



Hua Han Health Industry Holdings Limited 華瀚健康產業控股有限公司

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

INTERIM REPORT
2015/2016



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

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

UNAUDITED INTERIM RESULTS

The board (“**Board**”) of directors (“**Directors**”) of Hua Han Health Industry Holdings Limited (“**Company**”) is pleased to present the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (together, the “**Group**”) for the six months ended 31 December 2015 (“**Period**”) together with the comparative figures for the corresponding period in 2014 and the relevant explanatory notes as set out below. The condensed consolidated interim financial statements for the Period are unaudited, but have been reviewed by the audit committee of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended	
		31 December	
		2015	2014
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Revenue	3	1,115,352	1,124,090
Cost of sales		<u>(489,216)</u>	<u>(266,180)</u>
Gross profit		626,136	857,910
Other income		25,513	13,302
Selling and distribution expenses		(77,753)	(441,894)
Administrative expenses		(58,323)	(56,989)
Finance costs	5	<u>(22,609)</u>	<u>(1,153)</u>
Profit before tax		492,964	371,176
Income tax expense	6	<u>(84,764)</u>	<u>(63,528)</u>
Profit for the Period	7	<u><u>408,200</u></u>	<u><u>307,648</u></u>
Dividend	8	<u><u>–</u></u>	<u><u>–</u></u>

CONDENSED CONSOLIDATED INCOME STATEMENT *(continued)*

	For the six months ended	
	31 December	
	2015	2014
	(Unaudited)	(Unaudited)
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ATTRIBUTABLE TO:		
Owners of the Company	392,821	298,860
Non-controlling interests	15,379	8,788
	<u>408,200</u>	<u>307,648</u>
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY		(Restated)
	9	
Basic	<u>HK5.3 cents</u>	<u>HK6.1 cents</u>
Diluted	<u>HK5.3 cents</u>	<u>HK6.1 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 31 December	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	<u>408,200</u>	<u>307,648</u>
OTHER COMPREHENSIVE INCOME/(EXPENSES)		
<i>Item that may be reclassified to income statement in subsequent periods:</i>		
Exchange differences on translation of foreign operations	<u>(199,729)</u>	<u>(50,910)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u><u>208,471</u></u>	<u><u>256,738</u></u>
ATTRIBUTABLE TO:		
Owners of the Company	<u>202,387</u>	250,119
Non-controlling interests	<u>6,084</u>	<u>6,619</u>
	<u><u>208,471</u></u>	<u><u>256,738</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 December 2015 (Unaudited)	30 June 2015 (Audited)
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS		
Property, plant and equipment	2,364,109	1,091,116
Prepaid land lease payments	143,784	23,602
Intangible assets	29,472	37,518
Goodwill	92,632	92,632
Investments in joint ventures	18,744	18,744
Investment in an associate	–	367,234
Deposits	2,470,469	839,226
	5,119,210	2,470,072
CURRENT ASSETS		
Inventories	55,385	48,201
Trade receivables	1,195,209	857,291
Prepayments, deposits and other receivables	41,241	128,370
Cash and cash equivalents	4,063,886	6,598,816
	5,355,721	7,632,678
CURRENT LIABILITIES		
Trade payables	59,063	51,746
Other payables and accruals	310,682	322,734
Interest-bearing bank borrowings	29,883	31,265
Tax payable	310,343	279,065
Dividend payable	199,598	–
	909,569	684,810
NET CURRENT ASSETS	4,446,152	6,947,868
TOTAL ASSETS LESS CURRENT LIABILITIES	9,565,362	9,417,940

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(continued)

	31 December	30 June
	2015	2015
	(Unaudited)	(Audited)
	<i>Notes</i>	
	HK\$'000	HK\$'000
NON-CURRENT LIABILITIES		
Convertible bonds	608,551	608,551
Interest-bearing bank borrowings	114,557	–
Deferred tax liabilities	16,824	16,825
	<hr/>	<hr/>
Total non-current liabilities	739,932	625,376
	<hr/>	<hr/>
Net assets	8,825,430	8,792,564
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Issued capital	12 739,253	737,205
Reserves	7,847,203	7,822,469
	<hr/>	<hr/>
	8,586,456	8,559,674
NON-CONTROLLING INTERESTS		
	238,974	232,890
	<hr/>	<hr/>
TOTAL EQUITY	8,825,430	8,792,564
	<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company										Non-controlling interests	Total equity
	Issued capital	Share premium account	Asset revaluation reserve	Statutory reserve fund	Exchange fluctuation reserve	Share option reserve	Other reserve	Retained profits	Proposed final dividend	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 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
Profit for the Period	-	-	-	-	-	-	-	392,821	-	392,821	15,379	408,200
Exchange differences on translation of foreign operations	-	-	-	-	(190,434)	-	-	-	-	(190,434)	(9,295)	(199,729)
Total comprehensive income for the Period	-	-	-	-	(190,434)	-	-	392,821	-	202,387	6,084	208,471
Issue of shares upon exercise of share options	2,048	26,385	-	-	-	(4,440)	-	-	-	23,993	-	23,993
Final 2015 dividends declared	-	(553)	-	-	-	-	-	-	(199,045)	(199,598)	-	(199,598)
At 31 December 2015	<u>739,253</u>	<u>4,081,715</u>	<u>12,786</u>	<u>-</u>	<u>14,792</u>	<u>148</u>	<u>(8,410)</u>	<u>3,746,172</u>	<u>-</u>	<u>8,586,456</u>	<u>238,974</u>	<u>8,825,430</u>
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 Period	-	-	-	-	-	-	-	298,860	-	298,860	8,788	307,648
Exchange differences on translation of foreign operations	-	-	-	-	(48,741)	-	-	-	-	(48,741)	(2,169)	(50,910)
Total comprehensive income for the Period	-	-	-	-	(48,741)	-	-	298,860	-	250,119	6,619	256,738
Issue of shares upon exercise of share options	1,150	20,654	-	-	-	(3,404)	-	-	-	18,400	-	18,400
Final 2014 dividends declared	-	(414)	-	-	-	-	-	-	(147,027)	(147,441)	-	(147,441)
At 31 December 2014	<u>409,558</u>	<u>1,437,352</u>	<u>46,959</u>	<u>100,781</u>	<u>477,774</u>	<u>4,588</u>	<u>(8,410)</u>	<u>2,873,324</u>	<u>-</u>	<u>5,341,926</u>	<u>209,479</u>	<u>5,551,405</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 31 December	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	195,803	527,243
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(2,642,784)	(1,210,664)
NET CASH INFLOW FROM FINANCING ACTIVITIES	<u>115,941</u>	<u>17,247</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,331,040)	(666,174)
Cash and cash equivalents at beginning of period	6,598,816	2,725,335
Effect of foreign exchange rate changes, net	<u>(203,890)</u>	<u>(29,927)</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>4,063,886</u>	<u>2,029,234</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances other than time deposits	2,055,562	2,029,234
Time deposits	<u>2,008,324</u>	<u>–</u>
	<u>4,063,886</u>	<u>2,029,234</u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Accounting Policies

The unaudited condensed consolidated interim financial statements for the six months ended 31 December 2015 have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants, and Appendix 16 to the Rules (“**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”). The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements of the Group for the year ended 30 June 2015. This interim financial statements should be read in conjunction with the 2015 annual financial statements of the Group for the year ended 30 June 2015. There are no standard, amendment to standard or interpretation that are effective for the first time for the Period.

2. Application of new and revised Hong Kong Financial Reporting Standards

Certain new standards, amendments and interpretations to existing standards which have been published are relevant to the Group’s business and are mandatory for the Group’s accounting periods beginning on or after 1 January 2016 or later periods. The Group has not early adopted these standards, amendments and interpretations during the Period. The Group has already commenced an assessment of their impact but is not yet in a position to state whether they would have a material impact on the Group’s results and financial positions for the Period.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(continued)

3. Revenue

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts and income from hospital management services. The following is an analysis of the Group's revenue:

	For the six months ended	
	31 December	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Sale of goods	639,028	1,102,498
Hospital related business	476,324	21,592
	<u>1,115,352</u>	<u>1,124,090</u>

4. 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 and sales of pharmaceutical products, medical consumables and medical devices to hospitals.

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, unallocated expenses and finance costs are excluded from such measurement.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(continued)

4. Segment information (continued)

For the six months ended 31 December 2015

	Pharmaceutical products <i>HK\$'000</i>	Hospital related business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue			
Revenue from external customers	<u>639,028</u>	<u>476,324</u>	<u>1,115,352</u>
Segment results			
Segment profit	410,069	95,228	505,297
Interest income			24,771
Unallocated expenses			(14,495)
Finance costs			<u>(22,609)</u>
Profit before tax			<u><u>492,964</u></u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(continued)

4. Segment information (continued)

For the six months ended 31 December 2014

	Pharmaceutical products <i>HK\$'000</i>	Hospital related business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue			
Revenue from external customers	<u>1,102,548</u>	<u>21,542</u>	<u>1,124,090</u>
Segment results			
Segment profit	375,933	4,894	380,827
Unallocated expenses			(8,498)
Finance costs			<u>(1,153)</u>
Profit before tax			<u><u>371,176</u></u>

No geographical segment information is presented as the Group's revenue is solely derived from customers based in Mainland China, and over 90% of the Group's assets are located in Mainland China.

Revenue of approximately HK\$107,065,000 (2014: HK\$152,540,000) was derived from sales to a single customer during the Period, including sales to a group of entities which are known to be under common control with that customer.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(continued)

5. Finance costs

	For the six months ended 31 December	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Interest expenses on bank loans wholly repayable within five years	909	1,153
Interest on convertible bonds	13,950	—
Others	7,750	—
	<u>22,609</u>	<u>1,153</u>
Total borrowing costs charged to the condensed consolidated income statement	<u>22,609</u>	<u>1,153</u>

6. Income tax

	For the six months ended 31 December	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Current — Mainland China — Charge for the Period	<u>84,764</u>	<u>63,528</u>

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 Period. Taxes on profits assessable in the Mainland China have been calculated at the tax rates prevailing in the jurisdictions in which the Group operates.

The People's Republic of China ("PRC" or "China") Enterprise Income Tax is calculated at the statutory income tax rate of 25% on the estimated assessable profits of the Company's subsidiaries established in the PRC during the Period, among which certain subsidiaries are entitled to a preferential income tax rate of 15%.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(continued)

7. Profit for the Period

	For the six months ended	
	31 December	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit for the Period is arrived at after charging/(crediting):		
Cost of inventories sold	489,216	266,180
Depreciation of property, plant and equipment	8,692	7,960
Amortisation of intangible assets	3,640	16,608
Amortisation of prepaid land lease payments	1,679	405
Employee benefit expense (including directors' and chief executive's remuneration)	28,877	23,670
Interest income	(24,771)	(10,782)

8. Dividend

The Directors do not recommend the payment of an interim dividend for the six months ended 31 December 2015 (corresponding period in 2014: Nil).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(continued)

9. Earnings per share attributable to owners of the Company

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

	For the six months ended	
	31 December	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings:		
Profit for the Period attributable to owners of the Company, used in the basic earnings per share calculation	392,821	298,860
Interest and arrangement fee on convertible bonds	21,700	–
Profit for the Period attributable to owners of the Company before interest and arrangement fee on convertible bonds	<u>414,521</u>	<u>298,860</u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(continued)

9. Earnings per share attributable to owners of the Company (continued)

	For the six months ended	
	31 December	
	2015	2014
	(Unaudited)	(Unaudited)
	'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)	7,374,377	4,906,036
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 Period	18,821	27,258
Weighted average number of ordinary shares assumed to have been issued on the redemption of all convertible bonds outstanding during the Period	329,472	–
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)	<u>7,722,670*</u>	<u>4,933,294</u>

* 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 six months ended 31 December 2015 and were ignored in the calculation of diluted earnings per share amount for the six months ended 31 December 2015. Therefore, the diluted earnings per share amount for the six months ended 31 December 2015 is based on the profit for the Period attributable to owners of the Company of HK\$392,821,000 and the weighted average number of ordinary shares of 7,393,198,000 in issue during the six months ended 31 December 2015.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(continued)

10. Trade receivables

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 does not hold any collateral or other credit enhancements over its trade receivable balances.

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

	31 December 2015 (Unaudited) HK\$'000	30 June 2015 (Audited) HK\$'000
Within 3 months	847,564	513,202
3 months to 6 months	241,322	279,755
6 months to 1 year	100,186	64,334
Over 1 year	6,137	–
	<u>1,195,209</u>	<u>857,291</u>

11. Trade payables

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

	31 December 2015 (Unaudited) HK\$'000	30 June 2015 (Audited) HK\$'000
Within 3 months	42,709	41,820
3 months to 6 months	13,862	8,037
6 months to 1 year	2,486	1,043
Over 1 year	6	846
	<u>59,063</u>	<u>51,746</u>

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(continued)

12. Share capital

	Number of shares	Amount HK\$'000
Ordinary share of HK\$0.10 each		
<i>Authorised:</i>		
At 30 June 2015	8,000,000,000	800,000
Increase of authorised share capital	<u>7,000,000,000</u>	<u>700,000</u>
At 31 December 2015	<u>15,000,000,000</u>	<u>1,500,000</u>
<i>Issued and fully paid:</i>		
At 30 June 2015	7,372,040,292	737,205
Issue of shares upon exercise of share options (Note (a))	<u>20,475,720</u>	<u>2,048</u>
At 31 December 2015	<u>7,392,516,012</u>	<u>739,253</u>

Note:

- (a) During the Period, an aggregate of 20,475,720 share options had been exercised by certain directors of the Company at a subscription price of HK\$1.1718 per share for a total consideration of approximately HK\$23,993,000, resulting in an issue of 20,475,720 new ordinary shares of HK\$0.10 each. The new shares rank *pari passu* with the existing shares in all respect.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(continued)

13. Capital commitments

The Group had the following capital commitments at the end of the reporting period:

	31 December 2015 (Unaudited) HK\$'000	30 June 2015 (Audited) HK\$'000
Contracted, but not provided for:		
Property, plant and equipment	422,796	1,617,114
Prepaid land lease payment	–	62,530
Technical know-how	708	726
	423,504	1,680,370
Authorised, but not contracted for:		
Investment for “Trust, Investment, Operation and Transfer” arrangement	–	4,367,495
Property, plant and equipment	–	365,933
	–	4,733,428
	423,504	6,413,798

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

	31 December 2015 (Unaudited) HK\$'000	30 June 2015 (Audited) HK\$'000
Contracted, but not provided for	3,076	3,223

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(continued)

14. Operating lease commitments

The Group as a 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 31 December 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	31 December 2015 (Unaudited) HK\$'000	30 June 2015 (Audited) HK\$'000
Within one year	1,342	2,117
In the second to fifth years, inclusive	103	402
	<u>1,445</u>	<u>2,519</u>

15. Contingent liabilities

As at 31 December 2015, the Group did not have any material contingent liabilities (30 June 2015: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

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

MARKET REVIEW

During the Period, costs and expenses of medical and health care and revenue from sales of pharmaceuticals in the PRC maintained a stable 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 approximately 4,000 billion Renminbi ("**RMB**") in 2015, representing a year-on-year increase of over 10%; sales revenue of PRC pharmaceutical industry reached RMB2,553.7 billion in 2015, representing a year-on-year increase of 9.1%; industry total profit of RMB262.7 billion was achieved, representing a year-on-year increase of 12.9%, which indicated that the growth of medical and health care and pharmaceutical industry in the PRC stabilised gradually after the golden era of healthcare reform, and such difference in growth between revenue and profit will become normal. 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 exceeded 200 million, representing almost 15% of the total population, and common geriatric diseases, such as cancer, cardiovascular diseases, diabetes mellitus and neurological disorders, have 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 continuously enhanced its support to public healthcare, hierarchical diagnosis and treatment system has become more comprehensive while medical conditions significantly improved. Fourthly, the demand for healthcare services from urban residents kept rising due to their increasing affordability. 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**") and influences arising from policies.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

MARKET REVIEW *(continued)*

During the Period, some new features were noted in the medical and health care industry and the pharmaceutical industry in the PRC. The Chinese government implemented an insurance system for serious illness which covered all the basic medical insurance for urban and rural residents, with an aim to further reduce the patients' burden of expense for healthcare. Implementation of the action plan "Internet +" became the trend of the medical and health care industry. The Chinese government continued to encourage private capital to be invested in the development of medical cause, support private investment 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 became a hot spot for investment from all parties and the activities of merger and acquisition of pharmaceutical enterprises dwindled. Various law enforcement agencies continued to step up their efforts in the fight against commercial bribes in the trading of pharmaceutical products to promote standardised, healthy and sustainable development of pharmaceutical enterprises. Industry rectification and self-discipline changed the competitive landscape of the industry. The time frame requirements under the new version of Good Manufacturing Practice ("GMP") accreditation and substantial increase in fixed asset investments 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. After the policy that pricing of pharmaceutical products shall be determined by the government being cancelled by the National Development and Reform Commission, raising tenders in provincial markets has become the new normal for the government to control drug prices and regulate the market. Being included in the essential drug list and national medical insurance catalogue served 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 for new drugs in the PRC 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 such factors as the removal of the exclusive pricing right for original drugs long enjoyed by foreign pharmaceutical enterprises and standardised market operation, resulting in a change in the landscape of the pharmaceutical industry.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

MARKET REVIEW *(continued)*

During the Period, the Chinese government continued to frequently launch a number of healthcare reform policies regarding (1) the standardisation and specification of new regulations for drug purchases; (2) the establishment of hierarchical diagnosis and treatment system, being the focus of healthcare reform; (3) the comprehensive introduction of the utilization of information technologies and data sharing into hospitals; and (4) the relaxation in reviewing and approving the provision of medical and treatment services such as cell therapies. In view of the Chinese government's further liberalisation of the medical service industry for allowing private capital investment, the lagging behind of traditional public hospitals in terms of medical skills, facilities, services and efficiency and the rising concern of the Chinese residents about personal health, the medical service industry has experienced persistent growth 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 since the first round of reforms of state-owned enterprises, real estate development and mining operations. All in all, the development of medical service in China is surging with promising growth prospects.

During the Period, modern medical services business represented by assisted reproductive treatment, medical plastic surgery and rehabilitation and elderly care services, and "Precision Medical" based on the concept of personalised medical services and developed by applying genomics and proteomics techniques and advanced medical technologies have become the hot topics in the medical service market.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

MARKET REVIEW *(continued)*

During the Period, 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)” have been implemented, which mainly provide that public hospitals should be the focus of the reform, non-government participation in the provision of healthcare should be facilitated, multi-site physician practice should be accelerated, the policy and environment for non-government participation in the provision of healthcare should be optimised and the integration of medical care, medical insurance and pharmaceuticals should be thoroughly promoted. It was also stipulated that the transformation, upgrade and rapid development of the pharmaceutical industry should be facilitated, and the pace of drug innovation, especially bio-technological medicine, should be accelerated. In particular, drugs for neurodegenerative diseases, genetic engineering protein and polypeptide drugs, genetic therapy drugs and stem cell therapy products top the list of key development items. Moreover, development of a distinctive pharmaceutical manufacturing industry is encouraged in the central-western region where reservation, development and application of Chinese medicine and ethnic medicine resources should be strengthened. At the same time, it was also stipulated that the quality and safety standards of pharmaceutical products should be enhanced, enterprises’ major responsibility of quality control should be reinforced and the enterprises were encouraged to perfect their quality management systems.

Undoubtedly, the medical and health care and pharmaceutical market has entered into a great era. Enterprises with strong development prospects, market-oriented development strategies, comprehensive resource advantages, capabilities that cater for local, social and economic development, unique product mix and leading technologies, strong and well-established nationwide network of sales and marketing and strong organisational and execution capabilities will eventually outrun other competitors in the market and become sizable homegrown healthcare service enterprises 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 corporate giants with prompt integration of resources and bold investment.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS REVIEW

During the Period, against the backdrop of the rapid development of the domestic medical and pharmaceutical market, tighter government control and intense market competition, the Group adopted proactive measures to maintain sustainable growth in its results and foster momentum of future growth. The Group continued to consolidate the development of traditional pharmaceutical 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 the 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, personal health management, comprehensive and auxiliary medical coverage, implementation of financing and leasing as well as urban smart medical service). Progress has been made in establishing a medical platform at city and county level, which has become a new income stream and profit growth point for the Group. Major efforts in the development of bio-pharmaceutical preparations and technologies together with new sales model have formed a new structure supporting the Group’s future business development of its own products. Furthermore, the Group strictly follows the GMP production standards and processes, and focuses on and upholds 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 is able to expand its business scale, thereby laying a solid foundation for furthering a sustainable, healthy and rapid development.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

FINANCIAL PERFORMANCE

During the Period, the Group's revenue was approximately HK\$1,115.4 million (corresponding period in 2014: approximately HK\$1,124.1 million), of which approximately HK\$639.0 million (representing approximately 57.3% of the Group's total revenue) 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 42.0% as compared to the corresponding period last year. The drop in sales of pharmaceutical products is due to adjustment to sales strategy which resulted in settlement of products in major markets based on base price. Assume the settlement of those pharmaceutical products in the corresponding period last year was also on base price, the revenue from sales of pharmaceutical products would grow by approximately 9% compared to corresponding period last year. The Group will continue to adopt current sales strategy with settlement of products based on base price in the future. Approximately HK\$476.3 million of the Group's revenue during the Period was attributable to hospital related business including revenue from supply chain business of hospital amounted to approximately HK\$411.5 million, revenue from cell storage amounted to approximately HK\$16.1 million, revenue from upgrade of clinical speciality and other medical services amounted to approximately HK\$48.7 million.

During the Period, the Group recorded a profit attributable to owners of the Company of approximately HK\$392.8 million, representing an increase of approximately 31.4% as compared to the corresponding period last year.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

EXPLORATION OF HOSPITAL BUSINESS

During the Period, the Group actively expanded its medical service business and further enhanced the principles of “New Hospital”, “TIOT” and “Special 6+1”. In respect of the project 六盤水市涼都人民醫院 (unofficial translation being Liupanshui City Liang Dou People’s Hospital), for which 1,500 beds are jointly provided with 六盤水市人民醫院 (unofficial translation being Liupanshui City People’s Hospital) in which the Group owns 68% of its equity interest, construction was completed with interior decoration and facilities installation being underway. In respect of the reconstruction and expansion of the Group’s wholly-owned 銅仁市中心醫院 (unofficial translation being Tongren City Central Hospital), which has 560 beds, the planning and design as well as the preparation for opening and purchase of facilities were completed. The hospital chain, which includes the reproductive healthcare medical center and the medical plastic surgery center in cooperation with top medical professionals in the PRC, is under preparation and planning. The specialised clinic, which includes branches of spine and pain treatment, cardiac surgery, orthopedics and minimally invasive procedures, has commenced layout arrangement. In respect of the innovative business of the storage and molecular test of new born babies’ stem cells, operation commenced and initial performance has been observed. In respect of the integrated supply chain of hospitals covering the supply of drugs, consumables, medical devices and equipment, its initial consolidation reached a certain degree of scale. The city’s public healthcare information platform, the major functions of which were image storage, remote diagnosis, emergency call 120, bulk purchase of drugs and the management of residents’ healthcare cards, was established. The “De Chang Xiang Chinese Medicine Medical Center (德昌祥國醫館)” where famous medical practitioners specialised in traditional Chinese medicine converge and is engaged in the business related to dissolvable Chinese medicine tablets, has commenced operation. The expansion of medical healthcare service markets to provinces beyond Guizhou Province proves successful. As at the end of 2015, the Group has two newly established hospitals, 8 public hospitals entrusted with model “TIOT” and 21 partner hospitals cooperated based on model “Special 6+1”. Meanwhile, the pattern of revenue and profit derived from various business operations already launched and commenced is clear and stable, and has demonstrated its unique competitiveness, allowing huge space for future development.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

DEVELOPMENT OF PHARMACEUTICAL BUSINESS

During the Period, the Group continued to implement the strategy of “10,000 VIP clinics” for its traditional drugs. The marketing of OTC drugs was extended to the community clinics and regional and county-level clinics. The Group further diversified 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 with time-honoured enterprises”. Through close strategic cooperation with renowned enterprises with long operating history in the PRC to market products at 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 and Chinese medicine medical centers as its marketing platform, to promote the culture of Chinese medicine and brand new marketing system for the overall development of pharmaceutical enterprises.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

RESEARCH AND DEVELOPMENT

During the Period, the Group continued to conduct research and development activities in respect of raw materials like human placenta and cord blood in order to establish a national leading, complete and high-end product and technology line in this industry. Based on the success achieved in the research on placenta small polypeptide products with stronger immunocompetence and anti-inflammatory effect (molecular mass of 3,000–5,000), passing the pilot production process as well as the final tests and leveraging on its solid production skills and standards, a number of products which are qualified for production have been developed. The Group continued to accelerate the in-depth research on the major national science and technology project “Qijiao Shengbai Capsules (芪膠升白膠囊)”, and the 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) and “Recombinant Human Epidermal Growth Factor Eye-Gel (重組人表皮生長因子眼用凝膠)” were actively underway. The production skills of Human Placenta Pills were examined and approved by the provincial drug examination authorities. The pre-production research on “Human Nerve Growing Factor Injection (人神經生長因子注射液)” made progress and completed the research on the tightness of sealed material packs as well as the comparison analysis on skills, while the information required for the verification of nano wipes’ virus filtering function and the test methods was under consideration and preparation. “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 Food and Drug Administration of Beijing and the Food and Drug Administration of Guizhou Province, application for the transfer of registration from Beijing to Guizhou has been submitted to the National Food and Drug Administration of the PRC for approval. Final outcome is not available to-date.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

INVESTMENT IN FIXED ASSETS

During the reporting period, the Chinese medicine manufacturing base located at Shawen Ecological Park (沙文生態園區) in Guiyang High and New Technology Zone (貴陽高新區) operated by Guizhou Hanfang Medicine Manufacture Co., Ltd. (貴州漢方藥業有限公司), a company under the Group, was granted the new version of GMP certificate by the Chinese government, and commenced normal production. This project is characterised by advanced skills and high level of automation such that its productivity is significantly enhanced with unit production cost being controlled and lowered. Phase one of 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) including the construction of cell banks for Tongren City and Guizhou Factorr's production lines of human placenta solid preparations, commenced normal operation, while phase two of the construction including the construction of production lines of healthcare product series such as lyophilized human placenta and liquid preparations, is still under construction.

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

During the reporting period, the Group participated in tenders held in 7 provinces such as Guangdong, Shanghai and Fujian, in which a total of 35 products won the bid. The Group also participated in 5 tenders for gynecology and paediatrics related non-patent projects in provinces including Jiangsu, 3 tenders for essential drugs projects in provinces including Hainan, and 6 tenders for low-cost drugs projects in provinces including Fujian, in which a total of 89 products won the bid. Prices of the products which won the bid remained generally stable. So far, the Group has 20 exclusive products and four of them are listed in the National Medical Insurance Catalogue, 11 exclusive products are listed in the Provincial Essential Drug and Medical Insurance Catalogue in 17 provinces.

PRODUCT PATENTS AND RECOGNITION

During the reporting period, the Group was granted 2 invention patents and 2 design patents. Besides, "De Chang Xiang (德昌祥)" was accredited as a "China Famous Trademark (中國馳名商標)" by SAIC.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

INVESTMENT AND CO-OPERATION

During the Period, the Group entered into 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, internship for students, hospital management and consultation as well as export of technology. The Group also entered into a 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 Group entered into a strategic cooperation agreement with Massachusetts Medical International of the United States, pursuant to which, the Group agreed to cooperate with Massachusetts General Hospital of Harvard Medical School in the aspects of remote diagnosis, training of medical professionals, receiving medical services in the United States and genetic tests, as well as to cooperate with 8 affiliated hospitals of the Harvard Medical School to establish advantageous academic areas in China. The Group entered into a strategic cooperation agreement in relation to medical services with 北京仁欣醫盟醫療科技有限公司 (unofficial translation being Beijing Renxin Medical Alliance and Medical Treatment Technology Company Limited) (“Renxin Medical Alliance”), pursuant to which the Group agreed to cooperate with Renxin Medical Alliance in relation to the staffing of top cardiovascular experts by Renxin Medical Alliance to the Group’s hospitals and the joint establishment of heart diseases diagnosis and treatment centers. The Group entered into a cooperation agreement with Orthopedics Research Institute (骨科研究所) of The First Affiliated Hospital of University of South China to establish spine and pain treatment centers chains by leveraging on the advanced technological resources of specialised medical departments. The Group entered into a strategic cooperation agreement in relation to the establishment of hospital chains for scar elimination in first-tier and second-tier cities in China.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

TEAM BUILDING

During the Period, the Group continued to build a professional, diligent and responsible team with entrepreneur and innovative spirit. In order to meet the operation needs of hospitals under the Group, the Group launched a public recruitment campaign in the name of 六盤水市涼都人民醫院 (unofficial translation being Liupanshui City Liang Dou People's Hospital) attracting medical professionals from the community and about 2,000 job applications were received. Meanwhile, the Group identified elites of targeted academic areas from international and national advantageous medical institutions and medical science colleges and schools through various cooperation types including the cooperation among hospitals, the cooperation between hospitals and individuals and the cooperation between hospitals and teams. In general, the aforementioned measures can satisfy the Group's requirement for medical professionals to ensure smooth operation of the hospitals under the Group.

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 thriving. Along with the growth in demand for medical services, 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 annual growth rate of 16.75%. 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 global average of 9.7%, ranking 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.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

PROSPECTS *(continued)*

Besides, the relevant information shows that the PRC was the world's third largest pharmaceutical market in 2011, and will replace Japan as the world's second largest by 2018. Therefore, establishing itself as a pharmaceutical group with competitive edge, unique and innovative products and technology in the PRC pharmaceutical market to benefit from the rapid growth of the pharmaceutical market in the PRC, and building up comprehensive marketing network with abundant operational resources remain our goal. Meanwhile, the biopharmaceutical 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.

Meanwhile, as the overall GDP growth of China slows down, the medical service and pharmaceutical industry will witness stable development. Therefore, such new situation resulting from scaled and centralised operation as well as the enhanced efficiency and upgraded technologies will benefit the revenue and profit of an enterprise.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

PROSPECTS *(continued)*

The Directors are of the view 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 its overall development strategies. These strategies include consolidating the market resources as well as committing more capitals and human resources to ensuring the rapid development of medical service industry based on the principles of “New Hospital (including hospital chains”, “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 segment of the Group in the future; making more efforts to attract medical elites in targeted academic areas in order to develop core resources; investing in and developing finance leases business as well as extending the industry chain of hospital investment; 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; facilitating the commencement of direct sales model of health product lines; 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 separate 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 enhancing and safeguarding Shareholders’ interests.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

PROSPECTS *(continued)*

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 development of self-owned hospitals and hospital chains

The Group’s development strategy for its self-owned hospitals is to develop such hospitals into integrated flagship hospitals and “small integrated, big specialty” hospitals based on their types as well as platforms with 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.

六盤水市涼都人民醫院 (unofficial translation being Liupanshui City Liang Dou People’s Hospital) will be developed into a high-end integrated provincial hospital by recruiting experts specialised in the medical areas that the hospital needs from outstanding medical institutions in China and focusing on the development of 10 to 12 major medical areas, so as to bring its medical expertise to a leading position in Guizhou province and expand its market from Guizhou province into its surrounding areas. Besides, the medical departments to be operated in the hospitals will more likely to be those related to the medical problems that involves high technologies and a large number of patients in the market while such large demand not being satisfied by the hospitals in Guizhou province and meanwhile the medical fees are at patients’ own expenses. In order to guarantee an investment return, the hospital has commenced operation in stages. At the first stage, its body-check center, reproductive healthcare center, medical plastic surgery center and rehabilitation center will commence operation by the end of June 2016, while all other divisions will in full operation by the end of 2016.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

PROSPECTS *(continued)*

1. *(continued)*

銅仁市中心醫院 (unofficial translation being Tongren City Central Hospital) will be developed into a “small integrated, big specialty” hospital with major divisions related to the key medical areas including the body-check center, reproductive healthcare center, medical plastic surgery center, rehabilitation center, interventional cardiology center and minimally invasive procedures center. Operation is expected to commence in June 2016.

The Group aims to develop hospital chains related to reproductive healthcare and medical plastic surgery through the cooperation with international and national excellent medical teams, as well as to complete the layout in a fast manner so as to achieve scaled production, thereby to reach a leading position in such medical areas in terms of technologies and scale in the PRC. In particular, the flagship medical plastic surgery hospital in Shanghai will commence operation in the first half of 2016, while the reproductive healthcare hospital in Guilin will start preparation and strive to commence operation in the first half of 2016. In respect of its pain treatment center, the layout arrangement of clinic divisions in 10 county-level hospitals will be completed in the first half of the year.

Leveraging on its self-owned hospitals and hospital chains, the Group will further integrate 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 share our 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 fullest extent.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

PROSPECTS *(continued)*

1. *(continued)*

- (1) In respect of the establishment of medical divisions, while adhering to the principle of “piloting by advantages specialty and generally enhancing the integrated medical supporting capabilities locally”, the Group focuses on the third-tier and fourth-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, the Group makes good the deficiencies in the cooperating hospitals based on market mechanism, standardisation, high specifications and replicable model, and makes 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, the Group cooperates with professional associations and outstanding doctors in the first-tier and second-tier cities in the PRC to set up specialised hospital chains, rapidly achieving breakthroughs in the market and enjoying the benefits of branding effect.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

PROSPECTS *(continued)*

1. *(continued)*

- (2) 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”, the Group has 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. The Group has built its 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, the Group has also established a high-standard human reproductive repository, which, by introducing the most advanced international verification 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.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

PROSPECTS *(continued)*

1. *(continued)*

(3) Supply chain business

The Group 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 increasing direct purchases while lowering procurement cost. The Group will develop e-commerce platforms which are connected to the dispensaries in hospitals so as to timely control and adjust the hospitals' inventories level as well as collect big data for analyzing the use of inventories so as to ensure a reasonable consumption of medicine by both hospitals and patients. The Group will launch the supply chain financial service business which provides solutions to suppliers and hospitals with financial difficulties as well as expand and integrate the supply chain business of hospitals in the same regions where the cooperative hospitals are located or otherwise other hospitals. Given the cancellation on the addition charges of drugs in public hospitals, it is the right time for the Group to develop its business of entrusted pharmacies and strengthen its cooperation with advantageous enterprises engaged in the distribution of pharmaceuticals in provinces and cities beyond Guizhou. Meanwhile, by leveraging on its current sales platforms and scale, the Group will introduce the model "Special 6+1" to consolidate resources in a fast manner so as to increase sales and profit.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

PROSPECTS *(continued)*

1. *(continued)*

(4) Integrated hospital service assurance business

Professional teams will be developed to undertake the ancillary services in cooperative hospitals' rehabilitation centers and post-maternity centers, the development of media platforms for hospitals, the operation and maintenance of equipment and facilities, the provision of cleaning and sterile services, the operation of health products supermarkets, the planning of wholesome 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.

(5) Personal health management business

The Group will commence the trial provision of online and offline services through the self-established 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 to set up a storage system for electronic medical record and digital image data, while offline services mainly refer to the integrated services provided in hospitals, allowing advance booking for a smooth process from diagnosis, treatment, hospitalization, payment, medication to rehabilitation. The Group 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.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

PROSPECTS *(continued)*

1. *(continued)*

(6) Financing and leasing business

As the public hospitals located in three and four tier cities generally 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 markets 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 balance the scale of the Group's investments in fixed assets, avoiding over investment in asset-heavy business, and obtain higher capital returns.

(7) Urban smart medical care business

The Group will accelerate implementation of urban smart medical care projects in Liupanshui City and Tongren City to establish an information platform for urban public hygiene. A clinic system categorized into city, county and town levels will be led by Liang Dou General Hospital (涼都人民醫院), comprising the five major systems, namely the medical image data storage system, the remote diagnosis system, the 120 first-aid system, the online centralised procurement of medicine and monitoring system and the residents' health card management system.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

PROSPECTS (continued)

2. Focus will be put on marketing to further increase the Group's market share. Prescription drugs marketing: The Group continues 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 its 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, the Group has accelerated the development of application to the retired cadres section and gynecology. The Group will continue to implement the strategy of "10,000 VIP clinics" and develop marketing strategy for specialized product lines. The Group 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, gynaecology and paediatrics, rejuvenation 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. The Group 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.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

PROSPECTS *(continued)*

3. The Group 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 sourced from the plantation that complies with GAP standards, the production base that complies with the latest GMP standards, reasonable production process and stable quality control system, unique products and folk 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. Taking the opportunity brought by the National Medical Insurance Catalogue update, and leveraging on the Group's advantages in larger number of exclusive products and principal products, it will use all possibilities to gain government support in all possible ways, to include our advantageous products with separate 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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

PROSPECTS (continued)

4. The Group will fully support the organization that develops “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 verified information of both nano-membrane virus filtering and testing methodology with high quality within the scheduled time through mission allocation and step-by-step implementation. The Group will also maintain good communication with the review panel and provide more information about the technology and skills of “Human Nerve Growing Factor Injection (人神經生長因子注射液)”, meanwhile, gaining feedback from them. Meanwhile, in order to capture the opportunity raised from the support to innovative drugs and drugs with significant clinical advantages proposed in the “Consultation paper on prioritising the review and approval of the congested drug applications”(《關於解決藥品註冊申請積壓實行優先審評審批的意見》) announced by China Food and Drug Administration after the Period, the Group will strive to obtain support from different parties, so as to obtain approval as soon as possible. Besides, through closer cooperation with National Vaccine & Serum Institute (北京生物製品所), the Group will position itself 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. The Group will capitalize on the condition presented by the high debt rate of government organizations and economic downturn through merger of and investment in selected public hospital reforming projects and military hospital planning municipal projects, taking into account the Group’s internal resources integration and general positioning requirements. Meanwhile, the Group will also acquire and invest in selected exclusive medical insurance products and medical enterprises available for sale and equity investment with promising prospect.
6. Under the new National GMP Standards and our long-term development plan, the Group 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 control by all staff throughout the entire process.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

PROSPECTS (continued)

7. With the commencement of operation of the Group's two self-established hospitals, the Group will introduce excellent medical teams from both international and domestic renowned medical organisations by marketing approaches and various means of cooperation, in order to build up the core competitive edge of the Group in developing sizable health business. By effectively integrating internal human resources, the Group 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. The Group 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, the Group will optimise the incentive mechanism and motivate our staff's enthusiasm in business venture and create a more executable, innovative, advancing and accommodating enterprise culture.

8. According to the Group's research and development plan, the Group 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. The Group 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 industry chain of Chinese medicine. Enhanced version of such products 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)" have entered the testing stage. The Group 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, the Group 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.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

PROSPECTS *(continued)*

9. In response to the market conditions, the Group will meticulously rearrange the market segments to better address market competition. Based on different regional market conditions, the Group will select agents with advantages in terms of drug distribution channels, and form close cooperation to cope with the market and share each other's advantages. The Group 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.
10. 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 enterprises and form a close partnership with them with a common development path, so as to promote the perfection of our product line and production chain and to shape our core competitiveness.
11. According to the distinct characteristics of Hong Kong capital markets, the Group will implement market capitalisation management under the guidance of the development strategy for general health. By arranging 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 enable the market participants to form an accurate evaluation of the Group, thereby resulting in a stable growth of market value.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

PROSPECTS *(continued)*

12. While actively expanding the PRC market and enhancing its relationship with the government, the Group will proactively incorporate the Group's development into the overall domestic economic development layout. By virtue of government's support, the Group 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 pioneer of the high-technology sector in the domestic economic industry. The Group will also continue to procure more investments and support from the competent 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, the Group will adopt a prudent approach in view of the real-time situation, protect itself against risks and reward Shareholders with excellent business performance.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flows and banking facilities provided by banks in the PRC and Hong Kong. As at 31 December 2015, the Group had unpledged cash and bank balances of approximately HK\$4,063.9 million (30 June 2015: approximately HK\$6,598.8 million). Its gearing ratio calculated as a ratio of total debt of bank and other borrowings to equity attributable to owners of the Company was approximately 8.8% (30 June 2015: approximately 7.5%). Net current assets was approximately HK\$4,446.2 million (30 June 2015: approximately HK\$6,947.9 million) and the current ratio was approximately 5.9 (30 June 2015: approximately 11.1) as at 31 December 2015.

The finance costs of the Group for the Period amounted to approximately HK\$22.6 million (corresponding period in 2014: approximately HK\$1.2 million), representing approximately 2.0% (corresponding period in 2014: approximately 0.1%) of the Group's total revenue and the increase in finance costs over the corresponding period in 2014 is due to interest incurred from the issue of convertible bonds in February 2015.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

CONTINGENT LIABILITIES

As at 31 December 2015, the Group did not have any material contingent liabilities (30 June 2015: Nil).

BANK BORROWINGS

As at 31 December 2015, the Group had outstanding bank loans of approximately HK\$144.4 million from the banks in the PRC (30 June 2015: approximately HK\$31.3 million), which include short term bank loans with maturity within one year and long term bank loans repayable over five years. All the bank loans of the Group were denominated in Renminbi.

As at 31 December 2015, the Group's bank borrowings amounted to approximately HK\$144.4 million were secured by the pledge of certain prepaid land lease payments and buildings of the Group.

SEASONAL OR CYCLICAL FACTORS

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

FOREIGN EXCHANGE EXPOSURE

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

TREASURY POLICIES

During the Period, 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 with 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 (continued)

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the Period, the Group had no material acquisitions and disposals of subsidiaries and associated companies.

COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	31 December 2015 (Unaudited) HK\$'000	30 June 2015 (Audited) HK\$'000
Contracted, but not provided for:		
Property, plant and equipment	422,796	1,617,114
Prepaid land lease payment	–	62,530
Technical know-how	708	726
	423,504	1,680,370
Authorised, but not contracted for:		
Investment for “Trust, Investment, Operation and Transfer” arrangement	–	4,367,495
Property, plant and equipment	–	365,933
	–	4,733,428
	423,504	6,413,798

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

COMMITMENTS (continued)

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

	31 December 2015 (Unaudited) HK\$'000	30 June 2015 (Audited) HK\$'000
Contracted, but not provided for	3,076	3,223

EMPLOYEES, TRAINING AND REMUNERATION POLICIES

As at 31 December 2015, the Group had a total of 1,513 employees (corresponding period in 2014: 1,045), of whom 1,504 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 Period, staff costs of the Group (including Directors' remunerations) amounted to approximately HK\$28.9 million (corresponding period in 2014: approximately HK\$23.7 million). Staff costs of the Group accounted for approximately 2.6% of the Group's revenue (corresponding period in 2014: approximately 2.1%) during the Period. The Group participates in retirement benefit schemes for its staff both in Hong Kong and the PRC.

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

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the Period (corresponding period in 2014: Nil).

ADDITIONAL INFORMATION

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

As at 31 December 2015, the interests and short positions of the directors and chief executive of the Company in the shares or underlying shares or, as the case may be, the equity interest and debentures of the Company or its associated corporations (within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SF Ordinance**”)) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SF Ordinance (including interests and short positions which he was taken or deemed to have under such provisions of the SF Ordinance), or which were required, pursuant to section 352 of the SF Ordinance, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (“**Model Code**”), to be notified to the Company and the Stock Exchange were as follows:

Name of Director	The Company/ name of associated corporation	Capacity	Number and class of securities/percentage in equity interest (Note 1)	Approximate percentage of interest
Mr. Zhang Peter Y.	The Company	Interest of controlled corporation	2,085,482,643 shares (L) (Note 2)	28.21%
	The Company	Beneficial owner	4,095,144 shares (L)	0.06%
Mr. Deng Jie	The Company	Beneficial owner	4,095,144 shares (L)	0.06%
Mr. Long Xian Feng	The Company	Beneficial owner	4,095,144 shares (L)	0.06%
Mr. Zhou Chong Ke	The Company	Beneficial owner	4,095,144 shares (L)	0.06%
Mr. Tarn Sien Hao	The Company	Beneficial owner	149,300 shares (L)	0.002%

ADDITIONAL INFORMATION *(continued)*

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

Notes:

1. The letter "L" represents the Director's interests in the shares of the Company (the "**Shares**") and underlying Shares or, as the case may be, the equity interest of the Company or its associated corporations.
2. These 2,085,482,643 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 SF Ordinance, Mr. Zhang Peter Y. was deemed to be interested in all the Shares held by BEL.

Save as disclosed above, as at 31 December 2015, none of the Directors and the chief executive of the Company had any interest and short positions in the shares, underlying shares or, as the case may be, the equity interests and debentures of the Company or its associated corporations (within the meaning of the SF Ordinance) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SF Ordinance (including interests and short positions which he/she was taken or deemed to have under such provisions of the SF Ordinance), or which were required, pursuant to section 352 of the SF Ordinance, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

ADDITIONAL INFORMATION (continued)

SHARE OPTION SCHEME

At the date of this report, the Company did not have any share options outstanding under the Share Option Scheme (the “Scheme”).

The following table sets out the details of the share options which were granted, exercised or outstanding under the Scheme during the Period:

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\$	Price of the Share at the date immediately preceding the date of grant of options (Note (b)) HK\$
	At 1 July 2015	Granted during the Period	Exercised during the Period	Cancelled or lapsed during the Period	At 31 December 2015				
Directors									
<i>Executive</i>									
Mr. Zhang Peter Y.	4,095,144	-	(4,095,144)	-	-	6 January 2014	6 January 2014 to 5 January 2016	1.1718	1.69
Mr. Deng Jie	4,095,144	-	(4,095,144)	-	-	6 January 2014	6 January 2014 to 5 January 2016	1.1718	1.69
Mr. Long Xian Feng	4,095,144	-	(4,095,144)	-	-	6 January 2014	6 January 2014 to 5 January 2016	1.1718	1.69
Mr. Zhou Chong Ke	4,095,144	-	(4,095,144)	-	-	6 January 2014	6 January 2014 to 5 January 2016	1.1718	1.69
<i>Independent non-executive</i>									
Professor Kung Hsiang Fu (Note (c))	4,095,144	-	(4,095,144)	-	-	6 January 2014	6 January 2014 to 5 January 2016	1.1718	1.69
Mr. Hon Yiu Ming Matthew (Note (c))	682,524	-	-	-	682,524	6 January 2014	6 January 2014 to 5 January 2016	1.1718	1.69
	<u>21,158,244</u>	<u>-</u>	<u>(20,475,720)</u>	<u>-</u>	<u>682,524</u>				

Notes:

- 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. The weighted average closing price of the Shares immediately preceding the date on which the share options were exercised is HK\$1.18.
- The price of the Shares disclosed is the Stock Exchange closing price on the date immediately preceding the date of the grant of the options.
- Each of Professor Kung Hsiang Fu 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.

ADDITIONAL INFORMATION *(continued)*

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

After having made reasonable enquiry, the Directors are aware that as at 31 December 2015, the following persons or entities, other than a Director or chief executive of the Company, had an interest or a short position in the Shares and underlying Shares as recorded in the register required to be kept under section 336 of the SF Ordinance:

Name of shareholder	Number of Shares <i>(Note 1)</i>	Nature of interest	Approximate percentage of interest
BEL <i>(Note 2)</i>	2,085,482,643 (L)	Beneficial owner	28.21%
Liu Yu <i>(Note 3)</i>	2,089,577,787 (L)	Interest of spouse	28.27%
Haw Par Pharmaceutical Holdings Pte. Ltd	721,492,564 (L)	Beneficial owner	9.76%
Haw Par Corporation Limited <i>(Note 4)</i>	721,492,564 (L)	Interest of controlled corporation	9.76%

Notes:

1. The letter "L" represents the person's or the entity's interests in Shares of the Company.
2. More than one-third of the issued share capital of BEL is beneficially owned by Mr. Zhang Peter Y.. By virtue of the provisions of Division 2 and 3 of Part XV of the SF Ordinance, Mr. Zhang Peter Y., an executive Director, is deemed to be interested in all the Shares held by BEL. Mr. Zhang Peter Y. is a director of BEL.
3. Ms. Liu Yu is the wife of Mr. Zhang Peter Y., an executive Director, and is deemed to be interested in the Shares and underlying Shares in which Mr. Zhang Peter Y. is interested under the provisions of Division 2 and 3 of Part XV of the SF Ordinance.

ADDITIONAL INFORMATION *(continued)*

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

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 31 December 2015, no person, or entity, other than a Director or chief executive of the Company, had an interest or a short position in the Shares and underlying Shares as recorded in the register required to be kept under section 336 of the SF Ordinance.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the Period.

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 Period.

ADDITIONAL INFORMATION *(continued)*

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors and senior management of the Group on terms no less exacting than the required standard under the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (“**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 codes of conduct regarding securities transactions by Directors and senior management during the Period.

CHANGE OF COMPANY NAME AND STOCK SHORT NAME

With effect from 21 December 2015, the English name of the Company was changed from “Hua Han Bio-Pharmaceutical Holdings Limited” to “Hua Han Health Industry Holdings Limited” and the Chinese name of the Company was changed from “華瀚生物製藥控股有限公司” to “華瀚健康產業控股有限公司”. With effect from 29 January 2016, the shares of the Company were traded on the Stock Exchange under the new stock short name of “HUA HAN HEALTH” in English and “華瀚健康” in Chinese, instead of “HUA HAN” in English and “華瀚生物製藥” in Chinese respectively.

By order of the Board
Hua Han Health Industry Holdings Limited
Zhang Peter Y.
Chairman

Hong Kong, 26 February 2016