盈天醫藥集團有限公司
WINTEAM PHARMACEUTICAL GROUP LIMITED

(Incorporated in Hong Kong with limited liability)
(Stock Code: 570)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010

RESULTS HIGHLIGHTS

	Year ended 31 December		
	2010	2009	
	HK$'000	*HK$'000*	Change
Turnover	**939,178**	670,175	40.1%
Gross Profit	**523,904**	322,696	62.4%
Profit before taxation	**115,230**	90,465	27.4%
Profit attributable to equity shareholders of the Company	**60,925**	44,054	38.3%
Basic earnings per share *(HK cent)*	**3.53**	2.82	25.2%

The board (the "Board") of directors (the "Directors") of Winteam Pharmaceutical Group Limited (the "Company") is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2010, together with the comparative figures for the year 2009 as follows.

CHAIRMAN'S STATEMENT

BUSINESS PERFORMANCE

The business of the Group continued to register satisfactory growth during the year under review and maintained promising performance, which reflected the enhanced competitiveness of the Group through the implementation of the acquisition and integration strategy of the Board of Directors.

During the year under review, turnover of the Group increased by 40.1% to HK$939,178,000 from HK$670,175,000 for the corresponding period of last year. Profit from operation was HK$119,061,000, representing an increase of 24.3% as compared to HK$95,786,000 for the corresponding period of last year. Profit attributable to equity shareholders increased by 38.3% to HK$60,925,000 and basic earnings per share were HK cents3.53, representing an increase of 25.2% as compared to the corresponding period of last year.

BUSINESS REVIEW

2010 was a critical year during which the medical and health system reform of China (the "New Medical Reform") was fully implemented. Ancillary policies for the New Medical Reform were gradually promulgated and implemented, bringing new momentum to the pharmaceutical industry along with new challenges. The Group leveraged on the development opportunities brought by the New Medical Reform to the pharmaceutical industry, strengthened our resources consolidation, and improved the standards of corporate management and new drug development. All these together have brought the production and operation of the Group to a new arena.

Following the further implementation of the National Essential Drugs system and the further improvement of the National Medical Insurance coverage and protection standard, there was an upward trend of the usage of those of our prescription drugs which were listed on the new version of the Essential Drugs List and the New Medical Insurance List by medical institutions. With the strong brand promotion in various media channels of the Group, our major OTC products also showed a substantial increase in sales quantity in retail drug stores, resulting in a record high turnover since our establishment.

In April and December 2010, the Group completed the acquisitions of a 93% equity interest of Foshan City An Ning Company Limited ("An Ning") and a 95.6% equity interest of Foshan Zhong Hong Co., Ltd. ("Zhong Hong"). The equity interest of Foshan Dezhong Pharmaceutical Co., Ltd. ("Dezhong") held by the Group increased to 96.6% from 51%; while the equity interest of Foshan Feng Liao Xing Pharmaceutical Co., Ltd. ("Feng Liao Xing") held by the Group also increased to 97.8% from 51%. These two acquisitions not only increased the profit attributable to equity holders of the Company but also had substantial strategic significance for the Group, allowing the Group to formulate strategic development plans for the China time-honored brand "Feng Liao Xing" which has 430 years of history and the China well-known brand "Dezhong". On the "List of Protected Cultural Heritage of Traditional Chinese Lingnan* Medicine" announced by Guangdong province in 2010, there were a total of 19 Feng Liao Xing and Dezhong products selected under the protected list of traditional Chinese medicine with secret formula, which rank top among all pharmaceutical companies in Guangdong province. These included the famous Feng Liao Xing Rheumatism Medicinal Wine, Yuanjilin Herbal Tea（源吉林甘和茶）and Shaolin Dieda Herbal Plaster（少林跌打止痛膏）. The brands "Feng Liao Xing" and "Dezhong" demonstrated the philosophy of "moral first, people oriented" which has been advocated for pharmaceutical manufacturing for over 400 years. This philosophy also aligns with the corporate value that the Group has been pursuing. The Group will continue to capitalise on the rich traditional Chinese medicine resources of Feng Liao Xing and Dezhong to establish its corporate image as "King of Lingnan Medicine" (「南藥王」) in China.

Led by its brand strategy, the Group started a product selection project, which involved systematic and scientific analysis of over 200 types and specifications of products according to their market absorption capacity, growth rate and degree of competition, to determine the focus of the Group's product development. These product lines include respiratory system drug, pediatrics and immunology medicine, cerebro-cardiovascular drug, rheumatic disease and injury drug, special antibiotics, oncology drug with the representative products being Bi Yan Kang Tablet, VC Yinqiao Tablet, Yu Ping Feng Granule, Sheng Tong Ping (Nifedipine Sustained-release Tablet), Feng Liao Xing Rheumatism Medicinal Wine, Gaode (Cefodizime Sodium for injection) and Sha Pei Lin (Group A Streptococcus for injection).

During the year under review, based upon the above brand positioning and key product lines planning, the Group implemented different sales strategies for the three major end markets of the pharmaceutical products of China, namely city hospital ("First End"), retail pharmacy ("Second End") and village, town and district hospitals ("Third End"). The prescription drug business department and OTC business department have been set up, with an aggregate of approximately 1,200 staff. The target markets of the sales team of the prescription drug business department were the First and Third End Markets, and the main products being promoted were pediatrics and immunology medicine, cerebro-cardiovascular drug, anti-biotics and oncology drug etc. The OTC Business Department on the other hand was mainly responsible for the sale of respiratory system drug and rheumatic disease and injury drug to chain store pharmacies in cities, villages and towns. This strategy was an important drive for the business development of the Group, leading to a remarkable growth in turnover of the core products in 2010.

The Group also achieved significant results in its techniques and quality of products. Guangdong Medi-World Pharmaceutical Co., Ltd. ("Guangdong Medi-World"), our subsidiary, accumulated rich technical experience in the manufacturing of controlled-released and sustained-release preparation, and produced two signature products, namely Nifedipine Sustained-release Tablet, and Fexofenadine/Pseudophedrine Sustained-release Capsule. Dezhong was also among the top in modern traditional Chinese medicine preparation technology and quality standard research in China, particularly in the techniques of Spray drying method and double-decked sheeting technology. The quality control standard of the Group has always been above the national standard, and our products, namely Bi Yan Kang Tablet, Yu Ping Feng

* Lingnan（嶺南）is a geographic area referring to lands in the south of China's "Five Ranges". The region covers the Guangdong, Guangxi, Hainan, Hunan, and Jiangxi provinces.

Granule and VC Yinqiao Tablet rank first among like products in terms of quality, and were included in the "National Pharmacopoeia" in 2010. Our continuing emphasis on quality of drugs and production technique have enabled us to achieve good results in the centralized public bidding in drug purchasing of medical institutions of various provinces.

OUTLOOK AND STRATEGIES

According to the statistics of China Southern Pharmaceutical Research Institute, the compound annual growth rate of the pharmaceutical market in China for the past 10 years was 16.46%. It is expected that the gross product of the pharmaceutical sector in China would reach RMB1,256 billion, or an increase of 25% over the corresponding period in 2010. Based on the latest forecast of IMS Health, an international pharmaceutical research institute, the compound annual growth rate of the pharmaceutical market in China would reach 24% during 2011 to 2015. Such growth momentum is believed to be driven by the remarkable improvement in the ability of households to increase spending on medical needs, as well as the higher level of urbanisation. With the full implementation of the Essential Drugs System and the continuous investment in the New Medical Reform by various levels of governments, the market share of National Essential Drugs is expected to increase gradually, and remarkable growth of drug consumption in the First and Third End Markets is expected to be seen.

At present, the Group has more than 200 types of products covering Chinese patent medicine, chemical drugs and bio-drugs. These drugs were mainly under 12 categories of clinical disease types, including cerebro-cardiovascular, respiratory, gynecology, pediatrics, orthopedics, ear-nose-throat, and injury. These products have established their brand recognition and sales support in the domains of cerebro-cardiovascular, respiratory disease, injury and pain relief. 5 exclusive products of the Group were included in the new version of the National Medical Insurance List, being Yu Ping Feng Granule, Bi Yan Kang Tablet, Gandakang Tablet (肝達康片), Bai Ling Tablet (白靈片), and Wuji Bai Feng Granule (烏雞白鳳顆粒). The Group will continue to leverage on our rich product resources to enlarge our sales network, actively explore the First and Third End Markets and strengthen the brand advantage in the Second End Market.

Foshan of Guangdong was once one of the "Four Major Historic Towns" (「四大名鎮」) of China, and the cradle of Chinese Lingnan medicine, having a large number of renowned historic medicine shops such as Liang Zhonghong Wax Pill Shop (梁仲弘蠟丸館), Ma Pak Leung (馬佰良), Chop Lan Tong (集蘭堂), Yuen Kut Lam (源吉林), and Li Chung Shing Tong (李眾勝堂). During the Ming and Qing dynasties, kung fu and Cantonese opera were very popular in Foshan. This led to the popularity of Chinese patent medicine for sprains and bruises which gradually became the symbolic products of Chinese Lingnan medicine along with the birth of historic medicine shops well known for their bonesetting patent drugs such as Feng Liao Xing, Liang Caixin (梁財信) and Xi Ming Tang (西鳴堂). Martial art masters with Foshan origin such as Huang Fei Hong (黃飛鴻), Ye Wen (葉問) and Bruce Lee were the best spokesmen for Chinese Lingnan medicine. Through Feng Liao Xing, the Group inherited the excellent medical resources of historic medicine shops of Chinese Lingnan medicine. The municipal government of Foshan has been planning to revitalise the reputation of Foshan while the Group shall bear the mission of reviving the Chinese Lingnan medicine. We will strive our best to promote the martial art culture and heritage contained in the Chinese Lingnan medicine, nurture persistently the Chinese Lingnan medicine brands of “Dezhong” and “Feng Liao Xing” with the philosophy of “To rule medicine from morality” (「以德治醫」), in order to create the “Winteam” brand as “King of Lingnan Medicine” in furtherance of Chinese Lingnan medicine.

Looking forward, the Group wishes to integrate the essence of traditional Chinese medicine and modern pharmaceutical technology, continuously research and develop products with the support of technological innovation to meet market demand, and to realise the corporate mission of “Contributing to human healthcare; improving life quality and creating happy life.”

MANAGEMENT DISCUSSION AND ANALYSIS

Sales review

During the year under review, the Group adjusted the product mix according to the medical reform policies and market changes, and devoted more efforts and resources on promoting the corporate and product brand images. We adopted more diversified sales model to explore sales network and channel in increase the product coverage to more hospitals and retail end markets. We also strengthened the market position of our core products amid intense competition in the pharmaceutical market, resulting in satisfactory growth of sales.

Sales of core products

According to the product mix planning, the Group focused on developing products with market capacity and state policy advantages. These products cover respiratory system drug, cerebro-cardiovascular drug, pediatrics and immunology medicine, Rheumatic diseases and injury drug, special antibiotics and oncology drugs, with major products such as Bi Yan Kang Tablet, VC Yinqiao Tablet, Sheng Tong Ping (Nifedipine Sustained-release Tablet), Yu Ping Feng Granule, Feng Liao Xing Rheumatism Medicinal Wine, Gaode (Cefodizime Sodium for injection) and Sha Pei Lin (Group A Streptococcus for injection).

During the year under review, sales of the Group were HK$939,178,000, representing an increase of 40.1%, as compared to HK$670,175,000 of the same period last year. Sales of the 7 core products were HK$575,784,000, representing an increase of 51.2%, as compared to HK$380,700,000 of the same period last year, and accounted for 61.3% of the sales of the Group.

Respiratory system drug

The major products were Bi Yan Kang Tablet and VC Yinqiao Tablet produced by Dezhong. Bi Yan Kang Tablet is one of the exclusive products under the new version of the National Essential Drugs List and the Medical Insurance List. During the year under review, sales of Bi Yan Kang Tablet amounted to HK$216,570,000, representing an increase of 101.4% compared to HK$107,558,000 of the same period last year, and accounted for 23.1% of the total sales of the Group. Sales of VC Yinqiao Tablet were HK$32,616,000, decreased by 6.7% compared to HK$34,975,000 of the same period last year, and accounted for 3.5% of the sales of the Group.

The remarkable growth of sales of Bi Yan Kang Tablet was principally attributable to the resources that the Group spent on promoting the product through various media across China including television advertisement by phases, and the increased production volume to match the promotion and marketing campaign undertaken at retail sales points such as pharmacies and large chain store pharmacies. These efforts have effectively enhanced the brand awareness and coverage of Bi Yan Kang Tablet, resulting in satisfactory results of sales in the retail sales points. The growth of sales of Bi Yan Kang Tablet was also benefitted from the growth of sales in hospital prescription after the product was included in the National Essential Drugs List, as well as the highly effective product price maintenance measures.

Using Biyankang Tablet as the centre of focus, the Group also selectively introduced western medicine such as antihistamine drug to cure allergic rhinitis and other types of Chinese patent drugs and Phinamide (鼻炎滴劑), creating a comprehensive product line for rhinitis under the “Dezhong” brand. The target market of these products was mainly retail pharmacies and basic medical institutions.

Cerebro-cardiovascular drug

The major product was Sheng Tong Ping (Nifedipine Sustained-release Tablet) produced by Guangdong Medi-World which was a chemical drug mainly used to relieve high blood pressure and nerve pain of heart. It is the leading product of its kind in the mainland and the model of controlled-release and sustained-release preparation in Guangdong province. During the year under review, sales of Sheng Tong Ping were HK$98,664,000, increased by 21.2% compared to HK$81,388,000 of the same period last year, and accounted for 10.5% of the total sales of the Group.

From 2004 to 2009, sales of Sheng Tong Ping increased to 9.11 million packs from 3.49 million packs, with a compound annual growth rate was 21.1%. This was benefitted from the academic marketing strategy of Sheng Tong Ping which the Group have been persistently implemented. The cerebro-cardiovascular team of the Group invited authoritative medical experts to cooperate on a long term basis. Through hosting forum and discussion panels on high blood pressure studies, we established the brand and product image of Sheng Tong Ping in the professional domain. Besides, since March 2008, the Group launched the “Step by Step Penetration Program” (「星火燎原計劃」) (the “Plan”) in full to explore the Third End Market. The Plan used Guangdong as the focal point to expand its sales network and penetrate into other provinces in China. At present, the Plan already covered 22 provinces and fostered the steady and continuous growth of sales of products of Sheng Tong Ping over the years.

Going forward, the Group has selected several types of cerebro-cardiovascular product on which its promotion efforts will be focused. These include western medicine such as Sheng Tong Ping, Compound Eualapril, Telmisartan and Indapamide sustained-release Tablets; and the exclusive Chinese patent medicines such as Shengmai Capsule（生脈膠囊）and Shentian Capsule（參田膠囊）. The market positioning of the cerebro-cardiovascular products is the second tier and third tier municipal hospitals and basic medical institutions of county and village and town levels.

Pediatrics and immunology medicine

The principal product under this category was Yu Ping Feng Granule produced by Guangdong Medi-World, which was Chinese traditional medicine used to strengthen the immune system. Yu Ping Feng Granule is included in the "National Traditional Chinese Medicine Protected Category", "Reserve Drugs for Severe Pandemic" of the state and the exclusive product under Chinese patent medicine in the new version of the National Essential Drugs List. During the year under review, sales of Yu Ping Feng Granule were HK$78,737,000, which recorded a substantial rise of 140.0% as compared to HK$32,811,000 of the same period last year.

Yu Ping Feng Granule was a product that the Group developed with emphasis, targeting at hospitals in large cities as well as basic medical institutions and OTC retail markets. The Group fully leveraged on the progress of research on immunology in recent years and positioned Yu Ping Feng Granule as "The Chinese medicinal herb immunomodulator". Through promotion in the academic domain and hosting conferences for all key hospital units in China, the Group promoted the pathological effects of "Two-way immune modulation" of Yu Ping Feng Granule with medical proof. At the end of 2010, the Group supported the National pediatrics Immunology Annual Meeting as sole sponsor, and invited famous experts of pediatrics and immunology from China and abroad to deliver seminars. The research reports published during the Meeting proved the regulatory effects to the immunological system of Yu Ping Feng Granule, which has benefited the promotion of Yu Ping Feng Granule in China, and at the same time provided a basis for clinical application of Yu Ping Feng Granule by a lot of doctors.

With the gradual implementation of the National Essential Drugs System, a growing trend of sales for medical institution prescription appeared. Driven by the support from medical institutions and the effective implementation of the promotion plan of core products in OTC sales points in China by the Group, growth of Yu Ping Feng Granule was also seen in the OTC retail markets. From 2008 to 2010, the annual compound growth rate of sales of Yu Ping Feng Granule was 100%.

Rheumatic diseases and traumatic injury drug

This type of Chinese patent medicine was the signature product of the Group. The major product was Feng Liao Xing Rheumatism Medicinal Wine. During the year under review, sales of Feng Liao Xing Rheumatism Medicinal Wine were HK$42,791,000, which showed a decrease of 19.4% compared to HK$53,097,000 of the same period last year, and accounted for 4.6% of the total sales of the Group.

During the second half of 2010, the Group redeveloped the future sales strategy for rheumatic disease and traumatic injury drug. On top of Feng Liao Xing Rheumatism Medicinal Wine which has always been our emphasis, we also supplemented some exclusive external products for traumatic injury to enrich our product mix, which are Shaolin Dieda Herbal Plaster, Jinlong Shangshi Herbal Plaster（金龍傷濕止痛膏）, Jin Shu Dieda Pill（金術跌打丸）and Jiehong Dieda Tincture（竭紅跌打酊）. Through redesigning packaging, adjusting product prices and sales channels, and allocating more sales staff for Rheumatic diseases and traumatic injury products, we have successfully penetrated the basic medical market at county and village and town levels as well as the retail market.

Anti-biotics for injection

Gaode (Cefodizime Sodium for injection), an antibiotic of injection type under Cefodizime Sodium, currently enjoyed the largest market share for the same type of products in China. The product is applied to infection caused by allergic bacteria, such as upper and lower urinary infection and Gonorrhea. During the year under review, sales of Gaode were HK$91,986,000, increased by 51.6% compared to HK$60,663,000 of the same period last year, and accounted for 9.8% of the total sales of the Group.

Since more provinces included Gaode in the Medical Insurance List at provincial level and Essential Drugs List for New Village Cooperative Medical Treatment, the geographical coverage of Gaode has been expanded. At the same time, there was further refinement of the original sales agency model in provinces, with the distribution system penetrated to cities at local and county levels which resulted in a wider market coverage for this product.

Oncology drug

Sha Pei Lin (Group A Streptococcus for injection) was the most powerful and widely accepted super antigen biological reactions modulators (BRM). It was mainly used to cure ascites caused by malignant neoplasm and as ancillary treatment of tumors. During the year under review, sales of Sha Pei Lin were HK$14,420,000, which recorded an increase by 41.3% compared to HK$10,208,000 of the same period last year, and accounted for 1.5% of the total sales of the Group.

Sales of other products

During the year under review, sales of other products of the Group were HK$363,394,000, increased by 25.5% compared to HK$289,475,000 of the same period last year, and accounted for 38.7% of the total sales of the Group. The adjustment of product lines and clear brand positioning of the Group not only fostered the sales of core products but also drove the growth of sales of other products. Other than the above core products, 6 products of the Group recorded sale of over HK$10 million, reflecting the rich product resources of the Group and potential for future development.

Cost control

During the year under review, due to inflation pressure, there was a significant surge in prices of raw materials of traditional Chinese medicine as well as the costs of packing materials and fuel costs. Despite this, gross profit of the Group managed to improved by 62.4% to HK$523,904,000. Gross profit margin increased by 7.6 percentage points to 55.8% from 48.2% of the same period last year.

During the year under review, the Group strictly implemented cost control measures. These measures mainly included careful selection of suppliers to ensure raw materials procured are of high quality at low costs with stable and adequate supply; optimizing skills to improve the quality of products and efficiency of production; and re-formulating employee remuneration policies such as floating wages system and incentive and punishment proposals. In addition, the group's subsidiary, Foshan Nanhai Pharmaceutical Group Medicinal Material Co. Ltd. ("Nanhai Pharmaceutical"), served as the central procurement platform of the traditional Chinese medicinal materials and effectively reduced the costs of procurement through bulk purchases. Through reasonable adjustment of the prices of products, the Group enhanced operating efficiency and reduced operating costs and thus increased its overall gross profit margin.

It is expected that the prices of Chinese medical materials would still stand at a relatively high level in 2011 which is expected to exert pressure on the cost of sales for the Group. In light of this, the Group plans to set up GAP ("Good Agriculture Practice") bases for key traditional Chinese medicinal materials (such as astragali radix and angelica sinensis) in Gansu province of China with an aim to ensuring stability in the supply and prices of traditional Chinese medicinal materials.

Research and development

Research and development expenses invested by the Group during the year under review amounted to HK$37,508,000, representing a substantial growth of 216.7% compared to HK$11,845,000 of last year. Based on our own advantages and the current development status of the pharmaceutical sector, we determined modernisation of traditional Chinese medicine and new pharmaceutical preparations (新型藥物製劑) as the development strategy of our core competitiveness.

In the area of new drugs, the Group would enrich the existing product lines of cerebro-cardiovascular system, nervous system, special antibiotics, and anti-oncology drugs. In the pharmaceutical preparations area, controlled-release and sustained-release preparation and lipid microsphere would be the representative products. The competitiveness of the Group would be enhanced from a technical perspective by implementing planning of product research and development, developing characteristics and advantages of our product types, and improving production skills and quality level.

Substantial capital investment

The Group commenced several projects to enhance productivity and competitiveness during the year to meet the keen demand in the pharmaceutical market in the future.

In January 2010, the Group acquired the land use right of a plot of land located in Gao Ming District, Foshan, at a consideration of approximately RMB17,500,000 for the purpose of constructing a modern Chinese medicine extract and preliminary treatment centre to increase production capacity to meet the ever increasing sales demand of the Group. The centre occupied approximately 106 mu with a gross floor area of approximately 70,000 square metres. Construction work is expected to be completed and operation is expected to commence at the end of this year, with a capacity to process 20,000 tonnes of traditional Chinese medicine, process and pack 80 million packs of traditional Chinese medicine drinks, and produce 10,000 tonnes of traditional Chinese medicinal wine. The centre is also expected to achieve an upgrade in technology and techniques for preparatory treatment, extracting of traditional Chinese medicine, and become the most advanced and sizeable extraction and preliminary treatment centre in the Pearl Delta region. The centre would help to remove the bottleneck constraints of the production of Chinese patent medicine for the Group.

In April 2010, the Group successfully obtained the land use right of a plot of land of approximately 33 mu located in Chan Cheng District, Foshan by tender at a consideration of approximately RMB77,060,000. The plot of land is planned to be used for the construction of the headquarters of the Group, a product inspection centre and a modern pharmaceutical research centre.

In addition, the Group also expanded the workshop of the granule products at Guangdong Medi-World, increasing its production capacity by 3.5 times of the existing capacity to 1 billion packs. The workshop is expected to commence operation in June 2012.

Outlook

Due to the continuous improvement in the living standard of people and an increasingly ageing population, the demand for medical and healthcare services in China will be keener and stronger. Consumers are more health conscious and the demand for high quality drugs at low prices continues to increase. The New Medical Reform would also bring revolutionary changes and precious development opportunities to the pharmaceutical sector. With the gradual implementation of the Essential Drugs System, pharmaceutical companies of ordinary drugs with quality product and brand will get more policy support and thus advantages in their development. Such factors will bring huge market opportunities for the Group.

The development of pharmaceutical companies can be affected easily by state pharmaceutical policies. For instance, the new policy for centralised procurement by tender and centralised allocation and distribution will further standardise the market practices; the promulgation of the new version of GMP standard will enhance the standard and quality control of the production of drugs. These will speed up the adjustment and consolidation of the sector. In addition, there will be more changes in the pricing principles, method of ascertaining prices and individual pricing etc as a result of the forthcoming implementation of “Administrative Measures for the Pricing of Drugs”. Furthermore, the Group will have to face keen competitions and challenges from competitors in the pharmaceutical sector, particularly from those who possess richer or more exclusive product lines, stronger brands and distribution network, and lower cost structure. Such factors bring uncertainty and volatility to the sales of the Group. In response to these, we may need to invest more capital to upgrade our production facilities, conduct marketing and promotion activities for our products and brand, as well as carry out research and development of new drugs. These measures may cause of costs and expenses to increase.

Notwithstanding these challenges, with the thorough implementation of the established development strategies, enhancement of three critical operating capability in research and development and innovation, quality of production and marketing, and by grasping those merger and acquisition opportunities which will benefit us in the aspects of brand, sales network, product and research and development, we believe the Group is in a niche position to gain from the future golden opportunities of the pharmaceutical sector and create higher value for shareholders.

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2010
(Expressed in Hong Kong dollars)

	Note	**2010** **$'000**	2009 $'000
Turnover	*2*	**939,178**	670,175
Cost of sales		**(415,274)**	(347,479)
Gross profit		**523,904**	322,696
Other revenue	*3*	**13,348**	12,004
Other net income	*3*	**9,034**	1,184
Selling and distribution costs		**(317,161)**	(161,625)
Administrative expenses		**(110,064)**	(78,473)
Profit from operations		**119,061**	95,786
Finance costs		**(3,831)**	(5,321)
Profit before taxation	*4*	**115,230**	90,465
Income tax	*5*	**(29,151)**	(22,239)
Profit for the year		**86,079**	68,226
Attributable to:			
Equity shareholders of the Company		**60,925**	44,054
Non-controlling interests		**25,154**	24,172
Profit for the year		**86,079**	68,226
Earnings per share	*6*		
Basic		**3.53 cents**	2.82 cents
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2010
(Expressed in Hong Kong dollars)

	Note	2010	2009
		$'000	*$'000*
Profit for the year		**86,079**	68,226
Other comprehensive income for the year (after tax)			
Exchange differences on translation of financial statements of overseas subsidiaries		**35,444**	4,109
Available-for-sale securities: net movement in fair value reserve		**1,974**	1,358
		37,418	5,467
Total comprehensive income for the year		**123,497**	73,693
Attributable to:			
Equity shareholders of the Company		**93,888**	49,258
Non-controlling interests		**29,609**	24,435
Total comprehensive income for the year		**123,497**	73,693

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

(Expressed in Hong Kong dollars)

	Note	**2010**	2009
		$'000	*$'000*
Non-current assets			
Fixed assets			
– Other property, plant and equipment		**237,500**	247,352
– Investment property		**3,471**	2,543
– Interests in leasehold land held for own use under operating leases		**192,544**	97,200
Construction in progress		**41,745**	14,396
		475,260	361,491
Intangible assets		**115,174**	135,127
Goodwill		**192,578**	186,197
Other financial assets		**9,840**	5,828
Deferred tax assets		**12,612**	6,045
		805,464	694,688
Current assets			
Other financial assets		**31,003**	–
Inventories		**168,973**	115,041
Trade and other receivables	*8*	**219,849**	159,710
Deposits with banks		**60,875**	22,033
Cash and cash equivalents		**120,012**	211,462
		600,712	508,246
Current liabilities			
Trade and other payables	*9*	**361,291**	169,366
Bank loans		**109,294**	84,042
Current taxation		**13,466**	8,493
Current portion of deferred government grants		**5,038**	6,283
		489,089	268,184
Net current assets		**111,623**	240,062
Total assets less current liabilities		**917,087**	934,750

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 31 December 2010

(Expressed in Hong Kong dollars)

	Note	**2010**	2009
		$'000	*$'000*
Non-current liabilities			
Deferred tax liabilities		**58,312**	55,261
Deferred government grants		**9,591**	7,625
		67,903	62,886
NET ASSETS		**849,184**	871,864
CAPITAL AND RESERVES			
Share capital		**178,341**	162,841
Reserves		**657,318**	523,273
Total equity attributable to equity shareholders of the Company		**835,659**	686,114
Non-controlling interests		**13,525**	185,750
TOTAL EQUITY		**849,184**	871,864

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Significant accounting policies

(a) *Statement of compliance*

The consolidated results set out in this announcement do not constitute the Group's consolidated financial statements for year ended 31 December 2010 but are extracted from those consolidated financial statements.

The Group's financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company.

(b) *Basis of preparation of the financial statements*

The measurement basis used in the preparation of the financial statements is the historical cost basis except that certain financial instruments classified as available-for-sale are stated at their fair value.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2 Turnover

The principal activities of the Group are manufacture and sale of pharmaceutical products in the PRC. Turnover represents the sales value of goods sold less returns, discounts, value added tax, and sales tax and is analysed as follows:

	2010	2009
	$'000	*$'000*
Sales of pharmaceutical products		
– Pills and tablets	**487,453**	351,532
– Medicine wine	**42,791**	53,097
– Injections	**109,340**	74,555
– Paste, granules and others	**299,594**	190,991
	939,178	670,175

3 Other revenue and net income

	2010	2009
	$'000	*$'000*
Other revenue		
Government grants	**9,835**	9,354
Interest income	**1,879**	1,444
Rental income	**1,269**	1,114
Dividend income from unlisted equity securities	**365**	92
	13,348	12,004

	2010	2009
	$'000	*$'000*
Other net income		
Net gain/(loss) on sale of property, plant and equipment	**8,797**	(503)
Exchange loss	**(19)**	(68)
Others	**256**	1,755
	9,034	1,184

4 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	2010	2009
	$'000	*$'000*
(a) Finance costs:		
Interest on bank advances and other borrowings wholly repayable within five years	**3,831**	5,321
(b) Staff costs:		
Salaries, wages and other benefits	**110,073**	95,265
Contributions to defined contribution retirement plans	**6,607**	5,037
	116,680	100,302
(c) Other items:		
Auditors' remuneration	**2,107**	1,890
Depreciation and amortisation		
– investment properties	**289**	292
– assets held for use under operating leases	**2,294**	2,222
– property, plant and equipment	**26,895**	26,091
– intangible assets	**24,736**	23,567
Impairment losses		
– trade receivables	**2,464**	550
Operating lease charges: minimum lease payments	**2,803**	546
Research and development costs	**37,508**	11,845
Rentals receivable from investment properties less direct outgoings	**(1,269)**	(1,114)

5 Income tax in the consolidated income statement

(a) Taxation in the consolidated income statement represents:

	2010	2009
	$'000	*$'000*
Current tax		
PRC enterprise income tax for the year	**35,746**	25,604
Under-provision in respect of prior year	**1,408**	717
	37,154	26,321
Deferred tax		
Origination and reversal of temporary differences	**(8,003)**	(4,082)
	29,151	22,239

No provision has been made for the Hong Kong Profits Tax as the Company and its Hong Kong incorporated subsidiaries sustained losses in Hong Kong for taxation purposes during the year.

Pursuant to the Corporate Income Tax Law of PRC, the statutory tax rate applicable to the Group's PRC subsidiaries is 25%, except for Feng Liao Xing, Dezhong and Guangdong Medi-World, which were recognised as advanced and new technology enterprises to enjoy a preferential enterprise income tax rate of 15% for a three-year period with effect from 1 January 2008 pursuant to documents issued jointly by Guangdong Science and Technology Department, Guangdong Provincial Finance Bureau, Guangdong Provincial Office of the State Administration of Taxation and Guangdong Provincial Local Taxation Bureau.

Pursuant to the Corporate Income Tax Law of the PRC and its relevant regulations, PRC-resident enterprises are levied withholding income tax at 10% on dividends to their non-PRC-resident corporate investors for earnings accumulated beginning on 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax. Under the Sino-Hong Kong Double Tax Arrangement and its relevant regulations, a qualified Hong Kong tax resident which is the "beneficial owner" and holds 25% or more of the equity interest of a PRC-resident enterprise is entitled to a reduced withholding tax rate of 5%. The Group is subject to withholding tax rate of 5% on retained earnings beginning on 1 January 2008.

(b) *Reconciliation between tax expense and accounting profit at applicable tax rates:*

	2010	2009
	$'000	*$'000*
Profit before taxation	**115,230**	90,465
Notional tax on profit before taxation, calculated at rates applicable to profit in the countries concerned	**29,858**	27,989
Tax effect on non-deductible expenses	**3,235**	949
Tax effect on non-taxable revenue	**(435)**	(984)
Income tax concessions	**(10,172)**	(8,636)
Withholding tax on undistributed profits of PRC subsidiaries	**5,257**	2,204
Under-provision in respect of prior year	**1,408**	717
Actual tax expense	**29,151**	22,239

6 Earnings per share

(a) *Basic*

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of $60,925,000 (2009: $44,054,000) and the weighted average of 1,727,868,000 (2009: 1,561,958,000) ordinary shares in issue during the year.

(b) *Diluted*

There were no dilutive potential ordinary shares during the years presented and, therefore, diluted earnings per share is not presented.

7 Segment reporting

The Group manages its businesses by subsidiaries. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following five reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Dezhong
- Feng Liao Xing
- Guangdong Medi-World
- Shandong Luya Pharmaceutical Co., Ltd. ("Luya")
- Nanhai Pharmaceutical

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resource between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of investment in financial assets, deferred tax assets and other coperate assets. Segment liabilities include trade creditors, accruals and bills payable attributable to the manufacturing and sales activities of the individual segments and bank borrowings managed directly by the segements.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is "adjusted EBITDA" i.e. "adjusted earnings before interest, taxes, depreciation and amortisation", where "interest" is regarded as including investment income and "depreciation and amortisation" is regarded as including impairment losses on non-current assets. To arrive at adjusted EBITDA the group's earnings are further adjusted for items not specifically attributed to individual segements, such as directors' and auditors' remuneration and other head office or coporate administration costs.

In addition to receiving segment information concerning adjusted EBITDA, management is provided with segment information concerning revenue including inter segment, interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resources allocation and assessment of segment performance for the years ended 31 December 2010 and 2009 is set out below.

Year ended 31 December 2010

	Dezhong	**Feng Liao Xing**	**Guangdong Medi-World**	**Luya**	**Nanhai Pharmaceutical**	**Total**
	$'000	***$'000***	***$'000***	***$'000***	***$'000***	***$'000***
Revenue from external customers	**340,015**	**183,477**	**260,264**	**106,764**	**152,655**	**1,043,175**
Inter-segment revenue	**–**	**–**	**–**	**–**	**(103,997)**	**(103,997)**
Consolidated turnover	**340,015**	**183,477**	**260,264**	**106,764**	**48,658**	**939,178**
Reportable segment profit	**226,477**	**74,000**	**188,719**	**54,270**	**13,808**	**557,274**
Interest income from bank deposit	**1,536**	**218**	**53**	**18**	**53**	**1,878**
Interest expenses	**265**	**82**	**3,464**	**3**	**17**	**3,831**
Depreciation and amortisation for the year	**23,715**	**17,939**	**7,722**	**4,109**	**89**	**53,574**
Reportable segment assets at year end	**363,728**	**220,151**	**706,395**	**110,404**	**80,048**	**1,480,726**
Additions to non-current assets	**45,416**	**4,035**	**116,104**	**13,876**	**350**	**179,781**
Reportable segment liabilities at year end	**150,134**	**71,569**	**361,708**	**22,539**	**64,588**	**670,538**

Year ended 31 December 2009

	Dezhong	Feng Liao Xing	Guangdong Medi-World	Luya	Nanhai Pharmaceutical	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Revenue from external customers	223,470	178,702	186,264	71,988	19,367	679,791
Inter-segment revenue	–	–	–	–	(9,616)	(9,616)
Consolidated turnover	223,470	178,702	186,264	71,988	9,751	670,175
Reportable segment profit	116,601	64,453	135,503	36,531	2,230	355,318
Interest income from bank deposit	1,152	172	205	11	–	1,540
Interest expenses	–	782	3,719	752	97	5,350
Depreciation and amortisation for the year	22,874	11,752	6,325	2,357	89	43,397
Reportable segment assets at year end	258,546	186,831	268,823	99,506	30,194	843,900
Additions to non-current assets	4,616	2,711	190,591	23,304	501	221,723
Reportable segment liabilities at year end	71,013	68,983	97,205	35,672	21,980	294,853

(b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	2010	2009
	$'000	*$'000*
Revenue		
Reportable segment revenue	**1,043,175**	679,791
Elimination of inter-segment revenue	**(103,997)**	(9,616)
Consolidated turnover	**939,178**	670,175
Profit		
Reportable segment profit	**557,274**	355,318
Elimination of inter-segment profits	**(10,188)**	(1,107)
Reportable segment profit derived from the Group's external customers	**547,086**	354,211
Other revenue and net income	**22,382**	13,188
Depreciation and amortisation	**(54,214)**	(52,173)
Finance costs	**(3,831)**	(5,321)
Unallocated head office and corporate expenses	**(396,193)**	(219,440)
Consolidated profit before taxation	**115,230**	90,465

	At 31 December 2010	At 31 December 2009
	$'000	*$'000*
Assets		
Reportable segment assets	**1,480,726**	843,900
Elimination of inter-segment receivables	**(189,645)**	(27,638)
	1,291,081	816,262
Non-current financial assets	**9,840**	5,828
Deferred tax assets	**12,612**	6,045
Unallocated head office and corporate assets	**92,643**	374,799
Consolidated total assets	**1,406,176**	1,202,934
Liabilities		
Reportable segment liabilities	**670,538**	294,853
Elimination of inter-segment payables	**(189,645)**	(27,638)
	480,893	267,215
Current tax liabilities	**13,466**	8,493
Deferred tax liabilities	**58,312**	55,261
Unallocated head office and corporate liabilities	**4,321**	101
Consolidated total liabilities	**556,992**	331,070

(c) Geographic information

Analysis of the Group's turnover and results as well as analysis of the Group's carrying amount of segment assets and additions to property, plant and equipment by geographical market has not been presented as substantially all of the Group's assets are located in the PRC.

8 Trade and other receivables

	The Group	
	2010	2009
	$'000	*$'000*
Trade debtors and bills receivables	**198,585**	149,172
Less: allowance for doubtful debt	**(11,176)**	(8,364)
	187,409	140,808
Deposits and prepayments	**32,440**	18,902
	219,849	159,710

(a) Ageing analysis

Included in trade and other receivables are trade debtors and bills receivables with the following ageing analysis as of the balance sheet date:

	The Group	
	2010	2009
	$'000	*$'000*
Within 3 months of invoice date	**122,343**	120,040
3 to 6 months after invoice date	**38,009**	16,473
More than 6 months less than 12 months after invoice date	**27,057**	4,295
More than 12 months after invoice date	**11,176**	8,364
	198,585	149,172

Trade debtors and bills receivables are due within 30 to 90 days from the date of billing. All of the trade and bills receivables are expected to be recovered within one year.

9 Trade and other payables

	The Group	
	2010	2009
	$'000	*$'000*
Trade creditors	**85,824**	63,672
Other creditors and accrued charges	**241,606**	74,427
Advances received from customers	**33,861**	31,267
	361,291	169,366

Included in trade and other payables are trade creditors with the following ageing analysis as of the end of the reporting period:

	The Group	
	2010	2009
	$'000	*$'000*
Due within 1 month or on demand	**85,824**	63,672

Other creditors and accrued charges mainly include payable for acquisition of non-controlling interest on Foshan Zhong Hong Co., Ltd., accrued staff costs and benefits and advertising expenses payable.

All of the trade and other payables are expected to be settled within one year or payable on demand.

FINANCIAL OVERVIEW

Turnover

For the year ended 31 December 2010, the Group's turnover increased by 40.1% to HK$939,178,000 from HK$670,175,000 for the corresponding period of last year. The increase in turnover was the result of the Group's successful strategy in focusing on the medicines which have substantial market and enjoy advantages from state policies.

Cost of Sales and Gross Profit Margin

For the year ended 31 December 2010, the Group's cost of sales was HK$415,274,000, representing an increase of 19.5% as compared to HK$347,479,000 for the corresponding period of last year. Direct raw materials, direct labor and production overhead accounted for 75.6%, 10.5% and 13.9% of the total cost of sales respectively, as compared to 62.2%, 12.2% and 25.6% for the corresponding period of last year. For the year ended 31 December 2010, the Group's gross profit margin was 55.8%, representing an increase of 7.6 percentage points as compared to 48.2% for the corresponding period of last year. As Nanhai Pharmaceutical served as procurement platform of the Chinese medicinal materials for the subsidiaries of the Group, it effectively reduced the costs of procurement by bulk purchase of Chinese medicinal materials. Through reasonable adjustment of the prices of products, the Group enhanced operating efficiency and reduced operating costs and thus increased the overall gross profit margin of the Group.

Other Revenue

For the year ended 31 December 2010, the Group's other revenue was HK$13,348,000, representing an increase of 11.2% as compared to HK$12,004,000 for the corresponding period of last year. Such increase was mainly attributable to the increase of government grants by HK$481,000 to HK$9,835,000 and the increase of HK$435,000 of interest income as compared to the corresponding period of last year.

Other Net Income

For the year ended 31 December 2010, the Group's other net income was HK$9,034,000, representing an increase of 663.0% as compared to HK$1,184,000 for the corresponding period of last year. Such increase was mainly attributable to HK$8,797,000 net gain on the disposal of properties, plant and machinery during the year.

Selling and Distribution Costs

For the year ended 31 December 2010, the Group's selling and distribution costs amounted to HK$317,161,000, representing an increase of 96.2% as compared to HK$161,625,000 for the corresponding period of last year, which mainly consisted of advertising and promotion expenses of HK$87,701,000, salary expenses of sales and marketing staff of HK$49,176,000, distribution costs and traveling expenses of HK$144,579,000, and other cost of sales of HK$35,705,000. The increase in selling and distribution costs as compared to last year was due to the fact that the Group put more resources to promote the product image and brand image as well as extending the sales network with diversified marketing models, which allowed its products to gain access to more hospitals and the retail market.

Administrative Expenses

For the year ended 31 December 2010, the Group's administrative expenses amounted to HK$110,064,000, representing an increase of 40.3% as compared to HK$78,473,000 for the corresponding period of last year. Such increase was mainly attributable to the increase of research and development costs by HK$25,663,000 to HK$37,508,000 as compared to the corresponding period of last year. The administrative expenses mainly comprised of staff costs of HK$27,452,000, depreciation and amortisation of HK$6,359,000, expenses for product research and development of HK$37,508,000 and office rental and other expenses of HK$38,745,000.

Profit from Operations

For the year ended 31 December 2010, the Group's profit from operations was HK$119,061,000, representing an increase of 24.3% as compared to HK$95,786,000 for last year; and the operating profit ratio (defined as the profit from operations divided by the total turnover) decreased to 12.7% from 14.3% for the corresponding period of last year. Such decrease was due to the significant increase in selling and distribution costs for the year ended 31 December 2010.

Finance Costs

For the year ended 31 December 2010, the Group's finance costs amounted to HK$3,831,000 (year ended 31 December 2009: HK$5,321,000) which mainly represented the interest expenses of bank borrowings. The effective interest rate for the loans was 5.3% (31 December 2009: 5.6%).

Earnings per share

For the year ended 31 December 2010, the basic earnings per share was HK$ cent 3.53, representing a 25.2% increase as compared to HK$ cent 2.82 for the corresponding period of last year. The increase in basic earnings per share was due to the increase of 38.3% in the profit attributable to equity shareholders, which amounted to HK$60,925,000 (year ended 31 December 2009: HK$44,054,000), and the increase in the weighted average ordinary shares in issue, which was 1,727,868,000 shares (year ended 31 December 2009: 1,561,958,000 shares).

Liquidity and Financial Resources

As at 31 December 2010, the Group's current assets amounted to HK$600,712,000 (31 December 2009: HK$508,246,000), including cash and cash equivalents and deposits with banks of HK$180,887,000 (31 December 2009: HK$233,495,000). Current liabilities amounted to HK$489,089,000 (31 December 2009: HK$268,184,000). Net current assets aggregated to HK$111,623,000 (31 December 2009: HK$240,062,000). The Group's current ratio decreased from 1.9 as at 31 December 2009 to 1.2 as at 31 December 2010. The gearing ratio (defined as the bank loans divided by the interests attributable to equity shareholders of the Company) slightly increased from 12.2% for as at 31 December 2009 to 13.1% as at 31 December 2010. Such increase was due to the increment of bank loans as the Group requires sufficient fund to continue its business expansion and fund the investment to upgrade the production capacity.

BANK LOANS AND PLEDGE OF ASSETS

As at 31 December 2010, the balance of the Group's bank loan was HK$109,294,000 (31 December 2009: HK$84,042,000), of which HK$94,016,000 (31 December 2009: HK$59,511,000) was secured by the Group's assets.

CONTINGENT LIABILITIES

The Group did not have any contingent liabilities as at 31 December 2010 (31 December 2009: Nil).

EXCHANGE RATE RISK

During the period, individual companies within the Group have limited foreign currency risk as most of the transactions were denominated in the same currency as the functional currency of the operations to which they related. The Group is of the opinion that its exposure to foreign exchange rate fluctuations is limited and no financial instrument has been used for the purpose of hedging exchange rate risks.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2010, the Group employed a total of 2,760 (31 December 2009: 2,350) staff members, including directors of the Company, of which the number of sales staff, production staff and those engaged in research and development, operation and administration and senior management were 1,165, 1,130 and 465 respectively. Remuneration packages were principally comprised of salary and discretionary performance bonus based on individual merits. The Group's total remuneration for employees for the year was HK$116,680,000 (31 December 2009: HK$100,302,000).

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 2010 (2009: nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 27 May 2011 to Wednesday, 1 June 2011, both days inclusive, during which period no transfer of shares will be registered. In order to determine the identity of the shareholders who are entitled to attend and vote at the forthcoming annual general meeting, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the share registrars of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. Thursday, 26 May 2011.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SHARES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standard of corporate governance. The Company has complied with the Code on Corporate Governance Practices as set out in the Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2010.

AUDIT COMMITTEE

The Company's audit committee has met with the Group's senior management and the auditors to review the annual results and the financial statements for the year ended 31 December 2010.

By Order of the Board
DU Richeng
Chairman

Hong Kong, 22 March 2011

As at the date of this announcement, the Board comprises of 9 directors, of whom Mr. DU Richeng is the non-executive director; Mr. YANG Bin, Mr. XU Tiefeng, Mr. SITU Min and Mr. LI Songquan are the executive directors; and Mr. LO Wing Yat, Mr. PANG Fu Keung, Mr. WANG Bo and Mr. ZHANG Jianhui are the independent non-executive directors.