WUYI INTERNATIONAL PHARMACEUTICAL COMPANY LIMITED
武夷國際藥業有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1889)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

FINANCIAL HIGHLIGHTS

Turnover was RMB 569.3 million for the year ended 31 December 2011

Gross profit was RMB 203.6 million for the year ended 31 December 2011

Gross profit margin was 35.8% for the year ended 31 December 2011

Profit for the year was RMB56.9 million for the year ended 31 December 2011

Earnings per share was RMB3.3 cents for the year ended 31 December 2011

Recommended final dividend of HK0.8 cent per share

ANNUAL RESULTS

The board (the "Board") of directors (the Directors") of Wuyi International Pharmaceutical Company Limited ("Wuyi Pharmaceutical" or the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to the "Group") for the year ended 31 December 2011, together with the comparative figures of the year ended 31 December 2010.

The Group's financial information for the year ended 31 December 2011 in this announcement was prepared on the basis of the consolidated financial statements which have been reviewed by the Company's independent auditor and the Company's audit committee. The Group has agreed with the auditor as to the contents of this result announcement.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Notes	**2011** **RMB'000**	2010 *RMB'000*
Turnover	*4*	**569,285**	564,539
Cost of sales		**(365,673)**	(331,030)
Gross profit		**203,612**	233,509
Other revenue and net income	*5*	**9,621**	4,757
Distribution costs		**(75,013)**	(76,079)
Administrative and other expenses		**(47,134)**	(39,188)
Impairment loss on intangible assets	*11*	**(12,277)**	–
Finance costs	*6*	**–**	(1)
Profit before tax	*7*	**78,809**	122,998
Income tax	*8*	**(21,939)**	(17,046)
Profit for the year attributable to owners of the Company		**56,870**	105,952
Other comprehensive income for the year		**–**	–
Total comprehensive income for the year attributable to owners of the Company		**56,870**	105,952
Earnings per share			
– Basic and diluted	*10*	**RMB3.3 cents**	RMB6.2 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Notes	2011	2010
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment		**468,715**	353,926
Land use rights		**66,555**	67,973
Intangible assets	*11*	**1,789**	16,452
Deposits for the acquisition of non-current assets		**154,500**	46,000
Deferred tax assets		**6,815**	4,206
		698,374	488,557
Current assets			
Inventories		**21,738**	17,312
Trade and other receivables	*12*	**121,830**	171,654
Cash and cash equivalents	*13*	**815,814**	1,098,894
		959,382	1,287,860
Current liabilities			
Trade and other payables	*14*	**89,029**	109,557
Tax payable		**7,612**	9,467
		96,641	119,024
Net current assets		**862,741**	1,168,836
Total assets less current liabilities		**1,561,115**	1,657,393
Non-current liabilities			
Deferred tax liabilities		**6,359**	8,816
Net assets		**1,554,756**	1,648,577
Capital and reserves			
Share capital	*15*	**17,098**	17,098
Reserves		**1,537,658**	1,631,479
Total equity attributable to owners of the Company		**1,554,756**	1,648,577

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

Wuyi International Pharmaceutical Company Limited (the "Company") was incorporated and registered as an exempted company with limited liability under the Companies Law of the Cayman Islands and acts as an investment holding company. Its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 1 February 2007. The addresses of the registered office and principal place of business of the Company are 4/F., P.O. box 2804, George Town, Grand Cayman, Cayman Islands and Room 2805, 28/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong respectively. The principal activities of its principal subsidiaries are the development, manufacturing, marketing and sales of pharmaceutical products.

The financial statements are presented in Renminbi ("RMB") which is the same as the functional currency of the Company, rounded up to the nearest thousand.

2. CHANGES IN ACCOUNTING POLICY

The Hong Kong Institute of Certified Public Accountants (the "HKICPA") has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") that are first effective for the current accounting period of the Company and its subsidiaries (together the "Group"). Of these, the following developments are relevant to the Group's financial statements:

– HKAS 24 (revised 2009), *Related Party Disclosures*

– Improvements to HKFRSs (2010)

– HK(IFRIC) – Int 19, *Extinguishing Financial Liabilities with Equity Instruments*

– Amendments to HK(IFRIC) – Int 14, *Prepayments of a Minimum Funding Requirement*

The Group has not applied any new and revised HKFRSs that is not yet effective for the current accounting period.

The amendments to HK(IFRIC) – Int 14 have had no material impact on the Group's financial statements as they were consistent with policies already adopted by the Group. HK(IFRIC) – Int 19 has not yet had a material impact on the Group's financial statements as these changes will first be effective as and when the Group enters a relevant transaction.

The impacts of other developments are discussed below:

– HKAS 24 (revised 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group' related party disclosures in the current and previous period. HKAS 24 (revised 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the Group because no entity within the Group is a government-related entity.

– *Improvements to HKFRSs (2010)* omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7, *Financial Instruments: Disclosures*. The disclosures about the Group's financial instruments have been conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recoginsed in the financial statements in the current and previous periods.

3. SEGMENT INFORMATION

The Group determines its operating segments based on the internal reports reviewed by the Chief Executive Officer, being the chief operating decision maker, that are used to make strategic decisions.

The Group is organised into one single reporting segment in respect of the development, manufacturing, marketing and sales of pharmaceutical products. In addition, the Group's revenue from external customers is derived solely from its operations in the PRC and all material non-current assets of the Group are located in the PRC. Accordingly, no segment analysis by product and geographical perspectives is provided.

During 2011 and 2010, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

4. TURNOVER

Turnover represents the invoiced value of goods sold by the Group to external customers after deducting goods returned, trade discounts and sales tax.

	2011	2010
	RMB'000	*RMB'000*
Sales of pharmaceutical products	**569,285**	564,539

5. OTHER REVENUE AND NET INCOME

	2011	2010
	RMB'000	*RMB'000*
Other revenue		
Bank interest income	**5,122**	3,941
Total interest income on financial assets not at fair value through profit or loss	**5,122**	3,941
Other net income		
Exchange gain, net	**4,499**	–
Sundry income	**–**	816
	9,621	4,757

6. FINANCE COSTS

	2011	2010
	RMB'000	*RMB'000*
Finance charges on obligations under a finance lease	**–**	1
Total interest expense on financial liabilities not at fair value through profit or loss	**–**	1

7. PROFIT BEFORE TAX

	2011	2010
	RMB'000	*RMB'000*
Profit before tax is arrived at after charging:		
Directors' emoluments	**3,227**	3,378
Other staff costs		
– Contributions to defined contribution retirement benefits scheme	**3,544**	3,459
– Salaries, wages and other benefits	**34,962**	31,880
Total staff costs *#	**41,733**	38,717
Depreciation of property, plant and equipment *#		
– owned by the Group	**31,715**	30,616
– held for own use under a finance lease	**4**	5
	31,719	30,621
Amortisation of intangible assets	**2,386**	2,386
Amortisation of land use rights	**1,418**	1,138
Auditor's remuneration	**609**	595
Exchange loss included in administrative and other expenses, net	**–**	27
Operating lease payments in respect of rented premises	**889**	887
Cost of inventories #	**365,673**	331,030
Research and development costs *	**3,514**	2,248

Cost of inventories includes RMB37,813,000 (2010: RMB36,212,000) relating to staff costs and depreciation which amount is also included in the respective total amounts disclosed separately above.

* Research and development costs includes RMB2,194,000 (2010: RMB1,964,000) relating to staff costs and depreciation which amount is also included in the respective total amounts disclosed separately above.

8. INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2011	2010
	RMB'000	*RMB'000*
Current tax-PRC corporate income tax		
Provision for the year	**27,005**	18,577
Deferred taxation		
– Origination and reversal of temporary differences	**(5,965)**	(2,845)
– Withholding tax at 5% on the distributable profits of the PRC subsidiaries	**899**	1,314
	(5,066)	(1,531)
	21,939	17,046

a) PRC corporate income tax is calculated at the applicable rates in accordance with the relevant laws and regulations in the PRC.

Pursuant to the Income Tax Law for the Foreign Investment Enterprises and Foreign Enterprises in the PRC, Fujian Sanai Pharmaceutical Co., Ltd. ("Fujian Sanai") and Fuzhou Sanai Pharmaceutical Co., Ltd. ("Fuzhou Sanai"), which qualified as Production Enterprises during the year 2006 and 2008 respectively, shall be entitled to exemption from PRC corporate income tax for two years commencing from their first profit-making year of operation and thereafter, these PRC subsidiaries will be entitled to a 50% relief from PRC corporate income tax for the following three years.

Fujian Sanai, a wholly foreign owned enterprise, was subject to PRC corporate income tax at a rate of 25% applicable to the company on the assessable profits for the year. It was exempted from PRC corporate income tax for two years starting from the first year of profitable operations after offsetting prior year losses, followed by a 50% reduction for the next three years. The first year of profitable operations is the year ended 31 December 2006. Commencing from 2008, the profit generated from Fujian Sanai is subject to an income tax rate of 12.5%, being half of the corporate income tax rate applicable. Such tax exemption expired on 31 December 2010.

Fuzhou Sanai, a wholly foreign owned enterprise, was located at a specific economic development zone and was entitled to a preferential PRC corporate income tax rate of 15%. Pursuant to the State Council Circular on the Implementation of the Transitional Concession Policies for Corporate Income Tax (Guo Fa [2007] no. 39), enterprises eligible for preferential tax treatment shall gradually be subject to the new tax rate over a five-year transitional period until 31 December 2012. Fuzhou Sanai was subject to corporate income tax rate of 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012. Fuzhou Sanai was exempted from PRC corporate income tax for two years starting from the first year of profitable operations after offsetting prior year losses, followed by a 50% reduction for the next three years. The first year of profitable operations is the year ended 31 December 2008. Commencing from 1 January 2010, the profit generated from Fuzhou Sanai was subject to income tax rates of 11% in 2010 and 12% in 2011, being half of the corporate income tax rate applicable. Such tax exemption will expire on 31 December 2012.

Fujian Sanai Pharmaceutical Trading Co., Limited ("Sanai Pharmaceutical Trading"), a PRC limited liability company, was subject to PRC corporate income tax at a rate of 25% applicable to the company on the assessable profits for the year (2010: 25%).

b) No provision for Hong Kong profits tax has been made as the Group had no assessable profits in Hong Kong for the year ended 31 December 2011 (2010: Nil).

c) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2011	2010
	RMB'000	*RMB'000*
Profit before tax	**78,809**	122,998
Notional tax on profit before tax, calculated at the rates applicable in the jurisdictions concerned	**20,170**	31,109
Tax effect of non-deductible expenses	**3,077**	7,624
Tax effect of non-taxable income	**–**	(4,366)
Tax effect of concessionary tax rates granted to the PRC subsidiaries	**(2,156)**	(18,434)
Tax effect of unrecognised temporary differences	**(51)**	(201)
Withholding tax at 5% on the distributable profits of the PRC subsidiaries	**899**	1,314
Actual tax expense	**21,939**	17,046

9. DIVIDENDS

a) Dividends payable to owners of the Company attributable to the year:

	2011	2010
	HK$'000	*HK$'000*
Final dividend proposed after the end of the reporting period of HK0.8 cent per share (2010: HK1.6 cents per share)	**13,678**	27,356
Special dividend proposed after the end of the reporting period of HK$ Nil (2010: HK8.8 cents per share)	**–**	150,460
	13,678	177,816
	RMB'000	*RMB'000*
Approximately equivalent to:		
– Final dividend	**11,120**	23,183
– Special dividend	**–**	127,508
	11,120	150,691

b) On 28 March 2012, the Board resolved to propose a final dividend of HK0.8 cent (approximately equivalent to RMB0.7 cent) per share for the year ended 31 December 2011 to the shareholders on the register of members of the Company and is subject to the approval of the shareholders in the forthcoming Annual General Meeting of the Company. The final dividend proposed subsequent to the reporting period have not been recognised as liabilities at the end of the reporting period.

c) Dividends payable to owners of the Company attributable to the previous financial year, approved and paid during the year.

	2011	2010
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK1.6 cents per share (2010: HK2.0 cents)	**27,356**	34,195
Special dividend in respect of the previous financial year, approved and paid during the year, of HK8.8 cents per share (2010: Nil)	**150,460**	–
	177,816	34,195
	RMB'000	*RMB'000*
Approximately equivalent to		
– Final dividend	**23,183**	29,996
– Special dividend	**127,508**	–
	150,691	29,996

10. EARNINGS PER SHARE

a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of approximately RMB56,870,000 (2010: RMB105,952,000) and the weighted average number of 1,709,772,500 ordinary shares (2010: 1,709,772,500 ordinary shares) in issue throughout the year.

b) Diluted earnings per share

Diluted earnings per share equals to basic earnings per share as there were no dilutive potential ordinary shares outstanding during both years ended 31 December 2011 and 2010.

11. INTANGIBLE ASSETS

The Group

	Patents	Product development costs	Total
	RMB'000	*RMB'000*	*RMB'000*
Cost			
At 1 January 2010, 31 December 2010, 1 January 2011 and 31 December 2011	16,230	7,977	24,207
Accumulated amortisation and impairment			
At 1 January 2010	3,209	2,160	5,369
Charge for the year	1,426	960	2,386
At 31 December 2010 and 1 January 2011	4,635	3,120	7,755
Charge for the year	1,426	960	2,386
Impairment loss recognised during the year	9,100	3,177	12,277
At 31 December 2011	15,161	7,257	22,418
Carrying amount			
At 31 December 2011	1,069	720	1,789
At 31 December 2010	11,595	4,857	16,452

The amortisation charged for the year is included in "administrative and other expenses" in the consolidated statement of comprehensive income.

The above intangible assets have finite useful lives and are amortised on a straight-line basis over its estimated useful life of five years, except for certain of the intangible assets which are not yet available for use.

The impairment loss recognised during the year solely relates to the Group's three products under development which are awaiting approval from State Food and Drug Administration ("SFDA"), the PRC governmental authority being responsible for regulation of food and drugs. Those three products under development have completed all technical assessments and major clinical researches since 2006 and awaiting an approval for registration to new products from SFDA for more than five years. There was no indication to let the Group for determination the timing of registration approval can be granted in the near future.

Therefore, the Group fully impaired those three products under development and recognised impairment loss during the year amounted to RMB12,277,000 (2010: Nil). The impairment loss has been included in the separate line item in the consolidated statement of comprehensive income.

12. TRADE AND OTHER RECEIVABLES

	2011	2010
	RMB'000	*RMB'000*
Trade receivables	**121,634**	171,451
Loans and receivables	**121,634**	171,451
Deposits and prepayments	**196**	203
	121,830	171,654

Notes:

i) The amount of the Group's deposits and prepayments expected to be recovered after more than one year is RMB69,000 (2010: RMB201,000). All of the other trade and other receivables are expected to be recovered or recognised as expenses within one year.

ii) The Group normally grants credit terms of 60 days to its customers. The following is an ageing analysis of trade receivables at the end of the reporting period:

	2011	2010
	RMB'000	*RMB'000*
Age		
0 to 30 days	**62,471**	87,121
31 to 60 days	**59,163**	84,330
	121,634	171,451

iv) Management closely monitors the credit quality of trade receivables and considers the trade receivables that are neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default. The Group does not hold any collateral over these balances.

v) There is no trade and other receivables that are past due or impaired as at 31 December 2011 and 2010.

13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents of the Group comprise cash at bank and in hand. During the year, the bank deposits of the Group carry interest at rates ranging from 0.01% to 0.5% (2010: 0.01% to 0.36%) per annum.

14. TRADE AND OTHER PAYABLES

	2011	2010
	RMB'000	*RMB'000*
Trade payables		
– a related company *	**1,127**	1,152
– others	**60,540**	73,839
	61,667	74,991
Payroll and welfare payables	**6,589**	5,654
Payable for acquisition of property, plant and equipment	**–**	3,500
Accrued charges	**5,731**	6,925
Other payables	**5,388**	5,094
Obligations under a finance lease	**–**	5
Financial liabilities measured at amortised cost	**79,375**	96,169
Other PRC tax payables	**9,654**	13,388
	89,029	109,557

* The related company is 福州宏宇包裝工業有限公司 (Fuzhou Hongyu Packing Co., Ltd.) ("Fuzhou Hongyu"), a company controlled by Mr. Lin Ou Wen who is a director and shareholder of the Company and has a beneficial interest in the related company.

The ageing analysis of trade payables is as follows:

	2011	2010
	RMB'000	*RMB'000*
Age		
0 to 30 days	**36,020**	41,284
31 to 60 days	**25,647**	33,707
	61,667	74,991

All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

15. SHARE CAPITAL

	Number of Share	Amount *HK$'000*
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2010, 31 December 2010, 1 January 2011 and 31 December 2011	3,200,000,000	32,000
Issued and fully paid:		
At 1 January 2010, 31 December 2010, 1 January 2011 and 31 December 2011	1,709,772,500	17,098

	2011 ***RMB'000***	2010 *RMB'000*
Shown in the consolidated statement of financial position at 31 December	17,098	17,098

16. CAPITAL COMMITMENTS

	2011 ***RMB'000***	2010 *RMB'000*
Capital expenditure contracted for but not provided for in the financial statements in respect of the acquisition of		
– intangible assets	**8,100**	8,100
– property, plant and equipment	**80,820**	47,200
	88,920	55,300

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Reviewing the year of 2011, the Chinese government continued to promulgate a number of related measures, guidelines and quality related requirements and regulations of the industry have been further strengthened. At the same time, China's drug tendering model of "low-price bidding" further dragged down our product prices, and surging costs of raw materials, packing materials and wage aggravated by price hikes in Mainland China also inevitably affected the profits of pharmaceutical enterprises. In the face of a challenging operating environment, Wuyi Pharmaceutical will continue to consolidate its existing business while committing to maintain the stable growth of the Group.

In the face of the multiple challenges arisen from the State policies and market competition, the Group adjusted the prices of four products in 2011, including N(2)-L-Alanyl-L-Glutamine Injectible, Amikacin Sulfate Injectable, Alginic Sodium Diester and Sodium Chloride Injectible and Xiangdan Injectibles, with the prices being scaled down by approximately 6.1% to 29.3%. Therefore, the overall gross profit margin declined to a certain extent.

For the year ended 31 December 2011, the Group has achieved turnover of approximately RMB569.3 million, representing a 0.8% increase over last year (2010: approximately RMB564.5 million). The overall gross profit margin was 35.8% (2010: 41.4%), representing a year-on-year decrease of 5.6 percentage points. Profits attributable to owners amounted to approximately RMB56.9 million during the year, representing a decrease of 46.3% over last year (2010: RMB106.0 million).

Since 28 March 2011, the SFDA has officially implemented the Administrative Measures Governing the Production Quality of Pharmaceutical Products (2010 Revision) (the "New GMP"), which imposed more specific stipulations on pharmaceutical enterprises in relation to the indicators of medicine R&D and production facilities. To comply with the requirements of the New GMP and enhance the Group's overall competitiveness, during the year, the Group actively carried out the construction and development of a new factory in Fujian Haixi Commercial Trading Development Zone, which is currently under smooth progress and the construction of the infrastructure is expected to be completed in 2012, which will commence operation in the second half of 2013 upon obtaining the GMP certification from the relevant authorities.

1. Development of Major Products

i. Perilla Oil Capsule

Perilla Oil Capsule is a key product of the Group and can effectively control hyperlipidemia. Perilla Oil Capsule was listed in the medical insurance directory of Fujian Province of the PRC in 2009. It has obtained approval from the authorities in Shanxi Province, Inner Mongolia and Xinjiang for listing in their medical insurance directory in 2010. During the year, the Group continued to place advertisements in televisions and journals so as to promote the popularity and quality of the products. Owing to the strenuous market competition within the industry, turnover of the product fell by approximately 6.6% to approximately RMB45.6 million, accounting for

8.0% of the Group's total turnover during the year. Gross profit margin dropped to 60.0% from 63.0% in 2010 due to soaring prices of raw materials.

ii. Omeprazole Enteric-Coated Capsules

The Group's new product, Omeprazole Enteric-Coated Capsules, has officially entered the market in June this year. The product is specifically for inhibiting gastric acid secretion and helicobacter pylori reflux. The Group mainly utilized its nationwide sales network, including utilizing rural and community markets for product distribution and securing market share. Meanwhile, the Group also promoted the efficacy of the product by means of TV commercials and new medicine promotional seminars, etc. During the year, sales of Omeprazole Enteric-Coated Capsules remained stable. As at 31 December 2011, turnover of the product was approximately RMB5.7 million, accounting for 1.0% of the Group's total turnover during the year. Gross profit margin amounted to 59.5%.

iii. N(2)-L Alanyl-LGlutamine Injectible

In 2011, sales of the product remained stable, due to the reducing number of the generic products of N(2)-L Alanyl-LGlutamine Injectible in the market alongside the Group's appropriate adjustments in sales strategies and product price. Turnover of the product was approximately RMB68.8 million, and gross profit margin amounted to 50.1%.

iv. Other Products

Xiangdan Injectible (specifically for cardiovascular and cerebrovascular diseases) is another popular product of the Group. It won a considerable share in the rural market with the advantages of outstanding efficacy and reasonable price. During the year, the Group continued to vigorously promote it in the rural market and hospitals. Turnover of 2-ml and 10-ml Xiangdan Injectible was approximately RMB12.4 million and RMB42.4 million, and gross profit margin was 4.3% and 38.8%, respectively.

The Group took initiative to cease the production of another western medicine product of the Company, Netilmicin Sulfate and Glucose Injectible immediately since last year because of unstable product quality, and inspection on the product was still underway while the production was suspended.

v. Development of New Medicines

The Group continued to actively engage in the development of new medicines in 2011, and conducted new research on Perilla Oil Capsule with Fujian University's Faculty of Medicine. Experts are now carrying out indication research on that project and have found new efficacies of the medicine such as softening of blood vessels and protection of liver function, which are breakthrough discoveries.

Fujian Sanai Pharmaceutical Co., Ltd., a wholly-owned subsidiary of the Group, entered into an agreement with Peking University's Faculty of Medicine to conduct ongoing research for new drugs, which were still under process during the year. The new anti-hepatitis Compound Drug Liver & Gall Bladder Tablets co-developed have completed toxicity test and entered into the stage of efficacy testing.

Another new product of the Company, Pazufloxacin Mesilate Injectible, is specifically for bronchitis, emphysema, bronchial asthma, tuberculosis, pneumonia, pulmonaryc cyst and renal infection. Due to stricter approval requirement from the mainland government authorities in the past two years, our new product Pazufloxacin Mesilate Injectible was still undergoing approval procedures in 2011.

vi. Sales agency for drugs

Fujian Sanai Pharmaceutical Trading Co., Limited ("Sanai Pharmaceutical Trading") was the agency of seven types of drugs mainly sold in the five provinces and cities of Fujian, Jiangsu, Zhejiang, Liaoning and Beijing during the year. During the year, as there was a decrease in sales staff and products sold through the agent, sales revenue amounted to approximately RMB13.0 million, representing a year-on-year decrease of 9.7%, accounting for approximately 2.3% of the Group's total turnover in 2011.

2. Sales Network and Marketing

The Group's sales network covers 20 key provinces, cities, autonomous regions and municipalities around the country, mainly covering the more affluent coastal cities and provinces of the eastern region and the northeastern region of China. The number of distributors for the Group has reached to 62 during the year. In comparison with last year, Sinopharm Holding Taizhou Co., Ltd. and Nanjing Pharmaceutical Holding Co., Ltd. were newly added distributors. The Group also continued to aggressively exploit the market in rural areas, generating sale revenue of RMB55.5 million from that market in 2011, which represented approximately 9.7% of our total turnover, which was substantially the same as that of last year.

To boost the brand awareness of the product, the Group promoted its brand image and product quality through television advertisements during the year. On the other hand, the Group also introduced the unique curativeness of the products via academic and new product promotion activities as well as medicine fairs.

OUTLOOK AND FUTURE DEVELOPMENT

2011 earmarks the concluding year of the Chinese government's medical reform. Although the intensity of the medical reform policies introduced by the Chinese government slowed down during the second half of the year, it will still have on-going effect on the pharmaceutical industry, which exposes the entire industry with formidable challenges.

In November 2011, the National Development and Reform Commission issued the "Twelfth Five-year Plan" for Pharmaceutical Technology Development, in which a primary market mainly comprising rural areas and city communities was firstly outlined, aiming at effectively enhancing the technology and services of primary health care institutions. Moreover, the "Twelfth Five-year Plan" for Biomedicine is pending to be promulgated, in which it stipulates that the financial support to be provided by the central government for the pharmaceutical industry will exceed RMB40 billion in order to realize an average annual growth rate of 20% for the total output of the pharmaceutical industry during the "Twelfth Five-year Plan" period. The introduction of the plan will bring about operational and financial support for the pharmaceutical industry, which favors the long-term development of pharmaceutical enterprises. In the short run, however, it will stir up competition in the industry, thereby casting more uncertainties for the development outlook of pharmaceutical enterprises.

In respect of drug tendering, Fujian, Sichuan and Anhui provinces have adopted a new tendering model for provincial pharmaceutical products in 2011, which has driven down medicine price significantly. In the future, along with the fact that more and more provinces have implemented the new tendering model, medicine price of different pharmaceutical enterprises will be further suppressed and the gross profit margin of products will decrease. In addition, Ministry of Health will make amendments to the National Essential Drugs List in 2012, which will enlarge the tendering scope of drugs while exacerbating the downward adjustment in product prices, bringing enormous pressure to the profitability of pharmaceutical enterprises.

In view of this, the Group will continue to adopt a steady development strategy in actively expanding sales channels, grasping development opportunities of primary medical services and sustaining the in-depth exploration of markets of rural areas and city communities so as to remedy the impact of the State policies on the Group and strive for more stable business results for 2012.

1. Establish new factory for capacity expansion to cope with the new GMP rules of the State

To match up with the new requirements in respect of medicine production of the New GMP of the State and to enhance the Group's overall competitiveness in the future, the Group actively carried out in the construction of a new factory in Fujian Haixi Commercial Trading Development Zone. We expected the construction of infrastructure will be completed at the end of 2012, with an aim to commence production upon obtaining the GMP certification within 2013, after which the expected maximum production capacity will increase up to three times after the capacity expansion. A new office building will also commence construction near the new factory with scheduled completion in 2012 to cope with the increasing need for office arisen from its business expansion.

2. Promote new products and enhance product sales

In 2012, the Group will focus on promoting Omeprazole Enteric-Coated Capsules, according to the tendering progress of pharmaceutical products of different provinces and cities. The Group will also promote the extensive uses of the product in curing diseases such as intestines and stomach ulcers by means of TV commercials and new medicine promotional seminars, etc. so as to uplift the sales volume. Meanwhile, the Group will also continue with the promotion of its key products, Perilla Oil Capsule to further increase the brand awareness and acquire more market share of the product.

3. **Continuously expand its sales network and increase market penetration**

The Group will continue to make use of the nationwide distribution network of Jointown Pharmaceutical Group Co., Ltd. to distribute products in rural communities in a dozen of southern provinces in China in order to consolidate our sales network further and stabilize the development of the proportion of sales in the rural market. The Group's existing sales network has extensively covered the rural market. We will strive to increase penetration in the community and rural markets in the future, with focus on 2A and 2B grade county hospitals and health centers in villages and towns.

The Group will make use of its solid financial strength to cope with the severe challenges calmly and with prudence, and promote existing products while constantly developing of new medicines, so as to maintain sustainable and optimal development of the enterprise while striving for maximum return for the shareholders.

Financial Review

1. **Turnover**

The Group's turnover recorded approximately RMB569.3 million (2010: RMB564.5 million), representing a slight increase of approximately 0.8% over last year. As disclosed in the 2011 Interim Report and the profit warning announcement of the Company dated 26 August 2011 and 30 January 2012 respectively, the State has for many times demanded pharmaceutical enterprises to lower medicine prices since 2010, the overall prices of medicines dropped significantly as the primary comprehensive reform has gained certain progress. Meanwhile, the NDRC issued the "Notice of Adjustment on the Maximum Retail Price of Certain Pharmaceuticals Related to Antibiotics and Cardiovascular Drugs"《關於調整部分抗微生物類和循環系統類藥品最高零售價格的通知》on 28 March 2011, which stipulated that the maximum retail prices of major antibiotics and medicines for long term use should be reduced by more than 20% on average. On the other hand, market competition has become increasingly intensified, and the popularity of Bid Winning at Lowest Price mode in the tendering procurement of national drugs led to further decline of sales price of products. In such an extremely challenging business environment and under multiple challenges arisen from the State policies and market pressures, the prices of some products are required to be lowered so as to align with the purchasing power and maintain its market share. In spite of this, the Group made every effort to improve its operation and turnover in the second half of the year amounted to approximately RMB300.6 million (first half of the year: approximately RMB268.7 million), an increase of approximately 11.9% compared with the first half of the year.

Turnover for 2011 was still dominated by the Western medicines, with a turnover of approximately RMB291.3 million recorded by the Group, accounting for approximately 51.2% of the overall turnover, a decrease of approximately 0.3% over last year (2010: approximately RMB292.1 million, representing approximately 51.7% of the overall turnover) as further restrictions and quality requirements on various aspects were imposed by SFDA. Turnover of the Chinese medicines amounted to approximately RMB265.0 million, accounting for approximately 46.5% of the overall turnover, an increase of approximately 2.7% over last year (2010: approximately RMB258.0

million, representing approximately 45.7% of the overall turnover). The gap between the turnover of Western medicines and Chinese medicines has been further narrowed. In addition, the newly added pharmaceutical trading revenue since the second half of 2008 recorded a turnover of approximately RMB13.0 million, representing approximately 2.3% of total turnover (2010: approximately RMB14.4 million, representing approximately 2.6% of the overall turnover), a decrease of approximately 9.7% over last year.

Although our key product, the Perilla Oil Capsule, has obtained approval from authorities in Fujian, Shanxi, Inner Mongolia and Xinjiang for listing in the medical insurance directory since last year and is still in the protection period, as it has yet to be listed in the national medical insurance directory, sales of the product were affected to some extent. Sales for the year amounted to approximately RMB45.6 million, representing approximately 8.0% of the overall turnover, a slight decrease of approximately 6.6% over last year (2010: approximately RMB48.8 million, representing approximately 8.6% of the overall turnover).

The highest sales volume during the year was again achieved by Western medicines, N(2)-L Alanyl-L-Glutamine Injectible, with a turnover of approximately RMB68.8 million, representing approximately 12.1% of the overall turnover (2010: approximately RMB81.9 million, representing approximately 14.5% of the overall turnover). Sales of the five top selling medicines amounted to approximately RMB226.7 million, representing approximately 39.8% of the overall turnover (2010: approximately RMB254.8 million, representing approximately 45.1% of the overall turnover).

2. Gross Profit and Gross Profit Margin

Gross profit of the Group decreased to approximately RMB203.6 million, representing a decrease of approximately 12.8% over last year (2010: approximately RMB233.5 million). Gross profit margin decreased by approximately 5.6 percentage points to approximately 35.8% over last year (2010: approximately 41.4%). The three main reasons for the decrease are as follows:

1) The overall prices of raw materials and packaging materials rose by approximately 14.9% as compared with last year. Relevant costs for the current year amounted to RMB303.0 million, representing approximately 82.9% of the overall costs of sales (2010: approximately RMB263.8 million, representing approximately 79.7% of the overall costs of sales), which led to the increase of production costs;

2) As mentioned above, while the model of Bid Wining at Lowest Price was implemented in tendering procurement of national drugs, market competition has also become increasingly intensified. Facing multiple challenges from the State policies and market pressure, the prices of some products are required to be lowered so as to align with the purchasing power of the market and market share. As a result, the overall gross profit margin was affected; and

3) In addition, as the new GMP certification (Administrative Measures Governing the Production Quality of Pharmaceutical Products) was implemented by SFDA on 28 March 2011, part of our large volume injectible, small volume injectible and tablet plants and some public utilities have to be upgraded, so the Group is required to increase capital expenditure for construction and development of plants and new production facilities since last year. The depreciation charges for current year therefore increased to approximately RMB29.3 million, representing an increase of approximately 3.5% over last year (2010: approximately RMB28.3 million). Gross profit decreased due to the increase of depreciation within sales costs.

However, except that the raw materials and packaging materials increased its proportion of cost of sales, other proportion of cost of goods sold, including depreciation charges, energy and fuel costs, and direct labour costs remained essentially the same compared with the same period of last year, except that such related amount decreased with sales.

3. Profit for the Year

In 2011, profit for the year of the Group amounted to approximately RMB56.9 million, representing a decrease of approximately 46.3% from 2010 (2010: approximately RMB106.0 million). As a number of related measures, guidelines and quality related requirements have been promulgated by the Chinese government, the supervision and regulations imposed on the domestic pharmaceutical industry have been tightened. Meanwhile, the model of Wining by Lower Price in tendering procurement of national drugs led to further decrease in sales prices of pharmaceutical products, and the price inflation in Mainland China resulted in the increase in costs of raw materials, packaging materials and salary expenses, hence the profit of pharmaceutical enterprise was inevitably affected.

In addition, distribution costs of the Group decreased approximately 1.4% to approximately RMB75.0 million (2010: approximately RMB76.1 million). During the year, the advertising and marketing expenses of our three wholly-owned subsidiaries in the PRC totalled approximately RMB53.0 million (2010: approximately RMB56.9 million). The main reasons for maintaining the advertising and marketing expenses were to increase the brand and product awareness of “Sanai” which would contribute to wider recognition of our products by the public and patients. Advertising also helped in the exploration of new rural market and product promotion, especially the brand awareness of “Sanai” in rural market during the year. The management believed that the effects of advertising will be achieved soon.

It is the fourth year since our new product Perilla Oil Capsule was launched in the market. To increase the awareness and public acceptance of the product, advertising and marketing efforts for the product continued during the year and related expenses amounted to approximately RMB8.0 million (2010: approximately RMB8.6 million), which were comparable with last year and used in television advertisement and academic promotion. The Group engaged experts and specialists in the relevant professional fields to hold academic promotional seminars for medical personnel across the nation. Through these seminars, doctors and patients had a clearer understanding of the pharmacology, efficacy and benefits of our products.

Administrative and other expenses amounted to approximately RMB47.1 million (2010: approximately RMB 39.2 million), representing an increase of approximately 20.2 % as compared to the previous year. This was mainly due to the fact that the State polices have undergone standardized revision in October 2010 and some of the local preferential tax treatments and exemptions originally enjoyed by foreign investment enterprises have been cancelled since 30 November 2010, leading to an increase of approximately 167.9% in urban construction and maintenance tax and education surtax for the year 2011 to approximately RMB14.2 million (2010: approximately RMB 5.3 million).

The impairment loss on intangible assets recognised during the year amounted to approximately RMB 12.3 million and discloses in the separate line in the consolidated statement of comprehensive income. Such non-cash and nonrecurring expense relates to the Group's three products under development, namely Fibrauretini and Sodium Chloride Injectible (黃藤素氯化鈉注射液), Pazufloxacin Mesilate Injectible (甲磺酸帕珠沙星氯化鈉注射液) and Nano Carbon Suspension Injectible (納米炭混懸注射液). Those three products under development have been completed all technical assessments and major clinical researches for more than 5 years and are awaiting an approval for registering the new products from SFDA. Although the Group from time to time carried out a review and put all effort for satisfying those extensive regulatory registration procedures since 2006, the Group did not receive any indication for determining the timing for registration approval from SFDA.

Finally, regarding our two wholly-owned subsidiaries in the PRC, Fujian Sanai has enjoyed a preferential tax arrangement at half of the Corporate Income Tax rate in the PRC since 2006, which continued until 2010. Since 1 January 2011, Fujian Shanai has to pay Corporate Income Tax at the rate of 25%. Another wholly-owned foreign investment subsidiary, Fuzhou Sanai has enjoyed a preferential tax arrangement of exemption from Corporate Income Tax rate for two years and 50% reduction for the following three years in the PRC since 2008, which will expire until 2012. Fuzhou Sanai still enjoyed such preferential tax arrangement. Tax expenses of the Group were approximately RMB21.9 million (2010: approximately RMB17.0 million) in total and the effective tax rate was 27.8% (2010: approximately 13.8%). It included withholding deferred income tax for the provision of undistributed profits for the three wholly-owned subsidiaries in the PRC and the deferred income tax expense amounted to approximately RMB0.9 million (2010: approximately RMB1.3 million).

4. Liquidity, Financial Resources and Capital Structure

As at 31 December 2011, the Group had cash and cash equivalents of approximately RMB815.9 million (2010: approximately RMB1,098.9 million). The Group continued to maintain a stable financial position with low gearing and healthy cash flows. The Group generated a net cash inflow from operating activities of approximately RMB117.5 million (2010: approximately RMB131.6 million). During the year, the Group did not use any financial instruments for hedging purpose.

The Group reviewed the capital structure by using a gearing ratio. The gearing ratio representing the total debt, which includes trade and other payables and obligations under a finance lease, of the Group divided by total equity of the Group. The gearing ratio of the Group was approximately 5.7% as at 31 December 2011 (2010: approximately 6.6%).

5. Exposure to Fluctuation in Exchange Rates

For the year ended 31 December 2011, the Group conducted its business transactions principally in Renminbi. The Group has not experienced any material difficulties or negative impacts on its operations as a result of fluctuations in currency exchange rates. Although the Group has certain bank balances denominated in Hong Kong dollars, the Group adopts a conservative financial policy and most of its bank deposits are in Renminbi and Hong Kong dollars. As at 31 December 2011, the Group did not have any bank liabilities, foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purpose. Therefore, the Group was not exposed to any material interest and exchange risks.

6. Material Acquisitions and Disposal of Investments

For the year ended 31 December 2011, the Group did not have any material acquisition and disposal of investment.

7. The Number and Remuneration of Employees

For the year ended 31 December 2011, the Group employed approximately 463 employees (2010: 468 employees). The Group determines staff remuneration in accordance with prevailing market salary scales, individual qualifications and performance. Remuneration packages including performance bonuses and entitlements to share options are reviewed on regular basis.

8. Charge on Group Assets

As at 31 December 2011, the net book value of furniture, fixtures and equipment of approximately RMB29.9 million (2010: approximately RMB34.2million) includes an amount of approximately RMB Nil (2010: approximately RMB4,000) in respect of asset held under a finance lease.

9. Contingent Liabilities

As at 31 December 2011, the Group did not have any contingent liabilities (2010: Nil).

10. Capital Expenditure

For the year ended 31 December 2011 capital expenditure of the Group for property, plant and equipment and land use rights amounted to approximately RMB146.5 million (2010: approximately RMB32.2 million).

11. Capital Commitments

As at 31 December 2011, the Group's capital expenditure contracted for but not provided in the financial statements amounted to approximately RMB88.9 million (2010: approximately RMB55.3 million).

12. Use of Proceeds

The net proceeds raised from the initial public offering after deducting relevant share issue expenses and the general working capital amounted to approximately RMB683.0 million.

For the year ended 31 December 2007, the Company applied approximately RMB230.0 million and approximately RMB114.7 million to the capital injection in our two major subsidiaries in the PRC Fujian Sanai and Fuzhou Sanai respectively in the PRC. The capital injected to these two subsidiaries is intended to be used in the construction and expansion of new plants and production lines in Fuzhou and Jianyang. An amount of approximately HK$62.0 million had been used for repayment of an interest-free shareholder's loan for the acquisition of a 40% interest in Fuzhou Sanai from Mr. Lin Ou Wen.

For the year ended 31 December 2008, the Group spent approximately RMB37.0 million for promotion of our brand through advertisement in some major national TV channels in the PRC. In addition, approximately RMB113.1 million had been utilized in the construction and acquisition of manufacturing equipment in Jiangyang factory.

For the year ended 31 December 2009, the Group spent approximately RMB60.7 million for promotion of our brand through advertisement in some major national TV channels in the PRC. In addition, approximately RMB41.4 million was utilized in the construction and acquisition of manufacturing equipment in Jianyang factory.

For the year ended 31 December 2010, the Group has continuously spent approximately RMB1.3 million for promotion of our brand through advertisement in some major national TV channels in the PRC. In addition, approximately RMB2.2 million has been utilized for research and development.

For the year ended 31 December 2011, the Group has continuously spent approximately RMB3.5 million for research and development.

The remaining balance of proceeds was placed in short term deposits with licensed commercial banks in the PRC.

DIVIDEND

Subsequent to the year ended date, the Board resolved to propose a final dividend of HK0.8 cent (equivalent to approximately RMB0.7 cent) per share for the year ended 31 December 2011 to the shareholders on the register of members of the Company on 28 June 2012, which is subject to the approval by the shareholders in the forthcoming Annual General Meeting of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("the Listing Rules") as the Company's own code for securities transactions by its Directors. In addition, the Company has made specific enquiries of all Directors and each Director confirms that during the year ended 31 December 2011, they have fully complied with the required standards as set out in the Model Code.

At no time during the year ended December 2011 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; nor was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, their respective spouses or minor children to acquire such rights in any other body corporate.

The Company has complied with Rules 3.10(1) and 3.10(2) of the Listing Rules and appointed three independent non-executive Directors including one with financial management expertise, details of their biographies were set out in the 2010 Annual Report of the Company.

SHARE OPTION SCHEME

The Company's share option scheme was adopted on 8 January 2007 by the way of passing resolutions by all the shareholders of the Company. For the year ended 31 December 2011, no share option has been granted under the share option scheme.

ANNUAL GENERAL MEETING

The 2012 Annual General Meeting of the Company will be held on 7 June 2012, Thursday and the Notice of Annual General Meeting will be published and dispatched in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Wednesday, 30 May 2012 to Thursday,7 June 2012 (both days inclusive) and from Thursday, 28 June 2012 to Friday, 6 July 2012 (both days inclusive). In order to be qualified for attending the annual general meeting in 2012, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 29 May 2012. In order to qualify for the proposed final dividend for the year ended 31 December 2011, all transfer documents accompanied by the relevant share certificates, must be lodged with the Registrar of the Company, Computershare Hong Kong Investors Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Wednesday, 27 June 2012.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its listed shares during the year.

COMPLIANCE OF THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieve a high standard of corporate governance practice, such that the interests of our shareholders, customers, employees as well as the long term development of the Company can be safeguarded.

Amendments to the Stock Exchange Code were announced in October 2011. The revised Appendix 14, Corporate Governance Code and Corporate Governance Report (the revised Stock Exchange Code) will become effective on 1 April 2012. As part of our unwavering commitment to high standards of corporate governance, we have early adopted part of new code provisions and, where appropriate, new recommended best practices as set out in the Code.

The Company has complied with the Code Provisions as set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules for the year ended 31 December 2011 ensuring that are up to the requirements as being diligent, accountable and professional.

In the opinion of the Board, the Company has complied with the Code since listing of the shares of the Company on 1 February 2007 except for deviation from provision A.2.1 in respect of the roles of chairman and chief executive officer ("CEO") of the Company. The Board considered that vesting the roles of Chairman and the CEO in the same person facilitates the execution of the Company's business strategies and maximizes effectiveness of its operations. The Board shall nevertheless review the structure from time to time and shall consider the appropriate adjustment should suitable circumstance arise. There are three independent non-executive Directors in the Board, all of them possess adequate independence and therefore the Board considers the Company has achieved balance of and provided sufficient protection to its interests.

AUDIT COMMITTEE

The Company has established an audit committee (the "AC") with written terms of reference in compliance with the Listing Rules. The AC comprises three Independent Non-executive Directors. Each member can bring to the AC his valuable experience in reviewing financial statements and evaluating significant control and financial issues of the Group who among themselves possess a wealth of management experience in the accounting profession or commercial sectors.

The principal duties of the AC include the review and supervision of the Company's financial reporting system, financial statements and internal control procedures. The AC also monitors the appointment of the Company's external auditor. The Company's interim result announcement and interim report for the six months ended 30 June 2011 and the annual result announcement and annual report for the year ended 31 December 2011 have been reviewed, with no disagreement among its members, by the AC, and with recommendation to the Board for approval.

The AC shall meet at least twice a year. On 23 March 2012, a meeting of the AC was held and Mr. Lam Yat Cheong (Chairman), Mr. Liu Jun and Mr. Du Jian, being all members of the AC were present at the meeting and the consolidated financial statements of the Company for the year ended 31 December 2011 were reviewed at such meeting.

The terms of reference of the AC are available for inspection on the Company's website at www.wuyi-pharma.com and the website of the Stock Exchange.

REMUNERATION COMMITTEE

The Company has established a Remuneration Committee (the "RC") with written terms of reference in compliance with the Listing Rules. The RC comprises three Independent Non-executive Directors and one Executive Director. The Board has delegated the authority to the RC to review and recommend to the Board the compensation scheme of the Company to the Directors as well as to the senior management staff.

The main function of the RC is to assist the Board to oversee the Company's remuneration packages, bonus and other compensation payable to Directors and senior management and establish a transparent procedure for developing policy on such remuneration. The Board shall in consultation with the Chairman of the RC provide sufficient resources to the RC to enable it to discharge its duties.

The RC has conducted a meeting on 2 December 2011 in which Mr. Lin Ou Wen (Chairman), Mr. Lam Yat Cheong, Mr. Liu Jun and Mr. Du Jian, being all members of the RC were present. The RC assisted the Board to review the remuneration of the Executive Directors and senior management and approved the remuneration packages of the Executive Directors for the year 2012.

In order to comply with the amendments to the Listing Rules which becomes effective on 1 April 2012, Mr. Lam Yat Cheong has been appointed as the chairman of the RC in replace of Mr. Lin Ou Wen through a board meeting on 24 February 2012 with all Directors' consent. Mr. Lin Ou Wen remained as a member of the RC.

The Company has adopted a share option scheme for the senior management and employees on 8 January 2007, which serves as incentives or rewards to attract, retain and motivate staff.

The terms of reference of the RC are available for inspection on the Company's website at www.wuyi-pharma.com and the website of the Stock Exchange.

NOMINATION COMMITTEE

The Company has established a Nomination Committee (the "NC") with written terms of reference in compliance with the Listing Rules. The NC comprises three Independent Non-executive Directors and two Executive Directors.

The main functions of the NC are to review the structure, size and composition of the Board, to identify individuals who are suitably qualified to become member of the Board, to assess the independence of the Independent Non-executive Directors. Having regard to the independence and quality of nominees, the NC shall make recommendations to the Board so as to ensure that all nominations are fair and transparent. The NC is also responsible for reviewing the succession planning for Directors, in particular the Chairman and the CEO. The Board shall provide sufficient resources to the NC to enable it to discharge its duties.

Pursuant to the Company's Articles of Association, one-third of the Directors for the time being (or, if their number is not a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation at each annual general meeting of the Company provided that every director shall be subject to retirement at least once every three years. The retiring Directors are eligible to offer themselves for re-election.

On 2 December 2011, a NC meeting was held with Mr. Lin Ou Wen (Chairman), Mr. Lin Qing Ping, Mr. Lam Yat Cheong, Mr. Liu Jun and Mr. Du Jian, being all members of the NC were present to perform appraisal of the Directors so as to recommend to the Board for re-election in the forthcoming annual general meeting of the Company and review the independence of the Independent Non-executive Directors.

The terms of reference of the NC are available for inspection on the Company's website at www.wuyi-pharma.com and the website of the Stock Exchange.

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

All the publications of the Company, including annual reports, interim reports, circulars, notices of general meetings and poll results of general meeting, are available on our Company's website at www.wuyi-pharma.com and the Stock Exchange's website at www.hkexnews.hk.

ACKNOWLEGEMENT

I would like to offer the Board's sincere gratitude to the management team and all other employees for their hard work and dedication. Their excellence and commitment are of vital importance in enhancing the Company's sustainability.

Finally, I would like to take this opportunity to thank our shareholders and all other stakeholders for their continuous support and confidence in us.

By Order of the Board
Wuyi International Pharmaceutical Company Limited
Lin Ou Wen
Chairman and Chief Executive Officer

Hong Kong, 28 March 2012

As at the date of this announcement, the Board comprises 3 Executive Directors, namely Mr. Lin Ou Wen (Chairman), Mr. Lin Qing Ping and Mr. Xu Chao Hui, 2 Non-executive Directors, namely Mr. Tang Bin and Mr. John Yang Wang, and 3 Independent Non-executive Directors, namely Mr. Liu Jun, Mr. Lam Yat Cheong and Mr. Du Jian.