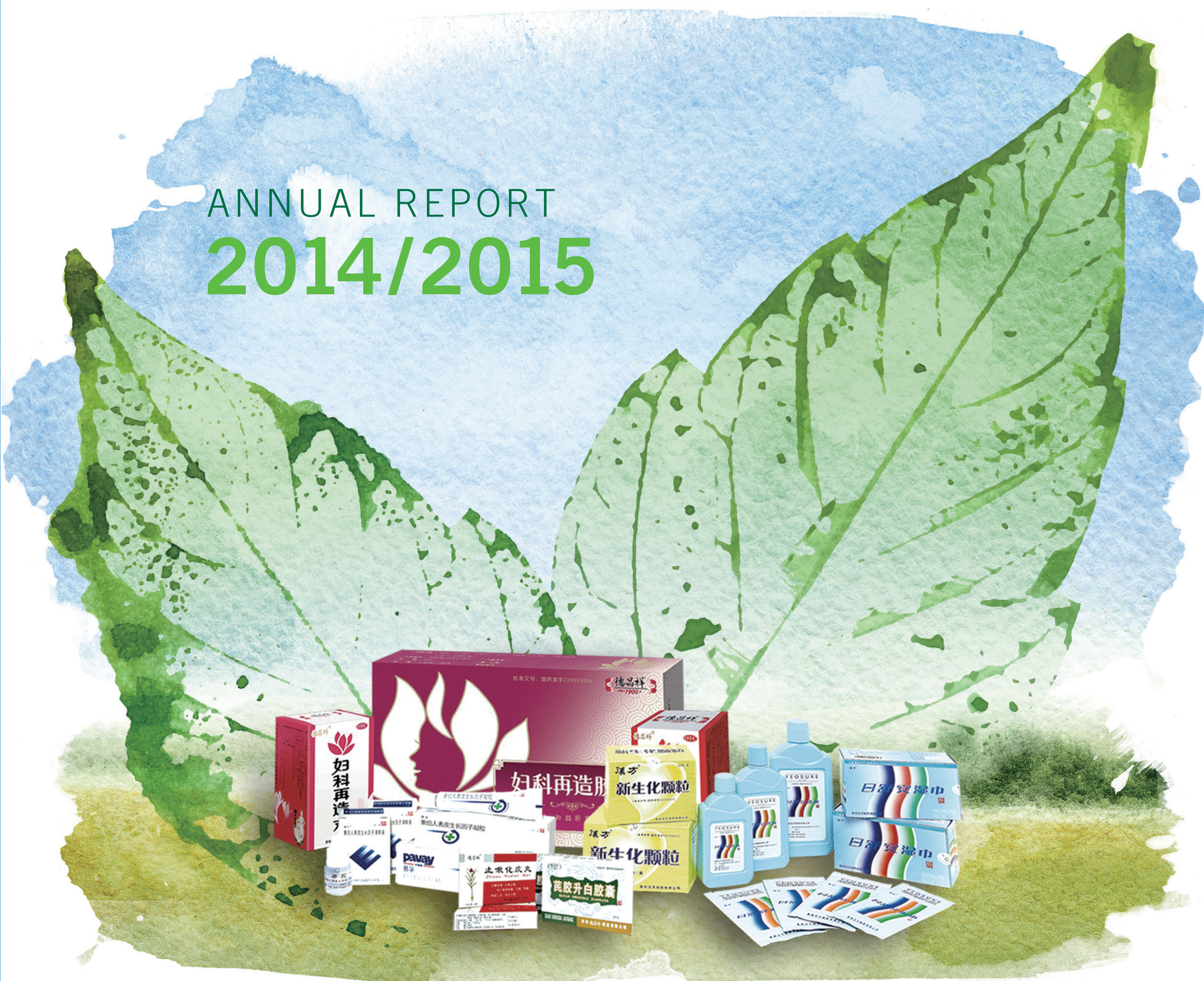
Hua Han Bio-Pharmaceutical Holdings Limited
華瀚生物製藥控股有限公司

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

ANNUAL REPORT
2014/2015



THE MISSION

Strive to be the leading enterprise specialising in the investment and management of the medical industry, traditional Chinese medicines, bio-pharmaceutical products and bio-technology in the field of research, production and sales operations in China

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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
Mr. Chen Lei *(appointed on 24 July 2015)*

Non-Executive Directors

Mr. Wee Ee Lim *(resigned on 24 July 2015)*
(Ms. Lim Seok Bin Zann (resigned on 24 July 2015) as his alternate)
Mr. Tarn Sien Hao

Independent Non-executive Directors

Professor Kung Hsiang Fu *(resigned on 24 July 2015)*
Professor Tso Wung Wai *(resigned on 24 July 2015)*
Mr. Hon Yiu Ming, Matthew *(resigned on 24 July 2015)*
Professor Lin Shu Guang *(appointed on 24 July 2015)*
Professor Zhou Xin *(appointed on 24 July 2015)*
Mr. Tso Sze Wai *(appointed on 24 July 2015)*

AUDIT COMMITTEE

Mr. Hon Yiu Ming, Matthew *(resigned on 24 July 2015)*
Professor Tso Wung Wai *(resigned on 24 July 2015)*
Professor Kung Hsiang Fu *(resigned on 24 July 2015)*
Mr. Tarn Sien Hao *(resigned as a member of the audit committee on 24 July 2015)*
Professor Lin Shu Guang *(appointed on 24 July 2015)*
Professor Zhou Xin *(appointed on 24 July 2015)*
Mr. Tso Sze Wai *(Chairman of audit committee) (appointed on 24 July 2015)*

REMUNERATION COMMITTEE

Mr. Hon Yiu Ming, Matthew *(resigned on 24 July 2015)*
Professor Tso Wung Wai *(resigned on 24 July 2015)*
Professor Kung Hsiang Fu *(resigned on 24 July 2015)*
Mr. Deng Jie
Mr. Wee Ee Lim *(resigned on 24 July 2015)*
(Ms. Lim Seok Bin Zann (resigned on 24 July 2015) as his alternate)
Professor Lin Shu Guang *(appointed on 24 July 2015)*
Professor Zhou Xin *(appointed on 24 July 2015)*
Mr. Tso Sze Wai *(Chairman of remuneration committee) (appointed on 24 July 2015)*

NOMINATION COMMITTEE

Professor Kung Hsiang Fu *(resigned on 24 July 2015)*
Professor Tso Wung Wai *(resigned on 24 July 2015)*
Mr. Hon Yiu Ming, Matthew *(resigned on 24 July 2015)*
Mr. Deng Jie
Mr. Wee Ee Lim *(resigned on 24 July 2015)*
(Ms. Lim Seok Bin Zann (resigned on 24 July 2015) as his alternate)
Professor Lin Shu Guang *(appointed on 24 July 2015)*
Professor Zhou Xin *(appointed on 24 July 2015)*
Mr. Tso Sze Wai *(Chairman of nomination committee) (appointed on 24 July 2015)*

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

CORPORATE INFORMATION

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

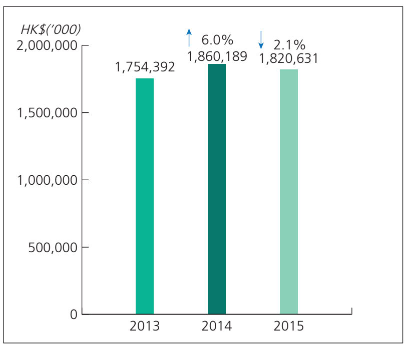
Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

FINANCIAL HIGHLIGHTS

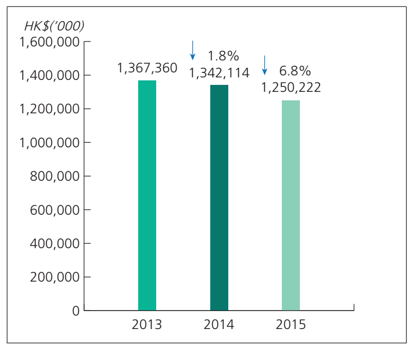
KEY FINANCIALS

	2015 *HK$'000*	2014 *HK$'000*	% change
Turnover	**1,820,631**	1,860,189	-2.1
• Manufacture, sale and trading of pharmaceutical products	**1,600,311**	1,860,189	-14.0
• Hospital related business	**220,320**	–	N/A
Profit attributable to owners of the Company	**648,617**	341,314	90.0
Earnings per share (in Hong Kong cents) (restated)			
Basic	**12.87**	7.21	78.5
Diluted	**12.86**	7.19	78.9
Gearing ratio (%)	**7.5**	0.7	985.7
Net cash	**5,959,000**	2,687,541	121.7

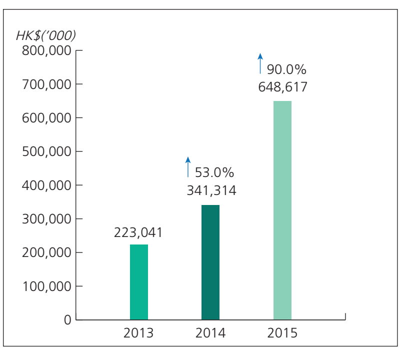
TURNOVER



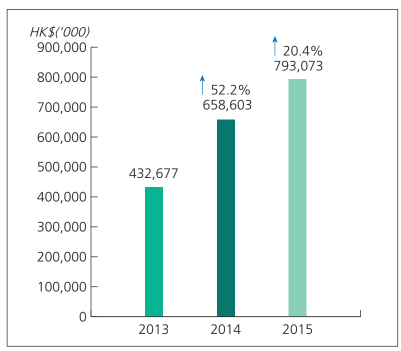
GROSS PROFIT



PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

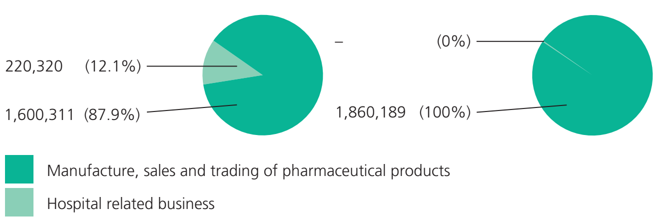


EBITDA (EXCLUDING NON-OPERATING INCOME/EXPENSE)



TURNOVER

2015 (figures below are in HK$'000) 2014 (figures below are in HK$'000)



CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board"), I am pleased to present the annual results of Hua Han Bio-Pharmaceutical Holdings Limited (the "Company", together with its subsidiaries, the "Group") for the year ended 30 June 2015 (the "Year").

BUSINESS REVIEW

During the Year under review, the results of the Group continued to grow. Turnover for the Year amounted to approximately HK$1,820,631,000, representing a decrease of approximately 2.1% over approximately HK$1,860,189,000 of last financial year. Profit attributable to the owners of the Company amounted to approximately HK$648,617,000, representing an increase of approximately 90.0% over approximately HK$341,314,000 of last financial year. Such profit growth was mainly attributable to the 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 Group's investment in health service business and rapid integration of internal and external operating resources of the Group.

GOAL AND STRATEGY

In the coming financial year, the Group is committed to consolidating the market resources as well as further contributing capital and human resources to ensure the rapid development of medical service industry based on the principles of "New Hospital", "TIOT" ("**Trust, Investment, Operation and Transfer**") and "Special 6+1" (upgrade of clinical speciality, cell storage and genetic test, consolidation of supply chain, individual health management, comprehensive and auxiliary medical coverage, implementation of financing and leasing as well as urban smart medical service); devoting significant investment and building a model project of medical service in Guizhou while accelerating our expansion and layout in other markets in the PRC as well as achieving breakthroughs in well-off cities and provinces, making medical service the most important and profitable business sector of the Group in the future to commence the finance leases business as well as extend hospital investment chain; broadening the business scope that will drive the overall growth of prescription drugs with focus on the exclusive products in the National Medical Insurance Catalogue leveraging on market segments and innovative models, so as to sustain the rapid market development of OTC products; facilitating the commencement of direct sale model of health product series; continuously promoting the reporting and approval work 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)"; 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; 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.

CHAIRMAN'S STATEMENT

PROSPECTS

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 demand for medical service, the total healthcare expenditure has been increasing annually. With the launch and implementation of new healthcare reform plan, relevant policies favourable to the medical service industry have been promulgated and reforms targeting public hospitals have been accelerated, creating an opportunity for social capitals to enter 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 accordance with the guidance of national industrial policy under the leadership of the government. Meanwhile, the growth rate of the pharmaceutical industry has slowed down. However, it continued to maintain a higher growth as compared with other industries backed by the acceleration of the pace of population aging, wider coverage of medical insurance and New Rural Cooperative Medical Scheme (NCMS) as well as improving public awareness of health in the urban areas.

Thus, the Group will further consolidate its existing market advantages of traditional Chinese medicine and enhance the integration of the resources by implementing the strategic leap from "pharmacy" to "medicine ", so as to build core competitiveness of the Group with the combination of its products chain and service chain, leading technology and market, platform effect and innovative culture.

In the coming financial year, the Group is committed to the following missions:

1. Hospital investment business: rapidly enlarging the cooperation of hospitals based on the principles of "New Hospital", "TIOT" and "Special 6+1"; and embedding various business contents in the development principally by the investment and resources integration, rapidly forming an income scale and achieving growth in profits.

2. Focus will be put on marketing to further increasing our market share. Besides, we will closely focus on the tenders of medicines in all provincial markets and ensure successful bidding and the price stability by employing various methods, and take the opportunity brought by the National Medical Insurance Catalogue update, so as 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.

3. We will fully support the organisation that develop "Human Nerve Growing Factor Injection (人神經生長因子注射液)" and its cooperative research partners to finish the research on and preparation of the omitted information with high quality within the scheduled time. We strive to submit again to China Food and Drug Administration for application of drug registration within the scheduled time. Besides, through closer cooperation with National Vaccine & Serum Institute (北京生物製品所), we will station in Beijing and strive to complete the re-registration and GMP certification of drugs such as "Human Placenta Blood Albumin Injection (人胎盤血白蛋白注射劑)".

4. Under the new National GMP Standards and our 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. We will strive to apply for the direct sale licenses from the Ministry of Commerce and commence trial operation before the year end.

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 2015

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 involved in the provision of hospital management services and hospital supply chain business. By leveraging on the 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 its 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, costs and expenses of medical and health care and revenue from sales of pharmaceuticals in the PRC continued to maintain a high growth. According to the statistics from the National Bureau of Statistics of the PRC and the National Health and Family Planning Commission of the PRC, the total costs and expenses of medical and health care in the PRC were 3,668.0 billion Renminbi ("**RMB**") in 2014, representing a year-on-year increase of 15.1%; sales revenue of PRC pharmaceutical industry reached RMB2,332.5 billion in 2014, representing a year-on-year increase of 13.3%; industry total profit of RMB232.2 billion was achieved, representing a year-on-year increase of 12.1%; during the first half of 2015, sales revenue of the PRC pharmaceutical industry reached RMB1,713.6 billion, representing a year-on-year increase of 8.8%, industry total profit of RMB120.7 billion was achieved, representing a year-on-year increase of 13.6%. Continuous expansion of the PRC medical and health care and pharmaceutical market was driven by the following factors. Firstly, the pace of population aging has been accelerating, the elderly population over 65 years old has exceeded 200 million, representing almost 15% of the total population, 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 the 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 governmental subsidies and the percentage of individual medical care financing are increasing at a faster pace. Thirdly, the government has been continuously enhancing its support to public healthcare, hierarchical diagnosis and treatment system have 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 impact of the overall downward trend of China's gross domestic product ("**GDP**").

During the Year, some new features were found in the medical and health care industry and the pharmaceutical industry in the PRC. The Chinese government encouraged private capital to be invested in the development of medical cause, supported investment of private capital in various hospitals, community health services institutions, elderly homes and other medical institutions, and involved in the changeover and reform of public hospitals. Accordingly, hospitals have become a hot spot for investment from all parties; merger and reorganisation of pharmaceutical enterprises have intensified, but the subject of merger and reorganisation has changed from foreign pharmaceutical conglomerates in the past to domestic listed companies. During the Year, there were approximately 100 listed companies either involving in merger projects or engaged in merger businesses ("**M&A**"), with an M&A amount well over RMB100 billion; various law enforcement agencies carrying out specific actions in the fight against commercial briberies in the trading of pharmaceutical products to promote standardised, healthy and sustainable development of pharmaceutical enterprises. Industry rectification and self-discipline has changed the competitive landscape of the industry. The time frame requirements under the new Good Manufacturing Practice ("**GMP**") accreditation and substantial increase in fixed asset investments have forced out some pharmaceutical enterprises from the pharmaceutical manufacturing field. However, in the long run, this will be conducive for improving the degree of concentration of the pharmaceutical manufacturing industry and promoting the upgrade of the pharmaceutical manufacturing industry and the modernisation and internationalisation of pharmaceutical preparations; as the National Development and Reform Commission has cancelled the pharmaceutical pricing policy under the control of the government, drug tenders have become the government's key measures to control drug prices and to regulate the market. Provincial markets, such as Zhejiang and Hunan, have lowered prices of the products listed in the tendering catalogue significantly mainly through administrative measures, forcing a number of products with lowered price to withdraw from the open tender. The requirement of "bulk purchases with specific volume" in open tender further lowered prices of products for medical unities in provinces such as Auhui and Sichuan, making "re-negotiation of price" a general trend; the entry into the essential drug list and national medical insurance catalogue serves as a passport for general products to become major products in the pharmaceutical market; the increased investments in new products and technologies across the industry and the complicated and time-consuming review and assessment procedures of new drugs in the PRC have increased the research and development cost of new drugs and delayed their market launch, resulting in higher actual risks; difficulties encountered in market launch of new drugs, decrease in sales and headcount reduction were caused by factors such as the cancellation of the exclusive pricing right of novelty drugs granted to foreign pharmaceutical enterprises and standardised market operation, resulting in a change in the landscape of the pharmaceutical industry.

During the Year, the Chinese government frequently launched a number of healthcare reform policies. Firstly, the entry requirement and market access of private hospitals were relaxed. Secondly, public hospitals were positioned to "maintain the basic coverage, strengthen the primary healthcare service, and establish a system". Expansion of public hospitals was restricted while price markups on medicine in public hospitals were removed. Thirdly, multi-site physician practice was permitted to facilitate the rational flow of physicians. In respect of the overall development of medical service market in China, the Chinese government accelerated the opening up of private capital investment into the medical service industry, resulting in the traditional public hospitals lagging behind in terms of medical skills, facilities, services and efficiency and the increasing concern about individual healthcare from Chinese residents, and persistent growth in the medical service industry was experienced in recent years. International and domestic investors, including foreign enterprises, state-owned enterprises and private enterprises, are optimistic about the growth potential of the medical service industry and wish to take a share of the profit as the reform in the medical service industry is considered to be the largest reorganisation of assets and operations following the first round of reforms of state-owned enterprises, development of real estate and mining. All in all, the development of medical service in China is surging with promising growth prospects.

During the Year, "Precision Medical", which was based on the concept of personalised medical services and developed by applying genomics and proteomics techniques and medical frontier technology, became a hot topic in the medical service market.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Year, the "Arrangement of Key Work of Deepening the Reform of Medical and Healthcare System in 2014" (深化醫藥衛生體制改革2014年重點工作任務) and the "12th Five-Year Plan in China Pharmaceutical Industry" (中國醫藥工業十二五規劃) ("**Plan**") have been implemented, which mainly provide that public hospitals should be the focus in the reform, non-state participation in healthcare provision should be facilitated, multi-site physician practice should be accelerated, the policy and environment for non-state participation in healthcare provision should be optimised and the linkage of medical care, medical insurance and pharmaceuticals should be thoroughly promoted; the transformation, upgrade and rapid development of the pharmaceutical industry should be facilitated, and the pace of drug innovation, especially bio-technical medicine, should be accelerated. Among these medicines, neurodegenerative disease drugs, genetic engineering protein and polypeptide drugs, genetic therapy drugs and stem cell therapy products were listed in the first batch of the key development areas. The Plan also encouraged the central-western region to develop distinctive pharmaceutical manufacturing industry, and the 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, reinforce the major responsibility of enterprises in terms of quality control and encourage the enterprises to perfect its quality management system.

Undoubtedly, the medical and health care and pharmaceutical market has entered into a great era. Enterprise with strong development prospects, market-oriented development strategies, comprehensive resource advantages and needs that meet local, social and economic development, unique product mix and leading technologies, strong and well-established nationwide end-user sales and marketing network and strong organisational and execution capabilities will eventually outrun other competitors in the market and become a large homegrown health service enterprise which is well-equipped to compete internationally. Meanwhile, the medical service market in China is fully open, and its market capacity and high growth prospects are unanimously considered to be promising. The Chinese enterprises are presented with unprecedented opportunities that may give rise to giant companies with prompt integration of resources and bold investment.

BUSINESS REVIEW

During the Year, against the backdrop of the rapid development of the domestic medical and pharmaceutical product market, tighter government control and intense market competition, the Group adopted proactive measures to maintain sustainable growth for the results and future growth momentum of the Group. The Group continued to consolidate the development of traditional pharmaceutical product market as well as focus the medium and long term development strategy. By accelerating the internal resource adjustment, together with the upgrade and transformation of the business structures, the Group actively engages in the medical service industry, constructing new hospitals and initiating innovative and new models in medical service business, such as TIOT ("**Trust, Investment, Operation and Transfer**") and the "Special 6+1" (upgrade of clinical speciality, cell storage and genetic test, consolidation of supply chain, individual health management, comprehensive and auxiliary medical coverage, implementation of financing and leasing as well as urban smart medical service). Such medical platform becomes a new income stream and creates profit growth for the Group. Major efforts in the development of bio-pharmaceutical medicine technologies and new sales model formed a new structure for the Group's future business development of its own products. 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, thereby providing the Group with a solid foundation for furthering a sustainable, healthy and rapid development.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

During the Year, the Group's turnover was approximately HK$1,820.6 million (corresponding period in 2014: approximately HK$1,860.2 million), of which approximately HK$1,600.3 million was derived from manufacture, sale and trading of pharmaceutical products including traditional Chinese medicines, bio-pharmaceutical products and other healthcare-related products, representing a decrease of approximately 14.0% as compared to the corresponding period last year. Approximately HK$220 million of the Group's revenue during the Year was attributable to the hospital related business.

During the Year, the Group recorded a profit attributable to the owners of the Company of approximately HK$648.6 million, representing an increase of approximately 90.0% as compared to the corresponding period last year.

EXPANSION OF HOSPITAL BUSINESS

During the Year, the Group actively expanded the medical service business and introduced the innovative principles of "New Hospital", "TIOT" and "Special 6+1". During July to November 2014, the Group entered into a series of cooperation agreements with each of Liupanshui and Tongren Municipal governments in relation to the development of medical health industry within these two areas. Terms of the cooperation agreements include: construction of new hospital, setting up of stem cell storage banks, and the investment in and management of hospitals with TIOT model. Up to the date of this annual report, there were 8 hospitals with a total number of 5,151 beds cooperating under the TIOT model pursuant to the cooperation agreements, including 六盤水市人民醫院 (unofficial translation being Liupanshui City People's Hospital), 六盤水市第二人民醫院 (unofficial translation being Liupanshui City The Second People's Hospital), 六盤水市婦幼保健院 (unofficial translation being Liupanshui City Women and Children Healthcare Hospital), 銅仁市人民醫院 (unofficial translation being Tongren City People's Hospital), 德江縣人民醫院 (unofficial translation being People's Hospital of Dejiang County) and 沿河縣人民醫院 (unofficial translation being People's Hospital of Yanhe County) 息烽縣人民醫院 (unofficial translation People's Hospital of Xifeng County) and 息烽縣中醫院 (unofficial translation Xifeng County Hospital of Traditional Chinese Medicine). In addition, 11 hospitals have signed cooperating agreements with the Group after the year end date for the stem cell collection. There are 3 hospitals with a total number of 2,560 beds, in which the Group is constructing or plans to construct, including 六盤水市涼都人民醫院 (unofficial translation being Liupanshui City Liang Dou People's Hospital),which is jointly constructed by 六盤水市人民醫院 (unofficial translation being Liupanshui City People's Hospital) and in which the Group owns 68% of its equity interest; 六枝中醫院 (unofficial translation being Liu Zhi Hospital of Traditional Chinese Medicine), which will be jointly constructed by 六盤水市第二人民醫院 (unofficial translation being Liupanshui City The Second People's Hospital) and the Group and in which the Group owns 70% of its equity interest and 銅仁市中心醫院 (unofficial translation being Tongren City Central Hospital), in which the Group will own 100% of its equity interest.

MANAGEMENT DISCUSSION AND ANALYSIS

DEVELOPMENT OF PHARMACEUTICAL BUSINESS

During the Year, through implementation of the strategy of "10,000 VIP clinics" for the Group's traditional drugs, the marketing of OTC drugs was carried into the community clinics and regional and county-level clinics. The Group was further divided into various sub-markets and launched its marketing activities under the principle of "Brand+ Academics +Market" in order to capture market share and position itself in the enormous clinic market. Meanwhile, the Group implemented the strategy of "marketing as well-established enterprises". Through close strategic cooperation with renowned well-established enterprises in the PRC to market on the end-user level, an overall development model of marketing, promotion and propagation to the end-users was formed. On the national level, with the support from the China Association of Traditional Chinese Medicine and the World Federation of Chinese Medicine Societies, "Cooperation Organization for Chinese Medicine" was established, with upstream pharmaceutical enterprises as its core, midstream pharmaceutical enterprises and professional marketing teams as its partners, and over ten thousands of downstream retailers, traditional Chinese medicine consultation centers and institutes of fine Chinese medicine as its marketing platform, to promote the culture of Chinese medicine and brand new marketing system for the overall development of pharmaceutical enterprises.

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, and achieved success on the preliminary research of placenta small polypeptide products with stronger immunocompetence and anti-inflammatory effect (molecular mass of 3,000–5,000). 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 bioengineering 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. Human Placenta Pills license has been transferred to the Group. "Human Nerve Growing Factor Injection (人神經生長因子注射液)" passed the drug registration inspection conducted by National Institute for Food and Drug Control and was officially submitted to the China Food and Drug Administration for application of drug production license in second half of 2014. However, due to the inadequate knowledge about filing to China Food and Drug Administration for the drug registration under production technology transfer, some information required for the registration was omitted, including: 1. researches on the tightness of sealed material packs; 2. verification of nano wipes' virus filtering function; 3. comparable researches on some of the skills; and 4. verification of the test methods. Some of this information has been available while others are still in progress and pending for final results. The Group, after careful consideration, has decided to revoke such registration application and further filing will be made when all information required is available. "Human Placenta Blood Albumin Injection (人胎盤血白蛋白注射劑)" and "Human Placental Tissue Fluid Injection (人胎盤組織液注射劑)" have been approved by the Beijing's Food and Drug Administration of and the Food and Drug Administration of Guizhou Province, the re-registration application report has been transferred from Beijing authority to Guizhou authority and submitted to the PRC Food and Drug Administration for approval in April 2015. Up to now, no final results has been received.

MANAGEMENT DISCUSSION AND ANALYSIS

INVESTMENT IN FIXED ASSETS

Up to now, the construction work of phase one of Chinese medicine 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) by Guizhou Hanfang Medicine Manufacture Co., Ltd. (貴州漢方藥業有限公司) was substantially completed, and facilities commissioning and pre-production preparation are underway. The construction of 六盤水市涼都人民醫院 (unofficial translation being Liupanshui City Liang Dou People's Hospital) proceeded smoothly. The project included medical rooms, commercial shops, cell banks and molecular biology laboratories with a site area of 188 mu and gross floor area of 220,000 square metres. Total investment amounted to approximately RMB1.53 billion. Located in western Guizhou, Liupanshui City Liang Dou People's Hospital is designed to be a 3A Class hospital with 1,500 beds and it would be the largest integrated flagship hospital with its service covering Guizhou and Yunnan Provinces, serving a population of 7.50 million. It is expected the hospital would commence operation in the second half of 2016. The construction of 銅仁市漢方醫藥大健康產業園 (unofficial translation being Tongren City Hanfang Medical All-round Healthcare Industrial Park), which occupies a site area of 160 mu and a planned gross floor area of 150,000 square metres, was partially completed in June 2015 and the industrial park has commenced trial operation subsequent to year end. Phase one of the industrial park included cell banks for Tongren City and Guizhou Factorr's production lines of human placenta solid dose. Phase two included production lines of healthcare product series such as lyophilized human placenta and liquid preparations, which are under construction.

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

During the Year, for various categories including medical insurance, essential drugs, low-cost drugs and non-low-cost drugs, recorded purchasing etc., the Group has submitted about 550 products and specifications in 19 open tenders organised by various provincial governments, out of which 390 products and specifications were successful with the price of accepted products generally remaining stable while the price of particular products being lowered, and the bidding results for 190 products and specifications remained unknown. So far, the Group has 20 exclusive products and four of them are listed on the National Medical Insurance Catalogue, 11 exclusive products are listed on the Provincial Essential Drug and Medical Insurance Catalogue in 17 provinces. Furthermore, 31 products are listed on the National Essential Drug Catalogue.

PRODUCT PATENTS AND RECOGNITION

During the Year, the Group applied for three invention patents, all of which have been authorised. On top of this, "Qijiao Shengbai Capsules (芪膠升白膠囊)" was 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 "China Famous Trademark (中國馳名商標)" by the SAIC.

MANAGEMENT DISCUSSION AND ANALYSIS

INVESTMENT AND CO-OPERATION

Subsequent to the year end date, we signed the “Strategic Cooperation Agreement” with Shanghai Jiao Tong University School of Medicine pursuant to which both parties commenced full cooperation in terms of the training of doctors, directional commissioned training of students, hospital management and consultation as well as export of technology. Subsequent to the year end date, we also entered into product and investment agreement with China National Biotec Group Company Limited (a subsidiary of China National Pharmaceutical Group Corporation (Sinopharm), being the largest manufacturer of biological vaccine and blood products in China; the “Cooperative Agreement” with 湖南星輝醫療投資管理有限公司 and 長沙澤信醫療科技有限公司, introducing the specialised assisted reproductive technology of the Group into its municipal hospitals through the joint investment of the three parties; the cooperative agreement with GKH Pharmaceutical Ltd. (廣州康和製藥有限公司), pursuant to which its extensive product lines and domestic market are put under the trust of the Group; the cooperative agreement of hospital information construction with Jiangsu Sesan technology Co., Ltd. (江蘇世軒科技有限公司); and the cooperative agreement in relation to DNA screening test with 華大基因有限公司.

INTERNAL INTEGRATION AND DISPOSAL OF ASSETS

During the Year, the Group integrated internal product and technological resources and established 銅仁市泛特爾生物技術有限公司, and also commenced the application for the national direct sales license. At present, software information has been ready for the license application and registered number of approval for certain direct sales products has also been granted, and the production lines of solid preparations for the direct sales products in the 漢方大健康產業園, located in Tongren City, Guizhou Province and the production lines of frozen-dried and liquid preparations are under construction. To address the need of developing a general health industry, the Group has restructured the original 貴州漢方醫藥資產管理有限公司 as 貴州漢方健康產業投資有限公司, which is responsible for the Group’s hospital investment management, and established specialized subsidiaries to undertake respective specialized business. Under the requirements of the GMP verification, the two original production bases of the Group built in the 1990’s failed to pass the new verification due to its restrictions. Besides, it is not conducive to centralised management due to the fact that such two production bases are 40 km and 75 km from the urban area respectively with dispersed factory sites, the Group, therefore, has fully transferred the original Chinese medicine-oriented products to 貴州漢方藥業有限公司 (located at Shawen Ecological Park (沙文生態園區) in Guiyang High and New Technology Zone (貴陽高新區)) and sold its original assets.

TEAM BUILDING

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

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

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 demand for medical service, the total healthcare expenditure has been increasing annually, which has risen by 4.2 times from RMB759 billion in 2004 to RMB3,186.8 billion in 2013 with an average growth rate of 16.75% per annum. In respect of the proportion of total health expenditure to GDP, the percentage of total healthcare expenditure to GDP in the PRC 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 promulgated and reforms targeting public hospitals have been accelerated, creating an opportunity for social capitals to enter 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 accordance with the guidance of national industrial policy under the leadership of the government.

Besides, the relevant information shows that the PRC was the world's third largest drug market in 2011, and will replace Japan as 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. The 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 top priority to the bio-pharmaceutical and biotechnological industry and promulgated preferential policies to research and development, technological transformation and market access. Optimistic outlook for the development of bio-pharmaceutical and biotechnological industry is predictable.

MANAGEMENT DISCUSSION AND ANALYSIS

The Directors consider that, against the backdrop of the continuous improvement of the medical and health industry and the vast pharmaceutical market and under the guidance of the leaping-forward development plan, the Group will timely adjust the overall development strategies. These strategies include consolidating the market resources as well as committing more capitals and human resources to ensure the rapid development of medical service industry based on the principles of "New Hospital", "TIOT" and "Special 6+1"; devoting significant investment and building a model project of medical service in Guizhou while accelerating our expansion and layout in other markets in the PRC as well as achieving breakthroughs in well-off cities and provinces, making medical service the most important and profitable business sector of the Group in the future to invest in and develop finance leases business as well as extend hospital investment chain; broadening the business scope that will drive the overall growth of prescription drugs with focus on the exclusive products in the National Medical Insurance Catalogue leveraging on market segments and innovative models, so as to sustain the rapid market development of OTC products; facilitating the commencement of direct sale model of health product series; continuously promoting the reporting and approval work 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)"; 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; 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:

1. Hospital investment business: rapidly enlarging the cooperation of hospitals based on the principles of "New Hospital", "TIOT"and"Special 6+1"; and embedding various business contents in the development principally by the investment and resources integration, rapidly forming an income scale and achieving growth in profits.

   Accelerating the construction of the three 3 Class hospitals, namely 涼都人民醫院 (unofficial translation being Liang Dou People's Hospital), 銅仁市中心醫院 (unofficial translation being Tongren City Central Hospital) and 六枝中醫院 (unofficial translation being Liu Zhi Hospital of Traditional Chinese Medicine). The construction of 六枝中醫院 (unofficial translation being Liu Zhi Hospital of Traditional Chinese Medicine) to be constructed will occupy a site area of 12 mu and a gross floor area of 42,000 square metres. Total investment amounted to RMB290 million. Liu Zhi Hospital of Traditional Chinese Medicine is designed to be a 3B Class hospital with 500 beds, becoming a landmark Chinese medicine hospital in Guizhou province, and it is expected to commence operation by the end of 2016. 銅仁市中心醫院 (unofficial translation being Tongren City Central Hospital), in which the Group owns 100% of its equity interest, is a reconstruction and expansion project at the original location of 銅仁市人民醫院 (unofficial translation being Tongren City People's Hospital). The project, which occupies a site area of 50 mu at the City Centre with a gross floor area of 50,000 square metres, is designed to be a 3A Class hospital with 560 beds. Total investment amounted to approximately RMB500 million. Located in northeastern Guizhou, Tongren City Central Hospital would be a "small integrated, big specialty" hospital, serving a population of 8 million with its service covering northeastern Guizhou and Hunan and it is expected to commence operation in March 2016. The 3 Class hospitals will be developed into the Group's models of integrated flagship hospital, "small integrated, big specialty" hospital and characteristic Chinese medicine hospital based on their types as well as platforms which have various medical talents, business sectors and management models, so as to make contribution to the Group and provide human resources, business and management services for the future development of the Group's medical service sector.

Leveraging on self-owned hospitals and cooperative hospitals, further integrating resources so as to establish various business sectors for the hospital platforms by cooperating with a number of international or national leading enterprises and physicians in the market segments in terms of products, technologies and services (provided that they have the same business visions and standards) through various cooperative forms such as acquisition of equity interest, cooperation based on profits sharing and gaining fixed revenue, developing a "closed-loop" system and the core competitiveness of the Group to the most extent.

Implementing the action plan "Internet + Medical Service" by fully utilizing information technologies.

A. In respect of course establishment, while adhering the principle of "piloting by advantages specialty and generally enhancing the integrated medical supporting capabilities locally", we also focus on the three-tier and four-tier cities in the PRC with the base set up in areas of high incidence of disease, and make objective assessment of the protecting capacity of the clinical division in cooperating hospitals. By establishing a close cooperative relationship in technology with first-class medical institutions and doctors' workshops in the PRC, we enhance divisions with deficient room in the cooperating hospitals based on the market mechanism, standardisation, high specifications and the nature of being reproducible, and make up for the lagging disciplinary standards and the deficiency of medical service capacity through the "come & go" two-way talent admission channel. On the other hand, we also co-operate with professional associations and outstanding doctors in the first-tier and second-tier cities in the PRC to set up specialty hospital chains, rapidly achieving breakthroughs in the market and enjoying the benefits of branding effect.

B. Newborn stem cell storage, non-invasive prenatal testing and disease screening test.

   By facilitating the "Xiaoqingguo Health Management Scheme" ("小青果健康管理計劃") of "Newborn stem cell storage+ non-invasive prenatal DNA testing+ newborn genetic metabolic disease screening test" and focusing on the two products and services of "Daqingguo Health Management Scheme" ("大青果健康管理計劃") of "autoimmune cell storage+ personal full DNA sequencing screening test & health consultation", we separately set up a comprehensive biological repository and storage business covering cell, tissue and biomarker, and also a leading "life bank" business model in the industry. We also built our independent molecular biology and medical laboratory by self-investment or cooperation based on the existing hospital business platform of the Group, forming a general health management business model entering the 4p medical era in the future. Besides, while accelerating the building of the first tissue repository in compliance with the AATB standard in the PRC, we also establish a high-standard human reproductive repository, which, by introducing the most advanced international vitrification technology, will reach the domestic first-class level in respect of the storage of sperm and human bone tissue, and thus obtain greater market opportunities.

C. Supply chain business

We will accelerate the adjustment process with cooperative hospitals and raw material providers when roles exchange and cooperative channels change, and optimize purchasing plans by shortening credit terms and purchasing with a target amount as well as increase the amount from direct purchases while lowering the cost of purchase. We will develop e-commerce platforms which are connected to the pharmacies in hospitals so as to timely control and adjust the hospitals' inventories level as well as collect vast amount of data for analyzing the use of inventories so as to ensure a reasonable consumption of medicine by both hospitals and patients. We will launch the supply chain financial service business which provides solutions to suppliers and hospitals with financial difficulties as well as expend and integrate the supply chain business of hospitals in the same regions where the cooperative hospitals are located or otherwise other hospitals.

D. Integrated hospital service assurance business

Professional teams will be developed to undertake the ancillary services in cooperative hospitals' rehabilitation centres and post-maternity centres, the construction of media platforms for hospitals, the operation and maintenance of equipment and facilities, the provision of cleaning and disinfection services, the operation of healthy products supermarkets, the planning of nutrition meals and the provision of integrated back-up support and home care services, so as to enhance the operational efficiency of cooperative hospitals and meet the respective service needs from both hospitals and patients.

E. Personal health management business

We will commence our trial of providing online and offline services through the hospital platforms in Liupanshui City and Tongren City. Online service such as health consultation, chronic diseases management and reservation for medical service will be provided through PC network and mobile application programs, while offline services mainly refers to the integrated services provided in hospitals, allowing patients with reservation to enjoy a smooth process from diagnosis, treatment, hospitalization, payment, medication to rehabilitation. We can also monitor the physical health of elderly patients and patients with chronic diseases at any time through individual wearable devices, so that "sudden death" will be prevented.

F. Financing and leasing business

As the public hospital located in three and four tier cities general face an increasing demand for expansion of hospital and addition of large-scale equipment, the Group launches an active and prudent financing and leasing business in selected market with new hospital cooperation model, such as contracting for other hospital business. Such model may cater for the above demand and accelerate the development of the Group's medical service business and its overall preparation, as well as make for the balance fixed assets investment scale of the Group and obtain higher capital returns.

G. Urban smart medical care business

We will accelerate implementation of urban smart medical care projects in Liupanshui City and Tongren City through introducing equipment and software to the cooperating hospitals. In the first phase, systems for online booking, self-registration and payment will be established. In the second phase, systems for electronic medical records, visual, financial and rear support will be set up to achieve internal connection and sharing between hospitals. In the third phase, regional hospitals and hospitals (including rural and town clinics), centres for disease control, emergency medical centres, centralised online purchase centres and regional smart medical care platform for the departments of administration and management of healthcare will be set up.

2. Focus will be put on marketing to further increase our market share. Prescription drugs marketing: We continue to position "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, well-prepared to promote the development of other 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. We will continue to implement the strategy of "10,000 VIP clinics" and develop specialized product lines marketing strategy: We will establish a synergic marketing development model for each product line by classifying diseases and identifying patients' demands for medicine, and further sorting and diversifying different products. The model principally established sales system for four major product lines of oncology, women and children, health cultivation and fine generic drug. Specialised marketing team will be established for each product line to achieve comprehensive market penetration. Meanwhile, each product line will develop under the "highlighted product+product group" model to achieve collective development of the Company's products. "Charity+" marketing strategy: upgrade the existing platform for "Warmth Over the World (溫暖半邊天) of the China Women's Development Foundation" charity activity developed by the Company to "Charity+OTC" marketing and "Charity+clinical" marketing. We will bring together experts, doctors, hospitals, pharmacies and clinics, and patients and consumers effectively through these charities to improve the Company's branding effect, market development rate and market share in clinical market and retail market.

3. We will closely focus on the tenders of medicines in all provincial markets and ensure successful bidding and the price stability by employing various methods. The Group will highly value its bidding work by leveraging on its major traditional Chinese medicine materials from the planting base complying with GAP standards, the production base that complies with the latest GMP standards, reasonable production process and stable quality control system, unique products and national medicines, well-cultivated market network, specially assigned staff and other favourable conditions, to ensure this work can be carried out in an orderly, effective and successful manner. Take 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 use all possibilities 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. We will fully support the organization that develop "Human Nerve Growing Factor Injection (人神經生長因子注射液)" and its cooperative research partners to finish the research on and preparation of the omitted information with high quality within the scheduled time through mission allocation and step-by-step implementation. We will also maintain good communication with the review panel and help them know more about the technology and skills of "Human Nerve Growing Factor Injection (人神經生長因子注射液)", meanwhile, gain feedback from them. We strive to submit again to China Food and Drug Administration for application of drug registration in early 2016. Besides, through closer cooperation with National Vaccine & Serum Institute (北京生物製品所), we will station in Beijing and strive to complete the re-registration of drugs such as "Human Placenta Blood Albumin Injection (人胎盤血白蛋白注射劑)".

5. Under the new National GMP Standards and our 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.

6. We will strive to consolidate all data for application for permission of direct sales and submit to the Ministry of Commerce, to obtain manufacturing licenses for four product lines of healthcare products and cosmetics products and to commence trial operation before the year end.

7. 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. 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.

8. 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.

9. By leveraging the advantages of the its consolidated platform covering Chinese medicines, bio-pharmaceutical products, healthcare products, cell storage, medical investment and service as well as strengthening the resource Integration efforts, the Group will cooperate with competitive enterprise and form a close partnership with them with a common developmental faith, so as to promote the perfection of our product line and production chain and to shape our core competitiveness.

10. 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.

11. Effectively integrate 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.

12. While 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. By virtue of government's support, we will strengthen the integration of public hospitals with city as geographical unit, devote more contribution 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 frontrunner of the high-technology sector in the domestic economic industry. We will also continue to strive for more investments and support from the respective government authorities for the development and technology renovation 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 the Shareholders with excellent business performance.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flows and banking facilities provided by banks in the PRC and Hong Kong. As at 30 June 2015, the Group had unpledged cash and bank balances of approximately HK$6,598.8 million (2014: approximately HK$2,725.3 million). Its gearing ratio calculated as a ratio of total debt of bank and other borrowings and obligations under finance leases to equity attributable to owners of the Company was approximately 7.5% (2014: approximately 0.7%). Net current assets were approximately HK$6,947.9 million (2014: approximately HK$3,316.3 million) and the current ratio was approximately 11.1 (2014: approximately 9.5) as at 30 June 2015.

The finance costs of the Group for the Year amounted to approximately HK$38.1 million (2014: approximately HK$1.7 million), representing approximately 2.1% (2014: approximately 0.1%) of the Group's total turnover and the significant increase in finance costs over the corresponding period in 2014 is due to interest on the convertible bonds incurred during the Year.

Issue of convertible bonds

On 2 February 2015, the Company entered into a convertible bonds subscription agreement with Design Time Limited and Driven Innovation Limited for the issuance of convertible bonds of the principal amount of up to HK$620,000,000. The convertible bonds were convertible into new ordinary shares of the Company of par value of HK$0.10 each at an initial conversion price of HK$2.2468 (subject to adjustments). The purpose of the issue of convertible bonds was to raise additional funds for the Group's general working capital. The transaction was completed on 17 February 2015. As a result of the determination of entitlements to the Open Offer (defined below), the initial conversion price was adjusted from HK$2.2468 to HK$1.9279. Further details of the convertible bonds are set out in the Company's announcements dated 2 February 2015, 12 February 2015, 18 February 2015 and 11 May 2015.

The net proceeds from the issue of the convertible bonds were approximately HK$620 million and were intended to be used for general working capital of the Group to support its normal operation. As at the date of this annual report, the whole amount of the net proceeds has been utilised for such purpose.

Open offer

In June 2015, the Company completed an open offer ("**Open Offer**") of 2,457,346,764 offer shares of HK$0.10 each at the subscription price of HK$1.30 per offer share payable in full on acceptance on the basis of one offer share for every two existing shares held. The purpose of the Open Offer was to enlarge the capital base of the Company and for the long-term development of the Company, including construction of new hospitals and expansion of supply chain business, etc. The net proceeds from the Open Offer was approximately HK$3,144.8 million. As at the date of this annual report, approximately HK$521.4 million was applied to construction of new hospital in Liupanshui City of Guizhou Province and approximately HK$152.7 million was applied to hospital supply chain business for the hospitals located in Liupanshui City and Tongren City in Guizhou Province.

Further details of the Open Offer were set out in the prospectus of the Company dated 20 May 2015.

CONTINGENT LIABILITIES

As at 30 June 2015, the Group did not have any material contingent liability (2014: Nil).

BANK BORROWINGS

As at 30 June 2015, the Group had outstanding bank loans of approximately HK$31.3 million from the banks in the PRC (2014: approximately HK$38.0 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 2015, the Group's bank borrowings were secured by the pledge of certain of the Group's buildings and prepaid land lease payments.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

COMMITMENTS

Save as disclosed elsewhere in the financial statements, the Group had the following capital commitments at the end of the reporting period:

	2015	2014
	HK$	*HK$*
Contracted, but not provided for:		
Property, plant and equipment	**1,617,114**	362,865
Prepaid land lease payment	**62,530**	62,990
Technical know-how	**726**	731
	1,680,370	426,586
Authorised, but not contracted for:		
Investment for TIOT arrangement	**4,367,495**	–
Property, plant and equipment	**365,933**	235,278
	6,413,798	661,864

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

	2015	2014
	HK$'000	*HK$'000*
Contracted, but not provided for	**3,223**	3,247

EMPLOYEES, TRAINING AND REMUNERATION POLICIES

As at 30 June 2015, the Group had a total of 1,053 employees (2014: 975), of whom 1,044 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$70.6 million (2014: approximately HK$131.9 million). Staff costs of the Group accounted for 3.9% of the Group's turnover (2014: 7.1%) 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.

MANAGEMENT DISCUSSION AND ANALYSIS

FINAL DIVIDEND

The Directors recommended the payment of a final dividend of HK2.7 cents per share of the Company ("**Share**") for the Year (2014: final dividend of HK3.6 cents per Share) totalling approximately HK$199,045,000, subject to the approval of the Shareholders in the Company's forthcoming annual general meeting ("**Annual General Meeting**"), and if passed, the final dividend will be paid on or about Friday, 22 January 2016.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Zhang Peter Y. (張岳), aged 53, 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. As at the date of 30 June 2015, Mr. Zhang was interested in approximately 26.29% of the shares and underlying shares of the Company. Please refer to the paragraph headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" in the Report of the Directors in this annual report for further information.

Mr. Deng Jie (鄧杰), aged 51, 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. As at the date of 30 June 2015, Mr. Deng was interested in approximately 0.06% of the shares and underlying shares of the Company. Please refer to the paragraph headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" in the Report of the Directors in this annual report for further information.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Long Xian Feng (龍險峰), aged 53, 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. As at the date of 30 June 2015, Mr. Long was interested in approximately 0.06% of the shares and underlying shares of the Company. Please refer to the paragraph headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" in the Report of the Directors in this annual report for further information.

Mr. Zhou Chong Ke (周崇科), aged 54, 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). As at the date of 30 June 2015, Mr. Zhou was interested in approximately 0.06% of the shares and underlying shares of the Company. Please refer to the paragraph headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" in the Report of the Directors in this annual report for further information.

Mr. Chen Lei (陳磊), aged 44, is an executive Director of the Company. He is the assistant to the general manager of the Group and the general manager of 貴州漢方醫藥資產管理有限公司 (unofficial translation being Guizhou Hanfang Medical Asset Management Company Limited). 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 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 the overall management of the Group's daily operations in China. Mr. Chen was appointed as an executive Director on 24 July 2015 and up to the date of this annual report, he was not interested in the shares and underlying shares of the Company.

Non-Executive Directors

Mr. Tarn Sien Hao (譚顯浩), aged 48, 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. As at the date of 30 June 2015, Mr. Tarn was interested in approximately 0.002% of the shares and underlying shares of the Company. Please refer to the paragraph headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" in the Report of the Directors in this annual report for further information.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Independent Non-Executive Directors

Professor Lin Shu Guang (林曙光), aged 65, is an independent non-executive Director of the Company. He currently holds positions such as the vice chairman of Chinese Medical Doctor Association (中國醫師協會), the chairman of Guangdong Medical Doctor Association (廣東省醫師協會), the honorary president of Guangdong General Hospital, a fellow of the American College of Cardiology and a fellow of the Hong Kong College of Cardiology. In 1996, he was awarded the National May 1st Labour Medal (Model of National Work Force) (國家「五一」勞動獎章（全國勞模)), and granted several Science & Technology Outstanding Contribution Awards of the Nation and Guangdong Province (國家、廣東省科技突出貢獻獎勵). He was accredited as a National Young and Middle-aged Expert with Outstanding Contributions (國家有突出貢獻中青年專家) in 1997. He was also awarded the Guangdong Province's First Class Merit in Confronting Severe Acute Respiratory Syndrome (廣東省抗擊非典一等功) and the National Outstanding Science and Technological Personnel in Severe Acute Respiratory Syndrome Prevention (全國防治非典型肺炎優秀科技工作者) in 2003. Professor Lin has over 40 years of clinical and research experience in cardiology, especially in diagnosing cardiovascular diseases such as hypertension, hyperlipidemia, metabolic syndrome, coronary heart disease, heart failure and heart valve diseases. He published a number of academic papers at various national and overseas academic journals such as the Circulation Research, an international well-known magazine focusing on cardiovascular researches, and Chinese Medical Journal, the primary national journal, as well as monographs such as Cardiovascular Pharmacology《(心血管藥理學》) and Clinical Pharmacology《(臨床藥理學》). He joined the Group in 24 July 2015. Professor Lin was appointed as an independent non-executive Director on 24 July 2015 and up to the date of this annual report, he was not interested in the shares and underlying shares of the Company.

Professor Zhou Xin (周欣), aged 53, is an independent non-executive Director of the Company. She holds a Doctorate Degree in Pharmaceutical Analysis from the West China School of Pharmacy, Sichuan University. She has several social positions, including a member of The Tenth and Eleventh Guizhou Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議第十、十一屆貴州省委員會), an Expert Entitled to the Special Allowance of the State Council (國務院特殊津貼專家), a specialist of the Guizhou Province's Senior Technical Position Evaluation Committee for Pharmacy Professionals (貴州省藥學專業高級技術職務評審委員會), a guest professor of Guangzhou Medical University (廣州醫學院) and an expert of the "Service Policy Expert Institute (服務決策專家智庫)" of Guizhou Province. She has been awarded with a number of honorary titles, including the Provincial Expert (省管專家) of Guizhou Province and the Outstanding Young Scientists (優秀青年科技人才) of Guizhou Province. Since 2000, Professor Zhou has engaged in pharmaceutical analysis as well as the research and development of Chinese and natural medicines. She has also been in charge of a number of national technological funded projects and published a monograph of about 800,000 words and over 90 pieces of academic scientific papers. She possesses 13 representative patents. She joined the Group in 24 July 2015. Professor Zhou was appointed as an independent non-executive Director on 24 July 2015 and up to the date of this annual report, she was not interested in the shares and underlying shares of the Company.

Mr. Tso Sze Wai (曹思維), aged 45, is an independent non-executive Director of the Company. He holds a bachelor degree in Commerce awarded by University of New South Wales, Australia and a postgraduate diploma in Computing in the University of Western Sydney, Australia. He is a member of the Hong Kong Institute of Certified Accountants. He has over 20 years of experience in accounting, corporate finance and corporate secretarial matters. He is currently the financial controller and company secretary of Green Energy Group Limited (stock code: 979), a company listed on the Main Board of the Stock Exchange. Prior to that, he had held senior management positions in a number of listed companies in Hong Kong and Singapore. Mr. Tso is the chairman of the Audit Committee, Remuneration Committee and the Nomination Committee of the Company. He joined the Group in 24 July 2015. Mr. Tso was appointed as an independent non-executive Director on 24 July 2015 and up to the date of this annual report, he was not interested in the shares and underlying shares of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Senior Management

Mr. Wong Ming Chun (王名俊), aged 34, 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 10 years of experience in auditing, accounting and financial management. He joined the Group in 2008.

Mr. Yao Chang Fa (姚廠發), aged 50, is the Chairman of 貴州漢方藥業有限公司. 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 and was elected as the outstanding entrepreneur in Guizhou (貴州省優秀企業家) in 2011. Mr. Yao joined the Group in 1992, and is responsible for overall operation of the traditional Chinese medicines business of the Group.

Mr. Yang Hong Ming (楊洪銘), aged 51, is the Chairman and General Manager of Guilin Pavay Gene Pharmaceutical Co., Ltd. (桂林華諾威基因藥業有限公司). Mr. Yang graduated from Zhongnan University of Economics and Law (中南財經大學) in 1986 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).

Mr. Luo Zhan Biao (羅戰彪), aged 37, is the Director and General Manager of 貴州漢方藥業有限公司. 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 an Engineer in 2011, and obtained a Master Degree in EMBA from Tsinghua University, Beijing in 2013. He joined the Group in 2000, and is responsible for the daily operation and management of 貴州漢方藥業有限公司.

Mr. Zhang Bing Sheng (張炳生), aged 39, is the Chief Investment Supervisor of the Group. Mr. Zhang graduated from Hubei Medical College (湖北醫學院) majoring in Clinical Medication in 1999. 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.. Mr. Zhang joined the Group in May 2007, and is responsible for the medical investment and management business of the Group.

Ms. Niu Yi (牛藝), aged 40, is the Chief Inspector of Human Resources Administration of the Group and described as a senior economist. 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 joined the Group in 1996, and is responsible for human resources, administration management and corporate culture establishment of the Group.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Zou Bang Yin (鄒邦銀), aged 40, 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. Zou graduated from Beijing Institute of Technology (北京理工大學) majoring Biochemical Engineering with a Bachelor of Science Degree 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, and is responsible for the daily operation and management of Guizhou Factorr Bio-Technology Co., Ltd. (貴州泛特爾生物技術有限公司).

Mr. Zhang Kun Mou (張昆謀), aged 52, is the Chairman of 六盤水市涼都人民醫院有限公司 (Liupanshui City Liang Dou People's Hospital Company Limited). 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 the construction of 六盤水市涼都人民醫院 (Liupanshui City Liang Dou People's Hospital) and its hospital business.

Mr. Wang Zhi Yong (王志勇), aged 34, is the assistant to the Chairman of the Group and the General Manager of Investor Relationship Department. Mr. Wang graduated from Jiangxi University of Finance and Economics majoring in Finance in July 2002, and worked in Guangzhou Yangcheng Certified Public Accountants (廣州羊城會計師事務所) and 廣東德眾資產評估有限公司. He joined the Group in 2006, and is responsible for the investor relationship and participating in the management of the hospital project.

Mr. Guo Jun (**郭駿**), aged 52, is the Deputy General Manager of Liupanshui City Liang Dou People's Hospital Company Limited (六盤水市涼都人民醫院有限公司). Mr. Guo graduated from Department of Medicine, Guiyang Medical College (貴陽醫學院) majoring in Medicine in July 1985, and is the Deputy Chief Surgeon. He is the member of Guizhou Province Branch of the Chinese Medical Association (中華醫學會) and was the President of 首鋼水鋼總醫院. He joined the Group in 2014, and is responsible for the general management of Liupanshui City's hospital business of the Group.

Mr. Yang Ding Guang (楊定光), aged 38, is the President of Tongren City Central Hospital (under preparation). Mr. Yang graduated from Guiyang Chinese Medical College (貴陽中醫學院) in 1997. He obtained a Master Degree and was the President of Dejiang County People's Hospital (德江縣人民醫院). He received Reform Innovator Award (改革創新人物獎) from National Health and Family Planning Commission of the PRC in 2013 and was elected as the member of the first session of the Guizhou Province Hospital Management Council (貴州省醫院管理協會第一屆理事會), the deputy director of Country, City and District Hospital Management Committee (縣（市、區）醫院管理專業委員會) and the standing committee member of National Association of County Hospital Management (Hospital Management branch) (全國醫院管理協會縣級醫院管理分會) respectively in 2013, and honored as Ten Outstanding Young Persons (十大傑出青年) of Dejiang County and Tongren City in 2014. He joined the Group in July 2015, and is mainly responsible for the construction of Tongren City Central Hospital (銅仁市中心醫院) and its hospital business.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Wei Zhong Ming (韋忠明), aged 47, is the Vice General Manager and Chief Engineer 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).

Mr. Zhang Shou Xue (張壽學), aged 46, is the Quality Control Supervisor of 貴州漢方藥業有限公司. He graduated from Guiyang Chinese Medical College (貴陽中醫學院) majoring in Pharmacy in Chinese Medicine in 1989. Mr. Zhang acquired the qualifications of chief pharmacist and licensed pharmacist, and was honored as the Advanced Individual On Technological Renovation (技術改造先進個人) of Guiyang City in 2009. He joined the Group in 2001, and is responsible for assisting the General Manager in quality control of pharmaceutical manufacturing.

Mr. Bian Shu Guang (邊曙光), aged 57, is the Deputy General Manager of the Group and is currently assigned to work in 貴州北科泛特爾生物科技有限公司, an associate company of the Group. Mr. Bian graduated from Guiyang Teacher Training College (貴陽師範學院) in 1984 with a bachelor degree in Chinese. He obtained a Certificate in Master of Business Administration from the Postgraduate School of Renmin University of China (中國人民大學研究生院) in 2004. Mr. Bian joined the Group in 1993 and has been responsible for the operation of the Group's traditional Chinese medicine business and is a councilor of the Guizhou Pharmaceutical Society (貴州省藥學會). With his outstanding background in the industry, Mr. Bian is mainly responsible for stem cell storage and application of the Group.

Mr. Dai Li Gui (戴禮貴), aged 46, is the Deputy General Manager of Guizhou Factorr Bio-Technology Co., Ltd. (貴州泛特爾生物技術有限公司). Mr. 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. He joined the Group in 2000, and is currently responsible for the technological management of biological medicine.

Mr. Zhang Ming Hong (張明紅), aged 51, 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 worked in Guizhou Provincial Chinese Medicine Research Institute (貴州省中醫研究所) and engaged in research of drugs from 1986 to 1998. He joined the Group in 1998 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).

REPORT OF THE DIRECTORS

The directors ("**Directors**") of the Company present their report and the audited financial statements for the year ended 30 June 2015.

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, research and development of pharmaceutical products, provision of hospital management services and hospital supply chain business. Details of the principal activities of the principal subsidiaries of the Company are set out in note 20 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year ended 30 June 2015.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 30 June 2015 and the state of affairs the Company and the Group at that date are set out in the financial statements on pages 52 to 147.

The Directors recommend the payment of a final dividend of HK2.7 cents per share in respect of the Year to shareholders on the register of members on Tuesday, 5 January 2016. The proposed final dividend will be paid on or about Friday, 22 January 2016 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 equity section of the statement of financial position.

CLOSURE OF REGISTER OF MEMBERS

The forthcoming Annual General Meeting is scheduled on Friday, 18 December 2015. 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, 14 December 2015 to Friday, 18 December 2015, 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, 11 December 2015.

REPORT OF THE DIRECTORS

The proposed final dividend is 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 is Tuesday, 5 January 2016. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Wednesday, 30 December 2015 to Tuesday, 5 January 2016, both days inclusive, during which period no transfer of Shares will be effected. In order to qualify for the proposed final dividend, 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, 29 December 2015. The payment of final dividend will be made on or about Friday, 22 January 2016.

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 148 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 15 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 35 and 36 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 37(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 30 June 2015, 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$3,822,526,000 (as at 30 June 2014: HK$1,611,980,000) of which approximately HK$199,045,000 has been proposed as a final dividend for the Year. The amount of approximately HK$4,365,840,000 (note 37(b)) standing to the credit of the share premium account of the Company may be distributed, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

MAJOR CUSTOMERS AND SUPPLIERS

In the Year, sales to the Group's largest and five largest customers accounted for less than 30% of the total sales for the Year. The five largest suppliers accounted for approximately 30.5% of the Group's total purchases. The largest supplier of the Group accounted for approximately 11.0% of the Group's total purchases.

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 and up to the date of this report were:

Executive directors:

Mr. Zhang Peter Y.
Mr. Deng Jie
Mr. Long Xian Feng
Mr. Zhou Chong Ke
Mr. Chen Lei *(appointed on 24 July 2015)*

Non-executive directors:

Mr. Wee Ee Lim *(resigned on 24 July 2015) (Ms. Lim Seok Bin Zann (resigned on 24 July 2015) as his alternate)*
Mr. Tarn Sien Hao

Independent non-executive directors:

Professor Kung Hsiang Fu *(resigned on 24 July 2015)*
Professor Tso Wung Wai *(resigned on 24 July 2015)*
Mr. Hon Yiu Ming, Matthew *(resigned on 24 July 2015)*
Professor Lin Shu Guang *(appointed on 24 July 2015)*
Professor Zhou Xin *(appointed on 24 July 2015)*
Mr. Tso Sze Wai *(appointed on 24 July 2015)*

Mr. Zhang Peter Y., Mr. Zhou Chong Ke will retire as Director by rotation at the Annual General Meeting in accordance with Article 108A of the Company's articles of association. Each of Mr. Zhang Peter Y. and Mr. Zhou Chong Ke being eligible, offers himself for re-election as Director at the forthcoming Annual General Meeting.

Each of Professor Lin Shu Guang, Professor Zhou Xin, Mr. Tso Sze Wai and Mr. Chen Lei was appointed by the Board as new Director pursuant to article 112 of the Company's articles on 24 July 2015. Each of them shall hold office only until the next following general meeting and shall then be eligible and will offer each of themselves for re-election at the Annual General Meeting.

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 26 to 31 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.

Mr. Chen Lei has entered into a service contract with the Company for an initial term of one year commencing from 24 July 2015, 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 by 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.

REPORT OF THE DIRECTORS

DIRECTORS' REMUNERATION

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

DIRECTORS' INTERESTS IN CONTRACTS

Apart from those disclosed in note 42 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 2015, 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	1,933,342,643 shares (L) *(Note 2a)*	26.23%
	The Company	Beneficial owner	4,095,144 shares (L) *(Note 2b)*	0.06%
Mr. Deng Jie	The Company	Beneficial owner	4,095,144 shares (L) *(Note 2b)*	0.06%
Mr. Long Xian Feng	The Company	Beneficial owner	4,095,144 shares (L) *(Note 2b)*	0.06%
Mr. Zhou Chong Ke	The Company	Beneficial owner	4,095,144 shares (L) *(Note 2b)*	0.06%
Mr. Tarn Sien Hao	The Company	Beneficial owner	149,300 shares (L)	0.002%
Professor Kung Hsiang Fu *(Note 2e)*	The Company	Beneficial owner	12,774,403 shares (L) *(Note 2c)*	0.17%
Professor Tso Wung Wai *(Note 2e)*	The Company	Beneficial owner	1,586,000 shares (L)	0.02%
Mr. Hon Yiu Ming, Matthew *(Note 2e)*	The Company	Beneficial owner	2,258,524 shares (L) *(Note 2d)*	0.03%

Notes:

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

2a. These 1,933,342,643 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$1.1718 (adjusted from HK$1.60 to HK$1.333 at 23 January 2015 and further adjusted from HK$1.333 to HK$1.1718 at 12 June 2015) per Share at any time during a period of two years commencing from and including 6 January 2014 to 5 January 2016.

2c. These 12,774,403 Shares included 4,095,144 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 2,258,524 Shares included 682,524 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. Each of Professor Kung Hsiang Fu, Professor Tso Wung Wai and Mr. Hon Yiu Ming Matthew resigned as a Director with effect from 24 July 2015.

Save as disclosed above, as at 30 June 2015, 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 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. 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 36 to the financial statements.

As at the date of this Annual Report, the total number of Shares available for issue under the Scheme was 319,039,828 Shares, representing approximately 4.33% of the issued Shares of the Company.

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

Name or Category of participants	Number of share options						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$*
	At 1 July 2014	Granted during the year	Adjusted during the year	Exercised during the year	Cancelled or lapsed during the year	At 30 June 2015				
Directors										
Executive										
Mr. Zhang Peter Y.	3,000,000	–	1,095,144	–	–	4,095,144	6 January 2014	6 January 2014 to 5 January 2016	1.1718	1.69
Mr. Deng Jie	3,000,000	–	1,095,144	–	–	4,095,144	6 January 2014	6 January 2014 to 5 January 2016	1.1718	1.69
Mr. Long Xian Feng	3,000,000	–	1,095,144	–	–	4,095,144	6 January 2014	6 January 2014 to 5 January 2016	1.1718	1.69
Mr. Zhou Chong Ke	3,000,000	–	1,095,144	–	–	4,095,144	6 January 2014	6 January 2014 to 5 January 2016	1.1718	1.69

Name or Category of participants	Number of share options: At 1 July 2014	Granted during the year	Adjusted during the year	Exercised during the year	Cancelled or lapsed during the year	At 30 June 2015	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$*
Non-executive										
Mr. Wee Ee Lim *(Note c)*	3,000,000	–	–	(3,000,000)	–	–	6 January 2014	6 January 2014 to 5 January 2016	1.1718	1.69
Mr. Tam Sien Hao	3,000,000	–	–	(3,000,000)	–	–	6 January 2014	6 January 2014 to 5 January 2016	1.1718	1.69
Independent Non-executive										
Professor Kung Hsiang Fu *(Note c)*	3,000,000	–	1,095,144	–	–	4,095,144	6 January 2014	6 January 2014 to 5 January 2016	1.1718	1.69
Professor Tso Wung Wai *(Note c)*	3,000,000	–	–	(3,000,000)	–	–	6 January 2014	6 January 2014 to 5 January 2016	1.1718	1.69
Mr. Hon Yiu Ming Matthew *(Note c)*	3,000,000	–	182,524	(2,500,000)	–	682,524	6 January 2014	6 January 2014 to 5 January 2016	1.1718	1.69
	27,000,000	–	5,658,244	(11,500,000)	–	21,158,244				

Notes:

(a) Pursuant to the Scheme, the exercise price of the share option of HK$1.1718 (adjusted from HK$1.60 to HK$1.333 at 23 January 2015 and further adjusted from HK$1.333 to HK$1.1718 at 12 June 2015) 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.

(c) Each of Mr. Wee Ee Lim, Professor Kung Hsiang Fu, Professor Tso Wung Wai and Mr. Hon Yiu Ming Matthew was a Director as at the date of grant of the share options. Each of them resigned as a Director with effect on 24 July 2015.

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

At 30 June 2015, 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)*	1,933,342,643 (L)	Beneficial owner	26.23%
Liu Yu *(Note 3)*	1,937,437,787 (L)	Interest of spouse	26.28%
Haw Par Pharmaceutical Holdings Pte. Ltd	721,492,564 (L)	Beneficial owner	9.79%
Haw Par Corporation Limited *(Note 4)*	721,492,564 (L)	Interest of controlled corporation	9.79%

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.

Save as disclosed above, as at 30 June 2015, 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.

REPORT OF THE DIRECTORS

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 Professor Lin Shu Guang (appointed on 24 July 2015), Professor Zhou Xin (appointed on 24 July 2015) and Mr. Tso Sze Wai (appointed on 24 July 2015), 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.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events of the Group after the reporting period are set out in note 45 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 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 2015

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 five executive Directors comprising Mr. Zhang Peter Y. as the chairman, Mr. Deng Jie as the chief executive officer, Mr. Long Xian Feng, Mr. Zhou Chong Ke and Mr. Chen Lei (appointed on 24 July 2015); one non-executive Director comprising Mr. Tarn Sien Hao; and three independent non-executive Directors comprising Professor Lin Shu Guang (appointed on 24 July 2015), Professor Zhou Xin (appointed on 24 July 2015) and Mr. Tso Sze Wai (appointed on 24 July 2015) (as at 30 June 2015, the Board comprised Mr. Wee Ee Lim, Professor Kung Hsiang Fu, Professor Tso Wung Wai and Mr. Hon Yiu Ming Matthew and each of them resigned as a Director on 24 July 2015). The biographical details of the Directors are set out on pages 26 to 28 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. The non-executive Director and each independent non-executive Director is appointed for a term of one year.

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 and up to the date of this report are as follows:

	Attendance
Executive Directors	
Mr. Zhang Peter Y. *(Chairman)*	6/6
Mr. Deng Jie *(Chief Executive Officer)*	6/6
Mr. Long Xian Feng	6/6
Mr. Zhou Chong Ke	6/6
Mr. Chen Li *(appointed on 24 July 2015)*	2/6
Non-executive Directors	
Mr. Wee Ee Lim *(resigned on 24 July 2015) (Ms. Lim Seok Bin Zann (resigned on 24 July 2015) as his alternate)*	3/6
Mr. Tarn Sien Hao	6/6
Independent non-executive Directors	
Professor Lin Shu Guang *(appointed on 24 July 2015)*	2/6
Professor Zhou Xin *(appointed on 24 July 2015)*	2/6
Mr. Tso Sze Wai *(appointed on 24 July 2015)*	2/6
Professor Kung Hsiang Fu *(resigned on 24 July 2015)*	3/6
Professor Tso Wung Wai *(resigned on 24 July 2015)*	3/6
Mr. Hon Yiu Ming, Matthew *(resigned on 24 July 2015)*	3/6

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.

Each of Professor Lin Shu Guang, Professor Zhou Xin and Mr. Tso Sze Wai, an independent non-executive Director, was appointed on 24 July 2015 for a specific term of one year. Pursuant to the Company's articles of association, each of them will hold office until the next following general meeting and shall then be eligible for re-election at such general meeting.

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 2015 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 Lin Shu Guang (appointed on 24 July 2015), Professor Zhou Xin (appointed on 24 July 2015) and Mr. Tso Sze Wai (Chairman) (appointed on 24 July 2015) and one executive Director Mr. Deng Jie. 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. The Nomination Committee is of the view that the Board maintained diversity during the year ended 30 June 2015.

Details of attendance of each member of the Nomination Committee during the Year and up to the date of this report are as follows:

	Attendance
Independent non-executive Directors	
Professor Lin Shu Guang *(appointed on 24 July 2015)*	1/2
Professor Zhou Xin *(appointed on 24 July 2015)*	1/2
Mr. Tso Sze Wai *(Chairman) (appointed on 24 July 2015)*	1/2
Professor Kung Hsiang Fu *(resigned on 24 July 2015)*	1/2
Professor Tso Wung Wai *(resigned on 24 July 2015)*	1/2
Mr. Hon Yiu Ming, Matthew *(resigned on 24 July 2015)*	1/2
Executive Directors	
Mr. Deng Jie	1/2
Non-executive Directors	
Mr. Wee Ee Lim *(resigned on 24 July 2015) (Ms. Lim Seok Bin Zann (resigned on 24 July 2015) as his alternate)*	1/2

REMUNERATION COMMITTEE

The Remuneration Committee is currently composed of four members, comprising three independent non-executive Directors, namely Professor Lin Shu Guang (appointed on 24 July 2015), Professor Zhou Xin (appointed on 24 July 2015) and Mr. Tso Sze Wai (chairman) (appointed on 24 July 2015) and one executive Director, Mr. Deng Jie. 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, and approving the terms of the service contracts of the executive directors.

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 and up to the date of this report are as follows:

	Attendance
Independent non-executive Directors	
Professor Lin Shu Guang *(appointed on 24 July 2015)*	1/2
Professor Zhou Xin *(appointed on 24 July 2015)*	1/2
Mr. Tso Sze Wai *(Chairman) (appointed on 24 July 2015)*	1/2
Mr. Hon Yiu Ming, Matthew *(resigned on 24 July 2015)*	1/2
Professor Kung Hsiang Fu *(resigned on 24 July 2015)*	1/2
Professor Tso Wung Wai *(resigned on 24 July 2015)*	1/2
Executive Directors	
Mr. Deng Jie	2/2
Non-executive Directors	
Mr. Wee Ee Lim *(resigned on 24 July 2015) (Ms. Lim Seok Bin Zann (resigned on 24 July 2015) as his alternate)*	1/2

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 2015 is set out below:

	Number of senior management
Nil to HK$2,000,000	16

AUDITORS' REMUNERATION

During the Year, the auditors of the Company provided audit services to the Group at the fee of HK$3,000,000.

AUDIT COMMITTEE

The Audit Committee currently comprises three independent non-executive Directors, namely Professor Lin Shu Guang (appointed on 24 July 2015), Professor Zhou Xin (appointed on 24 July 2015) and Mr. Tso Sze Wai (Chairman) (appointed on 24 July 2015). 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 and up to the date of this report are as follows:

	Attendance
Independent non-executive Directors	
Professor Lin Shu Guang *(appointed on 24 July 2015)*	1/3
Professor Zhou Xin *(appointed on 24 July 2015)*	1/3
Mr. Tso Sze Wai *(Chairman) (appointed on 24 July 2015)*	1/3
Mr. Hon Yiu Ming, Matthew *(resigned on 24 July 2015)*	2/3
Professor Kung Hsiang Fu *(resigned on 24 July 2015)*	2/3
Professor Tso Wung Wai *(resigned on 24 July 2015)*	2/3
Non-executive Director	
Mr. Tarn Sien Hao *(resigned as a member of the Audit Committee on 24 July 2015)*	2/3

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 the Group's 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 2015, 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 50 to 51 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 52 to 147, which comprise the consolidated and company statements of financial position as at 30 June 2015, 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.

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.

INDEPENDENT AUDITORS' REPORT

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and of the Group as at 30 June 2015, and of the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance 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 2015

CONSOLIDATED INCOME STATEMENT

Year ended 30 June 2015

	Notes	2015 HK$'000	2014 HK$'000
REVENUE	6	**1,820,631**	1,860,189
Cost of sales		**(570,409)**	(518,075)
Gross profit		**1,250,222**	1,342,114
Other income and gains, net	6	**57,338**	24,858
Selling and distribution expenses		**(447,992)**	(643,620)
Administrative expenses		**(116,693)**	(118,298)
Share-based payments	36	**–**	(83,650)
Impairment of items of property, plant and equipment	15	**–**	(11,913)
Impairment of an intangible asset	17	**(53,767)**	(8,386)
Impairment of deferred expenditure	18	**(51,385)**	–
Gain on disposal of subsidiaries and a joint venture	38	**464,398**	–
Fair value loss on derivative instruments	32	**(4,571)**	–
Share of loss of an associate		**(534)**	(249)
Finance costs	7	**(38,076)**	(1,736)
PROFIT BEFORE TAX	8	**1,058,940**	499,120
Income tax expense	11	**(375,928)**	(144,963)
PROFIT FOR THE YEAR		**683,012**	354,157
Attributable to:			
Owners of the Company	12	**648,617**	341,314
Non-controlling interests		**34,395**	12,843
		683,012	354,157
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	14		
			(Restated)
— Basic		**HK 12.87 cents**	HK 7.21 cents
— Diluted		**HK 12.86 cents**	HK 7.19 cents

Details of the dividends are included in note 13 to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 30 June 2015

	2015	2014
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**683,012**	354,157
OTHER COMPREHENSIVE INCOME/(EXPENSES)		
Items that will not be reclassified to income statement in subsequent periods:		
Loss on revaluation of buildings, net	**(7,200)**	(496)
Deferred tax arising from revaluation on buildings	**2,177**	590
	(5,023)	94
Items that may be reclassified/reclassified to income statement in subsequent periods:		
Exchange differences on translation of foreign operations		
— subsidiaries	**(62,276)**	10,405
— associate	**(158)**	78
Realisation of exchange reserve upon disposal of subsidiaries and a joint venture	**(263,314)**	–
	(325,748)	10,483
OTHER COMPREHENSIVE INCOME/(EXPENSES) FOR THE YEAR, NET OF TAX	**(330,771)**	10,577
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**352,241**	364,734
Attributable to:		
Owners of the Company	**322,644**	352,922
Non-controlling interests	**29,597**	11,812
	352,241	364,734

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2015

	Notes	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**1,091,116**	472,024
Prepaid land lease payments	16	**23,602**	28,964
Intangible assets	17	**37,518**	123,110
Deferred expenditure	18	**–**	51,651
Goodwill	19	**92,632**	110,273
Investments in joint ventures	21	**18,744**	18,885
Investment in an associate	22	**367,234**	370,557
Deposits	23	**839,226**	959,313
Deferred tax assets	33	**–**	34,202
Total non-current assets		**2,470,072**	2,168,979
CURRENT ASSETS			
Inventories	24	**48,201**	43,239
Trade receivables	25	**857,291**	917,018
Prepayments, deposits and other receivables	26	**128,370**	17,293
Tax recoverable		**–**	5,523
Cash and cash equivalents	27	**6,598,816**	2,725,335
Total current assets		**7,632,678**	3,708,408
CURRENT LIABILITIES			
Trade payables	28	**51,746**	59,494
Other payables and accruals	29	**322,734**	121,320
Obligation under a finance lease	30	**–**	31
Interest-bearing bank borrowings	31	**31,265**	37,794
Tax payable		**279,065**	173,498
Total current liabilities		**684,810**	392,137
NET CURRENT ASSETS		**6,947,868**	3,316,271
TOTAL ASSETS LESS CURRENT LIABILITIES		**9,417,940**	5,485,250
NON-CURRENT LIABILITIES			
Convertible bonds	32	**608,551**	–
Deferred tax liabilities	33	**16,825**	48,944
Deferred income	34	**–**	12,598
Total non-current liabilities		**625,376**	61,542
Net assets		**8,792,564**	5,423,708

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2015

	Notes	2015 HK$'000	2014 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Issued capital	35	**737,205**	408,408
Reserves	37(a)	**7,822,469**	4,812,440
		8,559,674	5,220,848
Non-controlling interests		**232,890**	202,860
Total equity		**8,792,564**	5,423,708

Zhang Peter Y.
Director

Deng Jie
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2015

	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/ (expenses) for the year:												
Exchange differences on translation of foreign operations	–	–	–	–	10,483	–	–	–	–	10,483	–	10,483
Surplus/(deficit) on revaluation *(note 15)*	–	–	904	–	–	–	–	–	–	904	(1,400)	(496)
Effect of deferred tax *(note 33)*	–	–	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 35)*	63,809	(63,809)	–	–	–	–	–	–	–	–	–	–
Issue of shares upon exercise of share options *(note 35)*	27,590	494,174	–	–	–	(83,352)	–	–	–	438,412	–	438,412
Share-based payments *(note 36)*	–	–	–	–	–	83,650	–	–	–	83,650	–	83,650
Final and special 2013 dividends declared *(note 13)*	–	(1,278)	–	–	–	–	–	–	(199,716)	(200,994)	–	(200,994)
Proposed final 2014 dividend *(note 13)*	–	(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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2015

	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 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
Profit for the year	–	–	–	–	–	–	–	648,617	–	648,617	34,395	683,012
Other comprehensive income/(expenses) for the year:												
Exchange differences on translation of foreign operations	–	–	–	–	(57,975)	–	–	–	–	(57,975)	(4,459)	(62,434)
Realisation of exchange reserve upon disposal of subsidiaries and a joint venture	–	–	–	–	(263,314)	–	–	–	–	(263,314)	–	(263,314)
Deficit on revaluation *(note 15)*	–	–	(6,723)	–	–	–	–	–	–	(6,723)	(477)	(7,200)
Effect of deferred tax *(note 33)*	–	–	2,039	–	–	–	–	–	–	2,039	138	2,177
Total comprehensive income/(expenses) for the year	–	–	(4,684)	–	(321,289)	–	–	648,617	–	322,644	29,597	352,241
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	40,770	40,770
Disposal of subsidiaries and a joint venture *(note 38)*	–	–	(26,307)	(100,781)	–	–	–	127,088	–	–	(40,337)	(40,337)
Disposal of a building	–	–	(3,182)	–	–	–	–	3,182	–	–	–	–
Bonus shares issued *(note 35)*	81,912	(81,912)	–	–	–	–	–	–	–	–	–	–
Issue of shares upon exercise of share options *(note 35)*	1,150	20,654	–	–	–	(3,404)	–	–	–	18,400	–	18,400
Issue of shares *(note 35)*	245,735	2,948,816	–	–	–	–	–	–	–	3,194,551	–	3,194,551
Share issue expenses *(note 35)*	–	(49,742)	–	–	–	–	–	–	–	(49,742)	–	(49,742)
Final 2014 dividend declared *(note 13)*	–	–	–	–	–	–	–	–	(147,027)	(147,027)	–	(147,027)
Proposed final 2015 dividend *(note 13)*	–	(199,045)	–	–	–	–	–	–	199,045	–	–	–
At 30 June 2015	737,205	4,055,883*	12,786*	–*	205,226*	4,588*	(8,410)*	3,353,351*	199,045*	8,559,674	232,890	8,792,564

* *These reserve accounts comprise the consolidated reserves of HK$7,822,469,000 (2014: HK$4,812,440,000) in the consolidated statement of financial position.*

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 30 June 2015

	Notes	2015 HK$'000	2014 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**1,058,940**	499,120
Adjustments for:			
Interest income	6	**(35,283)**	(19,805)
Finance costs	7	**38,076**	1,736
Depreciation	8	**18,082**	19,496
Amortisation of intangible assets	8	**31,301**	33,205
Amortisation of prepaid land lease payments	8	**815**	848
Impairment of deferred expenditure	8	**51,385**	–
Impairment of an intangible asset	8	**53,767**	8,386
Reversal of impairment of trade receivables	8	**–**	(2,469)
Impairment of items of property, plant and equipment	8	**–**	11,913
Impairment/(reversal of impairment) of other receivables	8	**(359)**	884
Loss/(gain) on disposal of items of property, plant and equipment	8	**(2,432)**	11
Share of loss of an associate		**534**	249
Gain on disposal of subsidiaries and a joint venture		**(464,398)**	–
Fair value loss on derivative instruments	32	**4,571**	–
Amortisation of deferred income	34	**(17,609)**	(5,053)
Share-based payments	36	**–**	83,650
		737,390	632,171
Increase in inventories		**(62,976)**	(1,715)
Decrease/(increase) in trade receivables		**39,371**	(252,919)
Decrease/(increase) in prepayments, deposits and other receivables	39	**(894)**	25,644
Increase/(decrease) in trade payables		**(7,173)**	7,476
Increase/(decrease) in other payables and accruals	39	**83,956**	(18,984)
Cash generated from operations		**789,674**	391,673
Profits tax paid		**(100,709)**	(94,144)
Net cash flows from operating activities		**688,965**	297,529

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CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 30 June 2015

	Notes	2015 HK$'000	2014 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**35,283**	19,805
Proceeds from disposal of items of property, plant and equipment		**27,573**	–
Proceeds from disposal of subsidiaries and a joint venture	38	**(14,441)**	–
Deposit paid for acquisition of items of machinery and equipment		**–**	(306,096)
Deposit paid/(refunded) for acquisition of plant and machinery	23(c)	**192,749**	(192,749)
Deposits paid for acquisition of prepaid land lease payments and construction of a new plant		**(86,896)**	–
Deposit refunded for acquisition of intangible assets		**–**	7,505
Receipt of refundable construction guarantee deposit		**125,060**	–
Purchases of items of property, plant and equipment		**(736,988)**	(141,150)
Advance to an associate		**–**	(9,951)
Repayment from an associate		**–**	15,255
Advance to a joint venture		**–**	(18,267)
Net cash flows used in investing activities		**(457,660)**	(625,648)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares upon exercise of share options	35	**18,400**	438,412
Proceeds from issue of shares for an open offer	35	**3,194,551**	–
Share issue expenses	35	**(49,742)**	–
Proceeds from issue of convertible bonds, net of paid related expenses	32, 39	**617,325**	–
Capital contribution from non-controlling interests		**40,770**	–
New bank loans		**31,265**	37,884
Repayment of bank loans		**–**	(25,256)
Repayment of obligation under a capital element of a finance lease		**(31)**	(89)
Dividends paid		**(147,027)**	(200,994)
Interest paid		**(12,246)**	(1,736)
Net cash flows from financing activities		**3,693,265**	248,221
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**3,924,570**	(79,898)
Cash and cash equivalents at beginning of year		**2,725,335**	2,799,436
Effect of foreign exchange rate changes, net		**(51,089)**	5,797
CASH AND CASH EQUIVALENTS AT END OF YEAR		**6,598,816**	2,725,335

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CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 30 June 2015

	Notes	2015 HK$'000	2014 HK$'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	27	**6,173,612**	2,720,764
Time deposits with original maturity of less than three months when acquired	27	**425,204**	4,571
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows		**6,598,816**	2,725,335

STATEMENT OF FINANCIAL POSITION

30 June 2015

	Notes	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	20	**133,703**	133,703
CURRENT ASSETS			
Due from subsidiaries	20	**5,015,895**	2,162,168
Prepayments	26	**180**	180
Cash and cash equivalents	27	**337,300**	6,738
Total current assets		**5,353,375**	2,169,086
CURRENT LIABILITIES			
Due to subsidiaries	20	**273,586**	273,586
Accruals	29	**40,623**	823
Total current liabilities		**314,209**	274,409
NET CURRENT ASSETS		**5,039,166**	1,894,677
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,172,869**	2,028,380
NON-CURRENT LIABILITIES			
Convertible bonds	32	**608,551**	–
Net assets		**4,564,318**	2,028,380
EQUITY			
Issued capital	35	**737,205**	408,408
Reserves	37(b)	**3,628,068**	1,472,945
Proposed final dividend	13	**199,045**	147,027
Total equity		**4,564,318**	2,028,380

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
- provision of hospital management services
- hospital supply chain business

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 which, because the Company has not early adopted the revised Rules Governing the Listing of Securities (the "Listing Rules") issued by the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), are those of the predecessor Hong Kong Companies Ordinance (Cap. 32). They have been prepared under the historical cost convention, except for certain buildings classified as property, plant and equipment and derivative financial instrument 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 2015. 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.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described 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.

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	*Investment Entities*
Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*
Annual Improvements 2010–2012 Cycle	Amendments to a number of HKFRSs issued in January 2014
Annual Improvements 2011–2013 Cycle	Amendments to a number of HKFRSs issued in January 2014

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

2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective for the accounting year ended 30 June 2015, in these financial statements.

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

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2017
3 Effective for annual periods beginning on or after 1 January 2018
4 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

In addition, the 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 2016. The Group is in the process of making an assessment of the impact of these changes.

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

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 associate 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 associate 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 other 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 assets 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 of the acquiree.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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

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

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 30 June. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

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

Intangible assets (other than goodwill)

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

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

Operating right

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

Technical know-how

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 the cost of acquiring 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 purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets 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.

Impairment of financial assets

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost

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

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

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

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

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

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

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, or 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, convertible bonds and interest-bearing bank borrowings.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement (continued)

Convertible bonds

If the conversion option of convertible bonds exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs are apportioned between the liability and derivative components of the convertible bonds based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in the income statement.

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments

Initial recognition and subsequent measurement

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gain or losses arising from changes in fair value of derivatives are taken directly to the income statement, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

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

For the purpose of the 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.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

Government grants are recognised at 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;

(b) from the rendering of services, when the relevant hospital management services have been rendered; and

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

Share-based payments

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

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 36 to the financial statements.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

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

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

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

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

Other employee benefits

Pension schemes

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 operate 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use of sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

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

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

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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 JUDGEMENTS 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 judgements, apart from those involving estimations, which have 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 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 JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Control over the hospitals under Trust, Invest, Operate and Transfer ("TIOT") agreements

The Group entered into a series of TIOT agreements with several hospitals and the People's Republic of China ("PRC") government, pursuant to which the Group agrees to make investments to improve the medical facilities of the hospitals in exchange for the right to manage and operate the hospital and receive management fees for a fixed term of 20 years. The operating rights are expected to be transferred back to the hospitals or the PRC government after the term.

The management assessed whether or not the Group has control over these hospitals through the TIOT agreements (the "TIOT Hospitals") based on whether the Group has the practical ability to direct the TIOT Hospitals' relevant activities unilaterally. In making their judgement, the management considered the composition of the internal governance bodies and also certain committees which oversee the operations of the hospitals. After assessment, the management concluded that the Group does not obtain the decision making power under these bodies and committees to direct the relevant activities of the hospitals, so the Group does not control and thus does not consolidate those hospitals. Instead, these TIOT agreements are considered as management contracts to generate management service income. Details of the TIOT agreements are set out in note 5 to the financial statements.

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 which takes into consideration the financial strength and creditworthiness of customers, and the current market condition. 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 nil (2014: HK$2,469,000) was made during the year ended 30 June 2015. The carrying amount of trade receivables at 30 June 2015 was HK$857,291,000 (2014: HK$917,018,000). Further details of trade receivables are given in note 25.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Estimation of fair value of buildings outside Hong Kong

As described in note 15 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 2015 was HK$196,128,000 (2014: HK$235,874,000). Further details, including the key assumptions used for fair value measurement and sensitivity analysis, are given in note 15 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 2015 was HK$92,632,000 (2014: HK$110,273,000). Further details are given in note 19 to the financial statements.

Impairment of intangible assets and deferred expenditure

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 and deferred expenditure 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 assets and deferred expenditure 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 assets and deferred expenditure and choose a suitable discount rate in order to calculate the present value of those cash flows. An impairment of HK$53,767,000 (2014: HK$8,386,000) and HK$51,385,000 (2014: Nil) was made against intangible assets and deferred expenditure, respectively, during the year ended 30 June 2015. The carrying amounts of intangible assets and deferred expenditure at 30 June 2015 were HK$37,518,000 (2014: HK$123,110,000) and Nil (2014: HK$51,651,000), respectively. Further details of intangible assets and deferred expenditure are given in notes 17 and 18 to the financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

(i) Pharmaceutical products: the research and development, manufacture, sale and trading of pharmaceutical products including traditional Chinese medicines, bio-pharmaceutical products and other healthcare-related products; and

(ii) Hospital related business: the provision of management services to hospitals under the TIOT agreements and sales of pharmaceutical products, medical consumables and medical devices to hospitals under the TIOT agreements.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, other gains, gain on disposal of subsidiaries and a joint venture, share of loss of an associate, finance costs and fair value loss on derivative instruments are excluded from such measurement.

Year ended 30 June 2015

	Pharmaceutical products *HK$'000*	Hospital related business *HK$'000*	Total *HK$'000*
Segment revenue			
Revenue from external customers	**1,600,311**	**220,320**	**1,820,631**
Recognition of deferred income on distribution rights	**17,609**	**–**	**17,609**
Gain on disposal of items of property, plant and equipment	**2,432**	**–**	**2,432**
Total	**1,620,352**	**220,320**	**1,840,672**
Segment results			
Segment profit	**527,967**	**72,459**	**600,426**
Interest income			**35,283**
Other gains			**2,014**
Gain on disposal of subsidiaries and a joint venture			**464,398**
Fair value loss on derivative instruments			**(4,571)**
Share of loss of an associate			**(534)**
Finance costs			**(38,076)**
Profit before tax			**1,058,940**

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 30 June 2015 (continued)

	Pharmaceutical products HK$'000	Hospital related business HK$'000	Total HK$'000
Assets and liabilities			
Segment assets	9,469,822	246,950	9,716,772
Investments in joint ventures			18,744
Investment in an associate			367,234
Total assets			10,102,750
Segment liabilities	388,407	17,338	405,745
Tax payable			279,065
Convertible bonds			608,551
Deferred tax liabilities			16,825
Total liabilities			1,310,186
Other segment information:			
Depreciation	18,082	–	18,082
Amortisation of intangible assets	31,301	–	31,301
Amortisation of prepaid land lease payments	815	–	815
Impairment of deferred expenditure	51,385	–	51,385
Impairment of an intangible asset	53,767	–	53,767
Reversal of impairment of other receivables	(359)	–	(359)
Gain on disposal of items of property, plant and equipment	(2,432)	–	(2,432)
Capital expenditure*	748,928	–	748,928

* Capital expenditure consists of additions of property, plant and equipment during the year ended 30 June 2015.

4. OPERATING SEGMENT INFORMATION (continued)

During the year ended 30 June 2014, the Group had only one business segment, namely pharmaceutical products, and accordingly no segment information was presented for the year ended 30 June 2014.

No geographical segment information is presented for the years ended 30 June 2015 and 30 June 2014 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$242,976,000 (2014: HK$535,438,000) was derived from sales by the pharmaceutical products segment to a single customer during the year ended 30 June 2015, including sales to a group of entities which are known to be under common control with that customer.

5. TIOT ARRANGEMENT

During the year ended 30 June 2015, the Group entered into TIOT agreements with several hospitals and the People's Government of Liupanshui City of Guizhou Province (the "Liupanshui Government") and Tongren City of Guizhou (the "Tongren Government"). Pursuant to the TIOT agreements, the Liupanshui Government and the Tongren Government entrust the Group to invest, operate and manage the valued-added medical service and supply chain of the several hospitals for a fixed term of 20 years. At the end of the term, the operating rights and the assets invested will be transferred to the Liupanshui Government or the Tongren Government. Under the TIOT arrangement, the Group provides management services to these hospitals and derives management fee income based on a fixed percentage of medical income of the hospitals as set out in the TIOT agreements. Up to 30 June 2015, only management services and supply chain business have been commenced and provided by the Group to the hospitals.

6. REVENUE, OTHER INCOME AND GAINS, NET

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts and income from hospital management services.

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

	Group	
	2015	2014
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**1,659,031**	1,907,755
Less: rebates	**(58,720)**	(47,566)
	1,600,311	1,860,189
Hospital management services	**28,749**	–
Hospital supply chain business	**191,571**	–
	1,820,631	1,860,189
Other income		
Interest income	**35,283**	19,805
Recognition of deferred income on distribution rights *(note 34)*	**17,609**	5,053
Others	**2,014**	–
	54,906	24,858
Gains		
Gain on disposal of items of property, plant and equipment	**2,432**	–
	57,338	24,858

7. FINANCE COSTS

	Group	
	2015	2014
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	**2,500**	1,730
Interest on convertible bonds	**29,877**	–
Interest on a finance lease	**1**	6
Others	**5,698**	–
	38,076	1,736

8. PROFIT BEFORE TAX

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

	Notes	**2015** **HK$'000**	2014 HK$'000
Cost of inventories sold		**570,409**	518,075
Depreciation	*15*	**18,082**	19,496
Amortisation of intangible assets[1]	*17*	**31,301**	33,205
Amortisation of prepaid land lease payments	*16*	**815**	848
Research and development costs		**4,010**	3,067
Minimum lease payments under operating leases in respect of land and buildings		**2,677**	2,563
Auditors' remuneration		**3,000**	2,400
Employee benefit expense (including directors' and chief executive's remuneration *(note 9)*):			
Wages and salaries		**64,227**	57,037
Share-based payments		**–**	67,370
Pension scheme contributions[2]		**6,328**	7,505
		70,555	131,912
Impairment of deferred expenditure	*18*	**51,385**	–
Impairment of an intangible asset	*17*	**53,767**	8,386
Reversal of impairment of trade receivables[3]	*25*	**–**	(2,469)
Impairment of items of property, plant and equipment	*15*	**–**	11,913
Impairment/(reversal of impairment) of other receivables[3]		**(359)**	884
Loss/(gain) on disposal of items of property, plant and equipment		**(2,432)**	11

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 2015, the Group had no forfeited contribution available to reduce its contributions to the pension schemes in future years (2014: 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.

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	Group	
	2015	2014
	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**	637
Discretionary bonuses	**3,840**	3,640
Share-based payments	**–**	7,992
Pension scheme contributions	**28**	28
	4,505	12,297
	5,505	13,297

During the year ended 30 June 2014, 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 36 to the financial statements. The fair value of these options, which had been vested upon grant and recognised in full in the income statement for the year ended 30 June 2014, was determined as at the date of grant and the amount included in the financial statements for the year ended 30 June 2014 was included in the above directors' and chief executive's remuneration disclosures.

9. 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*
2015						
Executive directors:						
Mr. Zhang Peter Y.	–	165	1,173	–	7	1,345
Mr. Deng Jie*	–	252	1,080	–	7	1,339
Mr. Long Xian Feng	–	110	987	–	7	1,104
Mr. Zhou Chong Ke	–	110	600	–	7	717
	–	637	3,840	–	28	4,505
Non-executive directors:						
Mr. Wee Ee Lim**	200	–	–	–	–	200
Mr. Tarn Sien Hao	200	–	–	–	–	200
	400	–	–	–	–	400
Independent non-executive directors:						
Professor Kung Hsiang Fu**	200	–	–	–	–	200
Professor Tso Wung Wai**	200	–	–	–	–	200
Mr. Hon Yiu Ming, Matthew**	200	–	–	–	–	200
	600	–	–	–	–	600
	1,000	637	3,840	–	28	5,505

9. 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

* *Mr. Deng Jie is also the chief executive officer of the Company.*
** *Resigned on 24 July 2015.*

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

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four directors and the chief executive (2014: five employees who are neither a director nor chief executive of the Company). Details of the directors' remuneration are set out in note 9. Details of the remuneration for the year of the remaining one (2014: five) highest paid employee who is neither a director nor chief executive of the Company are as follows:

	2015	2014
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**789**	2,298
Share-based payments	**–**	43,098
Pension scheme contributions	**18**	35
	807	45,431

During the year, one non-director and non-chief executive highest paid employee whose remuneration fell within the band of nil to HK$1,000,000 (2014: one, three and one non-director and non-chief executive highest paid employees whose remuneration fell within the bands 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).

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 36 to the financial statements. The fair value of these options, which had 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 year ended 30 June 2014 was included in the above non-director and non-chief executive, highest paid employees' remuneration disclosures.

During the year, no emoluments were paid by the Group to any of the highest paid employee who is neither a director nor chief executive of the Company as an inducement to join or upon joining the Group or as compensation for loss of office (2014: Nil).

11. 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 (2014: Nil). Taxes on profits assessable in 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 PRC, which became effective from 1 January 2008, enterprises are subject to corporate income tax ("CIT") at a rate of 25%.

	2015	2014
	HK$'000	*HK$'000*
Current — Mainland China		
Charge for the year	**364,484**	142,568
Underprovision in prior years	**2,505**	176
Deferred *(note 33)*	**8,939**	2,219
Total tax charge for the year	**375,928**	144,963

Guiyang De Chang Xiang Pharmaceutical Company Limited ("DCX"), a subsidiary disposed of during the year, and 桂林華諾威基因藥業有限公司 ("華諾威"), a subsidiary 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%. Besides, pursuant to an approval received from the PRC tax authority on 28 August 2014, 貴州漢方藥業有限公司 ("漢方藥業"), a subsidiary of the Company, was approved to be entitled to a PRC corporate tax rate of 15% with respect to the preferential tax policy in the west development district in the PRC for the period from 1 January 2014 to 31 December 2014. 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 disposed of during the year, and 西藏益德醫藥有限公司, a subsidiary of the Company, were approved to be entitled to the PRC corporate income tax rate of 15% with respect to the preferential tax policy granted for entities established in Tibet.

11. INCOME TAX (continued)

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

	2015	2014
	HK$'000	*HK$'000*
Profit before tax	**1,058,940**	499,120
Tax at the statutory tax rate	**264,735**	124,780
Tax effect on preferential tax rate	**(129,376)**	(52,589)
Adjustments in respect of current tax of previous periods	**2,505**	176
Loss attributable to an associate	**133**	62
Income not subject to tax	**(116,100)**	(711)
Expenses not deductible for tax	**354,031**	75,711
Tax losses utilised from previous periods	**–**	(2,466)
Tax charge at the Group's effective rate	**375,928**	144,963

12. 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 2015 includes a loss of HK$480,244,000 (2014: HK$90,729,000) which has been dealt with in the financial statements of the Company (note 37(b)).

13. DIVIDENDS

	2015 HK$'000	2014 HK$'000
Dividends paid during the year:		
Final dividend in respect of the financial year ended 30 June 2014		
— HK3.6 cents per ordinary share (2014: HK2.3 cents per ordinary share in respect of the financial year ended 30 June 2013)	**147,027**	73,378
Special dividend in respect of the financial year ended 30 June 2013		
— Nil (2014: HK4.0 cents per ordinary share)	**–**	127,616
	147,027	200,994
Proposed dividend:		
Final — HK2.7 cents (2014: HK3.6 cents) per ordinary share	**199,045**	147,027

The proposed final dividend of HK$199,045,000, representing HK2.7 cents per share for the year ended 30 June 2015 are subject to the approval of the Company's shareholders at the forthcoming annual general meeting. These financial statements do not reflect the dividend payable.

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 (the "2014 Bonus Issue") for the year ended 30 June 2014 were approved by the Company's shareholders at the Company's annual general meeting on 19 December 2014. The final dividend of HK3.6 cents per share for the year ended 30 June 2014 was satisfied by cash payment. On 23 January 2015, 819,115,588 shares of HK$0.1 each were issued to satisfy the 2014 Bonus Issue. The dividend payable was not reflected in the financial statements as at 30 June 2014.

14. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	2015	2014
	HK$'000	*HK$'000*
Earnings:		
Profit for the year attributable to owners of the Company, used in the basic earnings per share calculation	**648,617**	341,314
Interest and arrangement fee on convertible bonds	**35,575**	–
Fair value loss on the derivative component of the convertible bonds	**4,571**	–
Profit for the year attributable to owners of the Company before interest, arrangement fee and fair value loss on convertible bonds	**688,763***	341,314
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (2014: restated to reflect the effect of the 2014 Bonus Issue)	**5,039,138**	4,732,772
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 (2014: restated to reflect the effect of the 2014 Bonus Issue)	**3,194**	16,167
Weighted average number of ordinary shares assumed to have been issued on the redemption of all convertible bonds outstanding during the year	**107,685**	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share (2014: restated to reflect the effect of the 2014 Bonus Issue)	**5,150,017***	4,748,939

* *Because the diluted earnings per share amount is increased when taking convertible bonds into account, the convertible bonds had an anti-dilutive effect on the basic earnings per share for the year ended 30 June 2015 and were ignored in the calculation of diluted earnings per share amount for the year ended 30 June 2015. Therefore, the diluted earnings per share amount for the year ended 30 June 2015 is based on the profit for the year attributable to owners of the Company of HK$648,617,000 and the weighted average number of ordinary shares of 5,042,332,000 in issue during the year ended 30 June 2015.*

15. 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 2015						
Cost or valuation:						
At 1 July 2014	235,874	7,885	129,231	26,622	175,323	574,935
Additions	–	–	13,352	4,448	731,128	748,928
Disposals	(23,311)	–	(9,957)	–	–	(33,268)
Disposal of subsidiaries and a joint venture *(note 38)*	(60,412)	(6,663)	(47,330)	(16,033)	–	(130,438)
Deficit on revaluation	(18,242)	–	–	–	–	(18,242)
Transfer	64,621	–	31,333	–	(95,954)	–
Exchange realignment	(2,402)	(344)	(1,855)	(403)	(2,457)	(7,461)
At 30 June 2015	196,128	878	114,774	14,634	808,040	1,134,454
Accumulated depreciation and impairment:						
At 1 July 2014	–	4,481	77,604	20,826	–	102,911
Depreciation provided during the year	11,042	187	6,002	851	–	18,082
Disposals	–	–	(9,114)	–	–	(9,114)
Disposal of subsidiaries and a joint venture *(note 38)*	–	(3,502)	(39,503)	(12,593)	–	(55,598)
Write-back upon revaluation	(11,042)	–	–	–	–	(11,042)
Exchange realignment	–	(288)	(1,295)	(318)	–	(1,901)
At 30 June 2015	–	878	33,694	8,766	–	43,338
Net carrying amount:						
At 30 June 2015	196,128	–	81,080	5,868	808,040	1,091,116
At 30 June 2014	235,874	3,404	51,627	5,796	175,323	472,024
Analysis of cost or valuation:						
At cost	–	878	114,774	14,634	808,040	938,326
At 30 June 2015 valuation	196,128	–	–	–	–	196,128
	196,128	878	114,774	14,634	808,040	1,134,454

15. 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$'000 (Note (b))	Total HK$'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

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

15. 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$196,128,000 (2014: HK$235,874,000). 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$7,200,000 (2014: HK$496,000), resulting from the above valuations, has been debited to other comprehensive expenses.

Had the Group's buildings been carried at historical cost less accumulated depreciation, their net carrying amount would have been approximately HK$100,393,000 (2014: HK$111,434,000).

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.

At 30 June 2015, certain of the Group's buildings with an aggregate net carrying amount of HK$17,884,000 (2014: HK$38,425,000), were pledged to secure banking facilities granted to the Group (note 31).

As at 30 June 2015, the Group was in the process of applying the building ownership certificates in respect of certain self-use properties with an aggregate carrying amount of HK$91,753,000 situated in Guizhou, the PRC. The Company's directors confirmed that, based on the advice from the Group's legal counsel, as the Group has properly obtained the land use right certificates in respect of the land on which the aforementioned properties are located, and therefore are in the opinion that there is no legal barrier or otherwise for the Group to obtain the building ownership certificates from the relevant Mainland China authority.

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. During the year ended 30 June 2015, 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.

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Notes: (continued)

(a) (continued)

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 2015 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	**–**	**–**	**196,128**	**196,128**

	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 (2014: Nil).

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 2015 (HK$'000)**	**Significant unobservable inputs**	**Range**	**Relationship of unobservable inputs to fair value**
Commercial building situated outside Hong Kong	Depreciated replacement cost approach (2014: Net replacement cost)	4,002 (2014: 5,795)	Construction cost (per square metre)	HK$2,293 (2014: HK$5,669)	Positively correlated
Industrial buildings situated outside Hong Kong	Depreciated replacement cost approach	192,126 (2014: 230,079)	Construction cost (per square metre)	HK$1,251 to HK$19,197 (2014: HK$1,260 to HK$19,334)	Positively correlated

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Notes: (continued)

(b) As at 30 June 2015, 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 "Shawen Land") located at Guiyang Shawen Ecological Park in Mainland China. The construction cost of RMB90,766,000 (approximately HK$113,512,000) (2014: RMB70,000,000 (approximately HK$88,186,000)) paid for the New Plant up to 30 June 2015 was included under construction in progress as at 30 June 2015. In addition, since the Group had not yet obtained the land use right certificate of the Shawen Land as at 30 June 2015, the upfront deposit for acquisition of the Shawen Land paid by the Group was recorded as a deposit under non-current assets as at 30 June 2015. Further details are set out in note 23(b) to the financial statements.

The construction in progress balance as at 30 June 2015 also included the construction costs paid for (i) a new hospital located at Liupanshui City of Guizhou of approximately HK$535,936,000 (2014: Nil); and (ii) a plant for stem cell storage and production of blood albumin products (the "Tongren Plant") located at Tongren City of Guizhou of approximately HK$143,905,000 (2014: Nil). Since the Group has not yet obtained the land use right certificates of the lands on which the new hospital and the Tongren Plant are constructed (the "Relevant Land"), the upfront deposits for acquisition of the Relevant Land paid by the Group were recorded as deposits under non-current assets as at 30 June 2015. Further details are also set out in note 23(b) to the financial statements.

(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 because the Group had ceased the production of certain pharmaceutical products.

16. PREPAID LAND LEASE PAYMENTS

	Group	
	2015	2014
	HK$'000	*HK$'000*
Carrying amount at 1 July	**29,810**	30,548
Recognised during the year	**(815)**	(848)
Disposed of during the year	**(987)**	–
Disposal of subsidiaries and a joint venture *(note 38)*	**(3,228)**	–
Exchange realignment	**(502)**	110
Carrying amount at 30 June	**24,278**	29,810
Less: Current portion included in prepayments, deposits and other receivables *(note 26)*	**(676)**	(846)
Non-current portion	**23,602**	28,964

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

At 30 June 2015, certain of the Group's prepaid land lease payments with an aggregate carrying amount of HK$10,673,000 (2014: HK$1,046,000) were pledged to secure certain banking facilities granted to the Group (note 31).

17. INTANGIBLE ASSETS

Group

	Operating right HK$'000	Technical know-how HK$'000	Deferred development costs HK$'000	Total HK$'000
30 June 2015				
Cost:				
At 1 July 2014	5,104	430,136	7,654	442,894
Disposal of subsidiaries and a joint venture *(note 38)*	(5,025)	(22,817)	(7,520)	(35,362)
Exchange realignment	(79)	(3,375)	(134)	(3,588)
At 30 June 2015	–	403,944	–	403,944
Accumulated amortisation and impairment:				
At 1 July 2014	4,253	307,877	7,654	319,784
Amortisation provided during the year	846	30,455	–	31,301
Disposal of subsidiaries and a joint venture *(note 38)*	(5,025)	(22,817)	(7,520)	(35,362)
Impairment	–	53,767	–	53,767
Exchange realignment	(74)	(2,856)	(134)	(3,064)
At 30 June 2015	–	366,426	–	366,426
Net carrying amount:				
At 30 June 2015	–	37,518	–	37,518
At 30 June 2014	851	122,259	–	123,110

17. INTANGIBLE ASSETS (continued)

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

17. INTANGIBLE ASSETS (continued)

During the year ended 30 June 2015, the directors of the Company conducted a review of the intangible asset of the technical know-how of recombinant human epidermal growth factor in producing two bio-pharmaceutical products in view of their deteriorating sales trend under the competitive market conditions after the release of more similar products by competitors in the market. After taking into account the current operating environment and market condition of these two products, the directors of the Company have assessed the recoverable amount of such intangible asset under the pharmaceutical product segment at approximately HK$37,518,000 as at 30 June 2015 with reference to a valuation performed by DTZ and determined by a value-in-use calculation using a cash flow projection based on financial budgets approved by management covering a five-year period. Cash flows beyond the six-year period are using the estimated growth rate of 0%. The discount rate applied to the cash flow projection is 17%. Accordingly, an impairment loss of approximately HK$53,767,000 has been recognised in respect of the related technical know-how for the year ended 30 June 2015.

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 ended 30 June 2014 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.

18. DEFERRED EXPENDITURE

	Group	
	2015	2014
	HK$'000	*HK$'000*
Carrying amount at 1 July	**51,651**	51,471
Impairment during the year	**(51,385)**	–
Exchange realignment	**(266)**	180
Carrying amount at 30 June	**–**	51,651

As at 30 June 2014, the 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 2015, the directors of the Company conducted a review of the deferred expenditure because after the Group submitted the reports to the relevant authority in Mainland China, no further positive progress is noted up to the date of approval of these financial statements. In the opinion of the Company's directors, the Group's process of registering the technical know-how had been further delayed, and the success of the completion of registration of the Group's technical know-how and the future cash flows to be generated from this technical know-how in the foreseeable future became highly uncertain in the current year. Accordingly, an impairment loss of approximately HK$51,385,000 has been recognised in respect of the related deferred expenditure for the year ended 30 June 2015.

19. GOODWILL

Group

	HK$'000
Cost and net carrying amount at 1 July 2013, 30 June 2014 and 1 July 2014	110,273
Disposal of subsidiaries and a joint venture *(note 38)*	(17,641)
Cost and net carrying amount at 30 June 2015	92,632

Impairment testing of goodwill

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

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

All of the cash-generating units are engaged in the manufacture, sale and trading of Chinese pharmaceutical products. During the year ended 30 June 2015, the Group has disposed of GHMM and DCX to independent third parties. Details of which are set out in note 38 to the financial statements. As at 30 June 2015, the recoverable amount of the cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The growth rate used to extrapolate the cash flows beyond the five-year period is 3% (2014: 0% – 3%). The discount rate applied to cash flow projections is 18% (2014: 21%).

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

	2015	2014
	HK$'000	*HK$'000*
GHMM	**–**	1,603
DCX	**–**	16,038
Guilin Gu Jin	**92,632**	92,632
	92,632	110,273

19. GOODWILL (continued)

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.

20. INVESTMENTS IN SUBSIDIARIES

	2015	2014
	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/paid-up capital**	**Percentage of equity attributable to the Company Direct**	**Indirect**	**Principal activities**
Intended Features Limited	British Virgin Islands ("BVI")	US$375,875	100	–	Investment holding
GHMM[1]	PRC/Mainland China	RMB466,909,000	–	100[4]	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[4]	Manufacture, sale and distribution of pharmaceutical products

/continued...

20. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary/paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
漢方藥業[1]	PRC/Mainland China	RMB3,000,000	95	–	Manufacture and trading of gynecological pharmaceutical products and feminine medicinal healthcare 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[2,4]	Trading of pharmaceutical products
深圳市雲晨廣江貿易有限公司 ("雲晨")[1]	PRC/Mainland China	RMB1,000,000	–	100[4]	Investment holding
貴州漢方醫藥資產管理有限公司[1]	PRC/Mainland China	RMB520,450,000	–	100	Investment holding and hospital management service
貴州漢方醫藥企業管理有限公司[1]	PRC/Mainland China	RMB159,770,000	–	100	Investment holding
拉薩天龍醫藥科技發展有限公司[1]	PRC/Mainland China	RMB3,000,000	–	100	Investment holding
西藏益德醫藥有限公司 ("益德")[1]	PRC/Mainland China	RMB10,390,000	–	80[3]	Trading of pharmaceutical products and supply chain business

20. INVESTMENTS IN SUBSIDIARIES (continued)

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 昌都 NCI in accordance with their respective equity interests in 昌都康源.

3 Pursuant to profit sharing agreements entered into between the Group and the non-controlling interest (''益德 NCI") of 益德, the revenue and profit generated by the sale of major product types of 益德 are wholly attributable to the Group, with the remaining revenue and profit shared by the Group and 益德 NCI in accordance with their respective equity interests in 益德.

4 During the year ended 30 June 2015, the Group entered into disposal agreements with independent third parties pursuant to which the Group disposed of its equity interests in these subsidiaries. Further details of the disposal are included in note 38 to the financial statements.

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.

21. INVESTMENTS IN JOINT VENTURES

	Group	
	2015	2014
	HK$'000	*HK$'000*
Share of net assets	**610**	618
Due from a joint venture	**18,134**	18,267
	18,744	18,885

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

21. INVESTMENTS IN JOINT VENTURES (continued)

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 2015 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 ended 30 June 2015, the Group disposed of its subsidiary which held 50% ownership interest in GHMR to an independent third party. Further details of the disposal are included in note 38 to the financial statements. During the year and up to the date of the Group's disposal of its interest in GHMR, the Group did not share any of the losses of GHMR (2014: 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.

As at 30 June 2014, the shareholding of the Company in GHMR was held through certain wholly-owned subsidiaries of the Company.

22. INVESTMENT IN AN ASSOCIATE

	Group 2015 HK$'000	2014 HK$'000
Share of net assets	**9,562**	10,254
Due from an associate	**357,672**	360,303
	367,234	370,557

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:

	2015 HK$'000	2014 HK$'000
Share of the associate's loss for the year	**(534)**	(249)
Share of the associate's other comprehensive income/(expense)	**(158)**	78
Share of the associate's total comprehensive expense	**(692)**	(171)
Aggregate carrying amount of the Group's investment in the associate	**367,234**	370,557

23. DEPOSITS

	Group	
	2015	2014
	HK$'000	*HK$'000*
Deposits paid in respect of:		
Acquisition of items of machines and equipment *(note (a))*	**494,706**	507,045
Acquisition of prepaid land lease payments *(note (b))*	**333,884**	251,960
Acquisition of plant and machinery *(note (c))*	**–**	192,749
Acquisition of intangible assets	**7,504**	7,559
Construction of a new plant	**3,132**	–
	839,226	959,313

Notes:

(a) Included in the balance are the upfront deposits of HK$175,698,000 (2014: HK$187,321,000) and HK$315,730,000 (2014: HK$318,052,000) 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 items were not yet installed at 30 June 2015 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 Shawen Land with an aggregate area of approximately 521 mu (equivalent to approximately 347,000 square metres) at a consideration of RMB250,000,000. The Shawen 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$250,120,000 (2014: HK$251,960,000)) has been made by the Group as at 30 June 2015.

Besides, the upfront deposits of prepaid land lease payments in aggregate of RMB62,740,000 (equivalent to HK$83,764,000) to acquire the Relevant Land (note 15(b)) have been made by the Group as at 30 June 2015.

The transfer of the title of the above lands are under the registration application process and the amount is classified as deposits paid for acquisition of prepaid land lease payments and included in non-current assets.

(c) During the year ended 30 June 2014, the Company made payments totalling RMB153 million (equivalent to HK$193 million) (the "Deposits") to 貴州漢方(集團)有限公司 ("漢方集團"), a company established in the PRC, for 漢方集團 to construct the stem cell plant and machinery on behalf of the Group. Certain shareholders and directors of 漢方集團 are also the directors of the Company.

During the year ended 30 June 2015, management changed the plan to set up the Group's own indirectly-owned subsidiary to construct the stem cell plant and machinery and carry out the stem cell business. The Deposits were fully refunded to the Group in September 2014.

24. INVENTORIES

	Group	
	2015	2014
	HK$'000	*HK$'000*
Raw materials	**23,825**	19,270
Finished goods	**24,376**	23,969
	48,201	43,239

25. TRADE RECEIVABLES

	Group	
	2015	2014
	HK$'000	*HK$'000*
Trade receivables	**857,291**	922,082
Impairment	**–**	(5,064)
	857,291	917,018

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 7% (2014: 21%) and 37% (2014: 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 the invoice date and net of provision, is as follows:

	Group	
	2015	2014
	HK$'000	*HK$'000*
Within 3 months	**513,202**	317,219
3 months to 6 months	**279,755**	165,582
6 months to 1 year	**64,334**	433,599
Over 1 year	**–**	618
	857,291	917,018

25. TRADE RECEIVABLES (continued)

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

	Group	
	2015	2014
	HK$'000	*HK$'000*
At 1 July	**5,064**	7,497
Disposal of subsidiaries and a joint venture	**(4,988)**	–
Exchange realignment	**(76)**	36
Reversal of impairment losses *(note 8)*	**–**	(2,469)
	–	5,064

Included in the above provision for impairment of trade receivables as at 30 June 2014 was a provision for individually impaired trade receivables of HK$5,064,000 with a carrying amount before provision of HK$5,064,000. 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	
	2015	2014
	HK$'000	*HK$'000*
Neither past due nor impaired	**792,957**	482,801
Less than 6 months past due	**64,334**	433,599
Over 6 months past due	**–**	618
	857,291	917,018

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

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Consideration receivable *(note 38(c))*	**113,887**	–	**–**	–
Other receivables	**7,031**	4,591	**–**	–
Impairment	**(2,973)**	(3,332)	**–**	–
	117,945	1,259	**–**	–
Prepayments	**6,118**	11,293	**180**	180
Deposits	**3,631**	3,895	**–**	–
Prepaid land lease payments *(note 16)*	**676**	846	**–**	–
	128,370	17,293	**180**	180

The consideration receivable of HK$113,887,000 was subsequently fully received in cash by the Group in July 2015.

Included in the above provision for impairment of other receivables is a provision for individually impaired other receivables of HK$2,973,000 (2014: HK$3,332,000) with a carrying amount before provision of HK$2,973,000 (2014: HK$3,332,000). 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.

27. CASH AND CASH EQUIVALENTS

	Group		Company	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**6,173,612**	2,720,764	**337,300**	6,738
Time deposit	**425,204**	4,571	**–**	–
	6,598,816	2,725,335	**337,300**	6,738

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$5,499,972,000 (2014: HK$2,717,127,000). 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.

27. CASH AND CASH EQUIVALENTS (continued)

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposit is made for a period of three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

28. TRADE PAYABLES

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

	Group	
	2015	2014
	HK$'000	*HK$'000*
Within 3 months	**41,820**	41,309
3 months to 6 months	**8,037**	5,089
6 months to 1 year	**1,043**	9,826
Over 1 year	**846**	3,270
	51,746	59,494

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

29. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Deferred income *(note 34)*	**–**	5,039	**–**	–
Deferred government grant	**3,395**	3,420	**–**	–
Receipt in advance	**–**	555	**–**	–
Other payables	**125,806**	49,013	**–**	–
Refundable construction guarantee deposit	**125,060**	–	**–**	–
Accruals	**68,473**	63,293	**40,623**	823
	322,734	121,320	**40,623**	823

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

30. OBLIGATION UNDER A FINANCE LEASE

The Group leased a motor vehicle and the lease was classified as a finance lease and expired during the year ended 30 June 2015.

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

Group

	Minimum lease payments	Present value of minimum lease payments
	HK$'000	*HK$'000*
Amounts payable:		
Within one year	31	31
Future finance charges	–	
Total net finance lease payables	31	
Portion classified as current liabilities	(31)	
Non-current portion	–	

31. INTEREST-BEARING BANK BORROWINGS

Group

	Effective interest rate (%)	Maturity	HK$'000
2015			
Current			
Bank loan — secured	120% of PBOC	December 2015	31,265
2014			
Current			
Bank loans — secured	6.00	March–April 2015	37,794

	2015 **HK$'000**	2014 *HK$'000*
Analysis into:		
Bank loans repayable:		
Within one year	**31,265**	37,794

Notes:

(a) The Group's bank loans were secured by the pledge of certain of the Group's buildings (note 15) and prepaid land lease payments (note 16); and

(b) All of the bank loans are denominated in RMB.

32. CONVERTIBLE BONDS

	2015	2014
	HK$'000	*HK$'000*
Liability component	**519,578**	–
Derivative component	**88,973**	–
	608,551	–

On 2 February 2015, the Company, Design Time Limited and Driven Innovation Limited (the "Subscribers") entered into subscription agreements (the "Subscription Agreements") in relation to the issue and subscription of the Company's unlisted and unsecured convertible bonds due in 2018 in an aggregate principal amount of HK$620 million.

On 17 February 2015 (the "Issue Date"), the Company issued convertible bonds with an aggregate principal amount of HK$620,000,000 due in 2018 (the "Convertible Bonds"). The major terms of the Convertible Bonds are as follows:

Period	**Conversion price**
From the Issue Date to the day immediately before the first anniversary of the Issue Date	HK$2.2468 per share (adjusted to HK$1.9279 per share with effect from 11 May 2015 as a result of the bonus issue as further explained in note 35)
From the first anniversary of the Issue Date to the day immediately before the second anniversary of the Issue Date	HK$2.2936 per share (adjusted to HK$1.9681 per share with effect from 11 May 2015 as a result of the bonus issue as further explained in note 35)
From the second anniversary of the Issue Date to the last day of the conversion period	HK$2.3404 per share (adjusted to HK$2.0082 per share with effect from 11 May 2015 as a result of the bonus issue as further explained in note 35)

Any Convertible Bonds not converted will be redeemed on the third anniversary of the Issue Date at 110.5% of the outstanding principal amount. The convertible bonds bear interest at a rate of 4.5% per annum on the outstanding principal amount of the bonds. The interest will be payable by the Company semi-annually in arrears on 20 June and 20 December of each year. Certain subsidiaries of the Company provided a guarantee in favour of the bond holder for the Company's obligations under the Convertible Bonds.

32. CONVERTIBLE BONDS (continued)

The proceeds from the issuance of the convertible bonds on the Issue Date of HK$620 million have been split into liability and derivative components. On issuance of the convertible bonds, the fair value of the derivative component, representing the embedded derivative of the conversion option, is determined using an option pricing model and this amount is carried as a derivative component of the liability until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the liability component and is carried as a liability on the amortised cost basis until extinguished on conversion or redemption. The derivative component is measured at fair value on the issue date and any subsequent changes in fair value of the derivative component as at the end of the reporting date are recognised in the consolidated income statement.

The fair value of the derivative component is determined based on the valuation performed by DTZ using the applicable option pricing model.

As at 30 June 2015, the Convertible Bonds with an aggregate principal amount of HK$620,000,000 remained outstanding.

The movements of the liability component and derivative component of the Convertible Bonds during the year ended 30 June 2015 are as follows:

	Liability component	**Derivative component**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Principal amount of convertible bonds issued	535,598	84,402	620,000
Transaction costs	(36,152)	–	(36,152)
Interest expenses	29,877	–	29,877
Interest paid	(9,745)	–	(9,745)
Fair value adjustment	–	4,571	4,571
At 30 June 2015	519,578	88,973	608,551

33. 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 2015			
At 1 July 2014	**33,913**	**15,031**	**48,944**
Deferred tax credited to other comprehensive income during the year	**–**	**(2,177)**	**(2,177)**
Deferred tax credited to the income statement during the year *(note 11)*	**(22,369)**	**–**	**(22,369)**
Disposal of subsidiaries and a joint venture *(note 38)*	**–**	**(6,993)**	**(6,993)**
Exchange realignment	**–**	**(580)**	**(580)**
At 30 June 2015	**11,544**	**5,281**	**16,825**
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 11)*	(7,672)	–	(7,672)
Exchange realignment	(4)	1,342	1,338
At 30 June 2014	33,913	15,031	48,944

33. DEFERRED TAX (continued)

Deferred tax assets

Group

	Deductible temporary differences *HK$'000*	Losses available for offsetting against future taxable profits *HK$'000*	Total *HK$'000*
30 June 2015			
At 1 July 2014	**34,202**	**–**	**34,202**
Deferred tax charged to the income statement during the year *(note 11)*	**(31,308)**	**–**	**(31,308)**
Disposal of subsidiaries and a joint venture *(note 38)*	**(2,360)**	**–**	**(2,360)**
Exchange realignment	**(534)**	**–**	**(534)**
At 30 June 2015	**–**	**–**	**–**
30 June 2014			
At 1 July 2013	41,158	2,757	43,915
Deferred tax charged to the income statement during the year *(note 11)*	(6,805)	(3,086)	(9,891)
Exchange realignment	(151)	329	178
At 30 June 2014	34,202	–	34,202

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.

33. DEFERRED TAX (continued)

At 30 June 2015, 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$380,243,000 at 30 June 2015 (2014: HK$281,514,000).

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

34. DEFERRED INCOME

	Group	
	2015	2014
	HK$'000	*HK$'000*
At 1 July	**17,637**	22,598
Deferred income recognised during the year	**(17,609)**	(5,053)
Exchange realignment	**(28)**	92
At 30 June	**–**	17,637
Less: Current portion included in other payables and accruals *(note 29)*	**–**	(5,039)
Non-current portion	**–**	12,598

35. SHARE CAPITAL

Shares

	2015	2014
	HK$'000	*HK$'000*
Authorised:		
8,000,000,000 (2014: 8,000,000,000) ordinary shares of HK$0.10 each	**800,000**	800,000
Issued and fully paid:		
7,372,040,292 (2014: 4,084,077,940) ordinary shares of HK$0.10 each	**737,205**	408,408

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 2013		3,170,094,284	317,009	1,245,964
Exercise of share options	*(a)*	275,904,000	27,590	494,174
Capitalisation of bonus shares	*(b)*	638,079,656	63,809	(63,809)
Adjustment for final 2013 dividend		–	–	(1,278)
Proposed final 2014 dividend		–	–	(147,027)
At 30 June 2014 and 1 July 2014		4,084,077,940	408,408	1,528,024
Exercise of share options	*(c)*	11,500,000	1,150	20,654
Capitalisation of bonus shares	*(d)*	819,115,588	81,912	(81,912)
Issue of shares	*(e)*	2,457,346,764	245,735	2,948,816
Share issue expenses		–	–	(49,742)
Proposed final 2015 dividend		–	–	(199,045)
At 30 June 2015		7,372,040,292	737,205	4,166,795

35. SHARE CAPITAL (continued)

Shares (continued)

Notes:

(a) 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.

(b) 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.

(c) During the year ended 30 June 2015, an aggregate of 11,500,000 share options had been exercised at a weighted average subscription price of HK$1.6 per share for a total consideration of HK$18,400,000, resulting in an issue of 11,500,000 new ordinary shares of HK$0.10 each. The new shares rank pari passu with the existing shares in all respects.

(d) Pursuant to an ordinary resolution passed by the shareholders at the annual general meeting held on 19 December 2014, 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 23 January 2015, 819,115,588 ordinary shares were issued to the shareholders. The new shares rank pari passu with the existing shares in all respects.

(e) On 28 April 2015, the Company entered into an underwriting agreement for an open offer of shares with certain underwriters, pursuant to which the Company has agreed to issue not less than 2,457,346,764 shares and not more than 2,604,620,771 shares of the Company of HK$0.1 each through the underwriters at HK$1.3 each. On 12 June 2015, 2,457,346,764 ordinary shares of the Company of HK$0.1 each were issued for cash of HK$1.3 per share pursuant to the underwriting agreement dated 28 April 2015 for a total cash consideration, before related expenses, of HK$3,194,551,000.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 36 to the financial statements.

36. 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.

36. SHARE OPTION SCHEME (continued)

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.

As at 30 June 2015, 21,158,000 (2014: 27,000,000) share options were outstanding under the Scheme. All the share options under the share option scheme adopted on 25 November 2002 have been exercised during the year ended 30 June 2014.

36. SHARE OPTION SCHEME (continued)

The following share options were outstanding during the year:

	2015		2014	
	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	**1.6000**	**27,000**	1.4506	20,304
Granted during the year	**–**	**–**	1.6000	282,600
Adjustment*	**N/A**	**5,658**	–	–
Exercised during the year	**1.6000**	**(11,500)**	1.5890	(275,904)
At 30 June	**1.1718**	**21,158**	1.6000	27,000

* *On 23 January 2014, the weighted average exercise price and number of share options have been adjusted from HK$1.6000 to HK$1.3330, and from 15,500,000 shares to 18,600,000 shares, respectively, as a result of the 2014 Bonus Issue. Further details of the 2014 Bonus Issue are set out in the announcement of the Company dated 23 January 2014.*

On 12 June 2015, the weighted average exercise price and number of share options have been adjusted from HK$1.3330 to HK$1.1718, and from 18,600,000 shares to 21,158,244 shares, respectively, as a result of the open offer. Further details of the open offer are set out in note 35 to the financial statements.

The weighted average share price at the date of exercise for share options exercised during the year was HK$1.6000 per share (2014: HK$1.6059 per share).

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

2015

Number of options	**Exercise price* per share**	**Exercise period**
'000	***HK$***	
21,158	**1.1718**	**6 January 2014 to 5 January 2016**

36. SHARE OPTION SCHEME (continued)

2014

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

* *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 ended 30 June 2014 was HK$83,650,000 (HK$0.296 each), of which the Group recognised a share option expense of nil (2014: HK$83,650,000) during the year ended 30 June 2015.

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, 11,500,000 share options were exercised which resulted in the issue of 11,500,000 ordinary shares of the Company and new share capital of HK$1,150,000 and share premium of HK$17,250,000 (before issue expenses), as further detailed in note 35 to the financial statements.

At the end of the reporting period, the Company had 21,158,000 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 21,158,000 additional ordinary shares of the Company and additional share capital of HK$2,116,000 and share premium of HK$22,677,000 (before issue expenses).

37. 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.

37. 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 2014		1,245,964	7,694	27,658	1,281,316
Bonus shares issued	35	(63,809)	–	–	(63,809)
Shares issued upon exercise of share options	35	494,174	(83,352)	–	410,822
Share-based payments	36	–	83,650	–	83,650
Loss for the year		–	–	(90,729)	(90,729)
Final and special 2013 dividends		(1,278)	–	–	(1,278)
Proposed final 2014 dividend	13	(147,027)	–	–	(147,027)
At 30 June 2014 and 1 July 2014		1,528,024	7,992	(63,071)	1,472,945
Bonus shares issued	35	(81,912)	–	–	(81,912)
Issue of shares	35	2,948,816	–	–	2,948,816
Share issue expenses	35	(49,742)	–	–	(49,742)
Shares issued upon exercise of share options	35	20,654	(3,404)	–	17,250
Loss for the year		–	–	(480,244)	(480,244)
Proposed final 2015 dividend	13	(199,045)	–	–	(199,045)
At 30 June 2015		4,166,795	4,588	(543,315)	3,628,068

Notes:

(i) The share premium account of the Company includes share premium of HK$4,079,955,000 (2014: HK$1,441,184,000) 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 (2014: HK$86,840,000) pursuant to the group reorganisation of the Company in prior years.

(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.

38. DISPOSAL OF SUBSIDIARIES AND A JOINT VENTURE

(a) Disposal of 雲晨

On 31 January 2015, the Group disposed of 100% equity interest in 雲晨 and its subsidiary, 昌都康源, to two independent individuals, for a consideration of RMB4,000,000 (equivalent to HK$4,961,200), which was fully received in cash by the Group during the year ended 30 June 2015.

	HK$'000
Net liabilities disposed of:	
Trade receivables	20,356
Prepayments, deposits and other receivables	1,210
Cash and cash equivalents	2,138
Trade payables	(106)
Other payables and accruals	(24,197)
Tax payable	(144,554)
Non-controlling interests	(16,713)
	(161,866)
Release of exchange reserve	13,284
Gain on disposal of subsidiaries	153,543
	4,961
Satisfied by cash	4,961

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	HK$'000
Cash consideration received	4,961
Cash and cash equivalents disposed of	(2,138)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	2,823

38. DISPOSAL OF SUBSIDIARIES AND A JOINT VENTURE (continued)

(b) Disposal of GHMM

On 28 February 2015, the Group disposed of 100% equity interest in GHMM and its subsidiaries, 貴州漢方醫藥科技有限公司 and 深圳市新創生物醫藥投資有限公司, and a joint venture, GHMR, to an independent third party, for a consideration of RMB20,000,000 (equivalent to HK$24,758,000), which was fully received in cash by the Group during the year ended 30 June 2015.

	HK$'000
Net liabilities disposed of:	
Property, plant and equipment	10,559
Prepaid land lease payments	3,228
Goodwill	1,603
Inventories	676
Prepayments, deposits and other receivables	123
Tax recoverable	5,427
Cash and cash equivalents	38,420
Trade payables	(469)
Other payables and accruals	(2,037)
Interest-bearing bank borrowings	(37,137)
Deferred tax liabilities	(1,142)
Non-controlling interests	(26,387)
	(7,136)
Release of exchange reserve	(199,092)
Gain on disposal of subsidiaries and a joint venture	230,986
	24,758
Satisfied by cash	24,758

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries and a joint venture is as follows:

	HK$'000
Cash consideration received	24,758
Cash and cash equivalents disposed of	(38,420)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries and a joint venture	(13,662)

38. DISPOSAL OF SUBSIDIARIES AND A JOINT VENTURE (continued)

(c) Disposal of DCX

On 28 February 2015, the Group disposed of 99.7% equity interest in DCX to an independent third party, for a consideration of RMB92,000,000 (equivalent to HK$113,887,000), which was subsequently fully received in cash by the Group in July 2015.

	HK$'000
Net assets disposed of:	
Property, plant and equipment	64,281
Goodwill	16,038
Deferred tax assets	2,360
Inventories	57,338
Prepayments, deposits and other receivables	2,560
Cash and cash equivalents	3,602
Other payables and accruals	(15,504)
Tax payable	(16,063)
Deferred tax liabilities	(5,851)
Non-controlling interests	2,763
	111,524
Release of exchange reserve	(77,506)
Gain on disposal of a subsidiary	79,869
	113,887
To be satisfied by cash *(note 39(b))*	113,887

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	HK$'000
Cash consideration received *(note 39(b))*	–
Cash and cash equivalents disposed of	(3,602)
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	(3,602)

39. MAJOR NON-CASH TRANSACTIONS

(a) During the year ended 30 June 2015, deposits in respect of purchases and construction of items of property, plant and equipment of HK$11,940,000 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.

(b) As further explained in note 38, the Group disposed of certain subsidiaries and a joint venture for a consideration in aggregate of HK$143,606,000. HK$113,887,000 out of the total consideration was included in prepayments, deposits and other receivables as at 30 June 2015.

(c) As further explained in note 32, the Group issued convertible bonds with an aggregate principal amount of HK$620,000,000, before related expenses of HK$41,850,000. HK$39,175,000 out of the total related expenses was included in other payables and accruals as at 30 June 2015.

40. 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 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2015	2014
	HK$'000	*HK$'000*
Within one year	**2,117**	2,028
In the second to fifth years, inclusive	**402**	1,720
	2,519	3,748

The Company had no operating lease commitments at 30 June 2015 (2014: Nil).

41. COMMITMENTS

In addition to the operating lease commitments detailed in note 40 above and save as disclosed elsewhere in the financial statements, the Group had the following capital commitments at the end of the reporting period:

	2015	2014
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Property, plant and equipment	**1,617,114**	362,865
Prepaid land lease payment	**62,530**	62,990
Technical know-how	**726**	731
	1,680,370	426,586
Authorised, but not contracted for:		
Investment for TIOT arrangement	**4,367,495**	–
Property, plant and equipment	**365,933**	235,278
	4,733,428	235,278
	6,413,798	661,864

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

	2015	2014
	HK$'000	*HK$'000*
Contracted, but not provided for	**3,223**	3,247

42. 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 2015 and 2014.

(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 9 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.

The above related party transactions did not constitute connected transactions as defined in Chapter 14A of the Listing Rules.

43. 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

	2015 HK$'000	2014 HK$'000
Trade receivables	**857,291**	917,018
Due from a joint venture	**18,134**	18,267
Due from an associate	**357,672**	360,303
Financial assets included in prepayments, deposits and other receivables	**121,576**	5,154
Cash and cash equivalents	**6,598,816**	2,725,335
	7,953,489	4,026,077

Company

	2015 HK$'000	2014 HK$'000
Due from subsidiaries	**5,015,895**	2,162,168
Cash and cash equivalents	**337,300**	6,738
	5,353,195	2,168,906

43. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities — financial liabilities at amortised cost

Group

	2015	2014
	HK$'000	*HK$'000*
Trade payables	**51,746**	59,494
Financial liabilities included in other payables and accruals	**273,749**	37,828
Obligation under a finance lease	**–**	31
Interest-bearing bank borrowings	**31,265**	37,794
Convertible bonds	**608,551**	–
	965,311	135,147

Company

	2015	2014
	HK$'000	*HK$'000*
Due to subsidiaries	**273,586**	273,586
Financial liabilities included in accruals	**40,623**	823
Convertible bonds	**608,551**	–
	922,760	274,409

Management has assessed the fair values 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.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings, convertible bonds 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, deposits and other receivables, trade payables, other payables and accruals, an obligation under a finance lease and balances with a joint venture and an associate, 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 31 to the financial statements. The Group currently does not have an interest rate hedging policy. However, management monitors the Group's interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

During the year ended 30 June 2014, management considers there is no significant interest rate risk for the Group as the Group's bank borrowings at 30 June 2014 bear interest at a fixed rate.

A reasonably possible change of 100 basis points in interest rates would have no material impact on the Group's profit before tax during the year ended 30 June 2015 and there would be no material impact on the Group's equity (excluding retained profits).

Foreign currency risk

The Group mainly operates in Mainland China with most of the transactions settled in RMB. Most of the Group's financial instruments such as trade 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.

44. 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

		2015	
	Less than 12 months	**1 to 5 years**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Trade payables	**51,746**	**–**	**51,746**
Financial liabilities included in other payables and accruals	**273,749**	**–**	**273,749**
Interest-bearing bank borrowings	**32,128**	**–**	**32,128**
Convertible bonds	**27,900**	**730,438**	**758,338**
	385,523	**730,438**	**1,115,961**

		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

44. 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

	2015			
	On demand	**Less than 12 months**	**1 to 5 years**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Due to subsidiaries	**273,586**	**–**	**–**	**273,586**
Financial liabilities included in accruals	**–**	**40,623**	**–**	**40,623**
Convertible bonds	**–**	**27,900**	**730,438**	**758,338**
	273,586	**68,523**	**730,438**	**1,072,547**

	2014			
	On demand	Less than 12 months	1 to 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Due to subsidiaries	273,586	–	–	273,586
Financial liabilities included in accruals	–	823	–	823
	273,586	823	–	274,409

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, deposits and other receivables, balances with a joint venture and an associate arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

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

44. 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 2015 and 2014.

The Group monitors capital using a gearing ratio, which is total interest-bearing bank and other 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

	2015	2014
	HK$'000	*HK$'000*
Interest-bearing bank borrowings	**31,265**	37,794
Convertible bonds	**608,551**	–
Interest-bearing bank and other borrowings	**639,816**	37,794
Equity attributable to owners of the Company	**8,559,674**	5,220,848
Gearing ratio	**7.5%**	0.7%

45. 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 2015, the Group entered into a medical services cooperation agreement ("Yanhe Hospital Cooperation Agreement") with 沿河土家族自治縣人民醫院 ("Yanhe Hospital"). Pursuant to the Yanhe Hospital Cooperation Agreement, Yanhe Hospital entrust the Group to invest, operate and manage the value-added medical services and supply chain of Yanhe 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 Yanhe Hospital.

(b) On 23 July 2015, the Group entered into a medical services cooperation agreement ("Dejiang Hospital Cooperation Agreement") with 德江縣人民醫院 (" Dejiang Hospital"). Pursuant to the Dejiang Hospital Cooperation Agreement, Dejiang Hospital entrust the Group to invest, operate and manage the value-added medical services and supply chain of Dejiang 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 Dejiang Hospital.

(c) On 5 August 2015, the Group entered into a genetic test strategic promotional cooperation agreement ("Genetic Test Cooperation Agreement") with 武漢華大醫學檢驗所有限公司 ("Huada Medical"). Pursuant to the Genetic Test Cooperation Agreement, the Group and Huada Medical will jointly organise and commence genetic business to provide safe and reliable genetic test services for newborns.

In August 2015, the Group entered into stem cell collection cooperation agreements ("Stem Cell Cooperation Agreements") with various cooperation hospitals in the PRC. Pursuant to the Stem Cell Cooperation Agreements, the relevant hospitals will provide hospital resources platform for the Group to commence newborn stem cell collection.

(d) On 21 August 2015, the Group entered into a strategic cooperation agreement ("Strategic Cooperation Agreement") with Shanghai Jiao Tong University School of Medicine ("SJTUSM"). Pursuant to the Strategic Cooperation Agreement, SJTUSM will provide medical and educational training system, technical guidance and management support, and consultation services to the Group for the development and improvement of medical services business of the Group.

46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 September 2015.

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				
	2015	2014	2013	2012	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**1,820,631**	1,860,189	1,754,392	1,312,127	1,157,263
Profit before tax	**1,058,940**	499,120	321,091	774,249	355,825
Income tax expense	**(375,928)**	(144,963)	(97,766)	(79,278)	(73,478)
Profit for the year from continuing operation	**683,012**	354,157	223,325	694,971	282,347
Profit for the year from discontinued operation	**–**	–	–	–	192,944
Profit for the year	**683,012**	354,157	223,325	694,971	475,291
Attributable to:					
Owners of the Company	**648,617**	341,314	223,041	657,228	441,838
Non-controlling interests	**34,395**	12,843	284	37,743	33,453
	683,012	354,157	223,325	694,971	475,291

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 30 June				
	2015	2014	2013	2012	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**10,102,750**	5,877,387	5,154,142	4,404,381	3,659,108
Total liabilities	**(1,310,186)**	(453,679)	(416,236)	(314,711)	(333,028)
Non-controlling interests	**(232,890)**	(202,860)	(191,048)	(183,203)	(143,462)
	8,559,674	5,220,848	4,546,858	3,906,467	3,182,618