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 2012

RESULTS HIGHLIGHTS

	Year ended 31 December		
	2012	2011	
	HK$'000	*HK$'000*	Change
Turnover	**1,268,143**	1,015,935	24.8%
Gross Profit	**693,228**	548,406	26.4%
Operating profit	**289,815**	102,144	183.7%
Profit before taxation	**265,984**	94,455	181.6%
Profit attributable to equity shareholders of the Company	**207,134**	72,072	187.4%
Net cash generated from/(used in) operating activities	**228,080**	(54,689)	(517.0%)
Basic earnings per share *(HK cent)*	**11.61**	4.04	187.4%

CHAIRMAN'S STATEMENT

I would like to express my gratitude to our shareholders and people from all circles for their continued attention and substantial support to the Group. On behalf of the board (the "Board") of directors (the "Directors") of Winteam Pharmaceutical Group Limited (the "Company"), I am 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 2012, together with the comparative figures for the year 2011 as follows:

In retrospect, amid the complex and changing external environment in 2012, the Group remained steadfast in pursuing its strategic objectives and achieved rapid growth in results through the concerted efforts of all staff, with encouraging performance seen in all aspects of operation.

COLLECTIVE EFFORTS CONTRIBUTED TO OUTSTANDING RESULTS

In 2012, the Group's revenue was HK$1,268,143,000, representing an increase of 24.8% compared to HK$1,015,935,000 in the corresponding period of last year; profit attributable to shareholders reached a record HK$207,134,000, representing a significant growth of 187.4% compared with HK$72,072,000 in the corresponding period of last year. Earnings per share for the year also increased to HK$11.61 cents from HK$4.04 cents from last year, representing an increase of 187.4%.

The Group is committed to becoming the most influential TCM company in China. Our core strategies for the Group's long-term development are underpinned by the aim of promoting our legendary brands as well as inheriting the essences of over 400 years of history in Lingnan TCM culture.

In 2012, the Group further focused on product, market and management optimizations and continued our brand promotion strategy to optimize resources available to our products. The well-known brand names of the Group, including Dezhong, Foshan and Feng Liao Xing, achieved comprehensive improvements in their brand values. Accommodating to the direction of the State's medical reform, the Group extended our sales coverage to downstream end-markets and actively established sales teams at primary levels. We achieved full penetration of commercial distribution and end-market promotions to county, village and town levels. By building a sales force of around 300 persons focusing on primary markets, we established relatively comprehensive sales networks in key regions across the nation, which provide a broad platform for promoting the Group's products. The Group continued to further deepen sales resource integration at end-markets and strengthened refined market division management, thereby achieving resource sharing among end-markets and boosting personnel structure optimization to clearly delineate the duties of each sales team and ensure our swift response to market changes. The Group also initiated researches on industry policies, participated in policy communications with the government in tendering and pricing efforts, and supported the policy direction of promoting an inexpensive drugs list, which we leveraged on the specialized features of the Group's products to incorporate policy advantages. Under these collective efforts, in 2012, the Group achieved satisfactory growth in the sales of its various key products, including Yu Ping Feng Granule (玉屏風顆粒), Bi Yan Kang Tablet (鼻炎康片), Feng Liao Xing Rheumatism Medicinal Wine (馮了性風濕跌打藥酒) and Sheng Tong Ping (聖通平).

Yu Ping Feng Granule is our exclusive product on the 2012 National Essential Drugs List ("New Edition of National Essential Drugs List") and the National Drugs List for Basic Medical Insurance. It is a TCM for strengthening body resistance and enhancing immunity of the human body. Target markets of Yu Ping Feng Granule include second and third level hospitals in tier-1 and tier-2 cities ("ranked hospitals"). At the end of 2012, Yu Ping Feng Granule was adopted by about 2,200 ranked hospitals with extended coverage in primary medical institutions and retail pharmacies. The Group developed expert networks for Yu Ping Feng Granule in various professional domains, such as dermatology, otorhinolaryngology, pediatrics and TCM, which helped to introduce the drug into treatments of the relevant domains and facilitated the wide recognition of its efficacies among medical workers. As the implementation of the National Essential Drugs System accelerated, Yu Ping Feng Granule won tenders with satisfactory pricing in over 20 provinces across the nation in tender procurements for essential drugs of primary health care institutions in 2012. At the end of 2012, the Group successfully extended coverage to about 14,000 primary medical institutions, forming a firm foundation for the rapid growth of Yu Ping Feng Granule. In 2012, revenue from sale of Yu Ping Feng Granule amounted to HK$205,649,000, representing a year-on-year growth of 57.9%.

Bi Yan Kang Tablet is another exclusive product of the Group on the New Edition of National Essential Drugs List and the National Drugs List for Basic Medical Insurance, targeting retail drug stores and primary medical institution markets. In the second half of 2012, the Group adopted the strategy of replacing the original 50 tablets/pack with 72 tablets/pack to better serve the retail drug store market, while strategic partnership agreements were entered into with premium chain pharmacies throughout different provinces and cities in China, which allowed the new packing of Bi Yan Kang Tablet to be displayed in the windows of more than 90% pharmacies across the country and made it available in end-market drug stores nationwide. These helped secure a reasonable growth of Bi Yan Kang Tablet in the retail market. The successful change in package size of Bi Yan Kang Tablet was well reflected by its sales contribution in the second half of 2012. The accelerated implementation of the National Essential Drugs System also provided great opportunities for expanding the coverage of Bi Yan Kang Tablet in primary medical institutions; at the end of 2012, the coverage of Bi Yan Kang Tablet extended to about 700 ranked hospitals and about 20,000 primary medical institutions, providing a new momentum of growth for Bi Yan Kang Tablet in new medical markets. In 2012, revenue from sale of Bi Yan Kang Tablet amounted to HK$272,224,000, representing a year-on-year growth of 23.5%.

Feng Liao Xing Rheumatism Medicinal Wine is a popular TCM of the Group for rheumatic diseases and bone setting with a century of legacy; its sales are mainly focused in Southern China and Central China areas. Through streamlining and consolidating channel resources, the Group fully extended sales coverage to county, village and town levels and made steady progress in exploring the primary medical institution market. In 2012, revenue from sale of Feng Liao Xing Medicinal Wine reached HK$106,677,000, representing a year-on-year growth of 28.8%.

Nifedipine Sustained-release Tablet (Sheng Tong Ping) is a cerebro-cardiovascular drug of the Group, mainly sold to ranked hospitals in Southern China and Eastern China. Sheng Tong Ping won the tender of essential drugs for Guangdong Province in 2012, allowing the Group's pursuit of making further market gains for this product in Guangdong Province. In 2012, revenue from sale of Sheng Tong Ping reached HK$109,128,000, representing a year-on-year growth of 17.7%.

The significant increase in sales volume of the above core products represents the results of the Group's marketing integration efforts over the past few years, which is also a testimonial of our success in utilizing sales models of "professional approach in promoting prescription drugs" and "combining OTC brand promotion with end-market marketing" through the Group's internal sales team of about 1,500 persons. In addition, in 2012, the Group also explored and adopted the "refined merchandizing model for prescription drugs" in promoting some of our exclusive products, such as **Bai Ling Tablet** (白靈片) (exclusive drug for Basic Medical Insurance), **Gandakang Tablet** (肝達康片) (exclusive drug for Basic Medical Insurance), **Rujiekang Tablet** (乳結康片) and **Pseudophedrine Capsule** (非索非那定膠囊). Our proactive and effective management throughout all stages of sales flow also reaped significant sales results for these products.

UPGRADE AND INNOVATION IN PRODUCTION AND R&D

In 2012, the Group completed the establishment of the Gaoming branch company of Foshan Dezhong Pharmaceutical Co., Ltd. ("Dezhong"). In December 2012, Dezhong Gaoming ("Dezhong Gaoming") has passed the newly amended Good Manufacturing Practice for Pharmaceutical Products (the "New GMP") certification and formally commenced production; it completed the upgrade and new generation deployment in equipment, techniques and processes for pre-processing and extraction of TCM, becoming a domestic base for modern TCM extraction and herbal slice production equipped with leading technology and advanced management systems. This signifies the significant improvement in economies of scale of the Group. Meanwhile, Dezhong's seven major preparations were successfully approved under the New GMP certification, making it the first pharmaceutical company in Foshan City to have obtained the New GMP certification. Other subsidiaries of the Group have also begun their GMP certification applications to strengthen the quality enhancement of our products.

In terms of R&D, the Group closely followed our development strategies under the guidelines of the relevant industry policies issued by the State, and made a series of breakthroughs in modern TCM and new pharmaceutical preparations, while a sustained-release preparation R&D platform was established to leading national standards. These new TCM projects and R&D on new pharmaceutical preparations will complement the Group's strengths and future development momentum in the pharmaceutical industry.

PURSUING BRIGHT FUTURE AND REALIZING OUR DREAM

In the State's "12th five-year" plan, the year 2013 is the most crucial year. It is expected that implementation of plans related to the pharmaceutical sector, including reforms in pharmaceutical industry, TCM industry, drug safety, biological industry, and medical hygiene system, will be going into full force during the year. Specific policies that encourage the development of the sector are expected to be issued at State and provincial levels, which will provide better support for indigenous innovation in pharmaceutical sector, production technique, and management and drug safety enhancements. In the meantime, the State will continue to increase investments in people's livelihood such as improving basic medical protection, perfecting the National Essential Drugs System and expanding the scope for implementation of the Essential Drugs System. For example, the Ministry of Health issued the New Edition of National Essential Drugs List on 15 March 2013, which clearly stated that it is necessary to optimize the mechanism of essential drugs tenders, encouraged corporations to improve the quality of essential drugs and clarified that the governmental and primary health care institutions should be fully equipped with and use essential drugs and determined the proportion of essential drugs for use in second and third class hospitals. Meanwhile, the Group will further promote implementation of the "12th Five-Year" Plan for Pharmaceutical Industry. The implementation of these policies and initiatives creates great development opportunities for the Group.

The Group foresees challenges in the coming 2013, particularly in the following areas: firstly, as TCM industry grows and people become more aware of health issues, demand for TCM materials has been on a sustained trend of growth in recent years; however, due to climate restrictions and information delays in market demands, as well as limited resources available, the supply of TCM materials could not be precisely predicted and thus frequent fluctuations in prices have become commonplace, which increases the difficulty in product cost control; secondly, following the issue of the New Edition of National Essential Drugs List, the related complementary policies need to be further optimized, while the State is also planning to re-price TCM products in 2013, all these imply more uncertainties for the Group's sales growth; thirdly, although various provinces are continually exploring and perfecting the tendering systems for drugs, there is yet to have a uniformed tendering policy and solution for drugs to be adopted nationwide that is deemed acceptable by all stakeholders, which could hamper the business development of the Group; and fourthly, the details of public hospital reform have not yet been clearly published to be in line with the progress in deepening of the New Medical Reform, which will increase the uncertainties surrounding the Group's development of sales business in hospitals.

In February 2013, the Group officially merged with China National Pharmaceutical Group ("CNPG"), the largest state-owned business group in the medical healthy industry directly under the management of State-owned Assets Supervision and Administration Commission (SASAC), after Sinopherm Group Hongkong Co., Limited (a wholly-owned subsidiary of China National Pharmaceutical Group) acquired a controlling stake in the Company. This provided the Group with more extensive industry resources to aspire a bigger development blueprint. By seizing development opportunities in line with the industry policies of the State, the Group will consolidate its advantages and resources to enter a breakthrough stage of accelerated development in full speed. Joining hands with China National Corp. of Traditional & Herbal Medicine (中國藥材公司), a wholly-owned subsidiary of China National Pharmaceutical Group, the Group will gain stronger momentum of growth through consolidating a value-chain of healthcare, exploring resources in medicine ingredients, expanding into healthcare industry, and promoting the historical brands of traditional Chinese medicine. This will allow us to play an instrumental role in the general development of China's health industry.

In 2013, the Group will focus on the objectives and missions set forth in the five-year plan. We will seek to capture development opportunities, overcome challenges and build upon the foundation of our existing product portfolio to improve the corporate management and business operation models of the Group; by optimizing production resources and carrying out innovation engineering and merger restructuring, our overall core competitiveness can be enhanced through scale expansion and profitability improvement, in order to realize rapid development of the Group.

With the concerted efforts of our staff, the Group undertakes to continue expanding our business and pursuing our dreams in 2013. On behalf of the Group, I hereby express my sincere gratitude to former directors of the Company for their efforts and contribution over the years and wish to have continued support and trust of our shareholders and people from all circles going forward, as it is our firm belief that with the dedicated efforts of the Group as a whole, Winteam Pharmaceutical Group can unfold a new chapter of development that will become an important part of the history of China's TCM development.

MANAGEMENT DISCUSSION AND ANALYSIS

GROUP OVERVIEW

The Group is a generic drugs manufacturing enterprise with excellent brands. It has a total of 327 products and 465 product specifications, 28 of which are national exclusive products, while 3 are State's protected Traditional Chinese Medicine (TCM). The Group has 53 products, including 73 product specifications being listed on the New Edition of National Essential Drugs List, 13 of which are chemical Chinese medicines, 40 of which are TCM, 2 of which are exclusive products, namely Bi Yan Kang Tablet (鼻炎康片) and Yu Ping Feng Granule (玉屏風顆粒) and 1 of which is exclusive product specification, An Gong Niu Huang Wan (1.5g) (安宮牛黃丸(1.5g)). The Group has 96 products being listed on the National Drugs List (Category A) for Basic Medical Insurance, and another 60 products being listed on the National Drugs List (Category B) for Basic Medical Insurance, among which Bi Yan Kang Tablet (鼻炎康片), Yu Ping Feng Granule (玉屏風顆粒), Gandakang Tablet (肝達康片), Bai Ling Tablet (白靈片) and Wuji Bai Feng Granule (烏雞白鳳顆粒) are exclusive products on the National Drugs List for Basic Medical Insurance. Furthermore, the Group has been advocating for TCM manufacturing for over 400 years, and is in possession of a range of TCM secret formulas, many of them are national famous products, such as Po Chai Pills (保濟丸), Da Huo Luo pills (大活絡丸), Shaolin Dieda Herbal Plaster (少林跌打止痛膏), Yuanjilin Herbal Tea (源吉林甘和茶), etc. The Group has accumulated extensive technical experience in the extraction of Chinese medicine, preparation of modern Chinese medicine, sustained or controlled release preparation, manufacturing of traditional Big Candid Pills (大蜜丸) and enhancement of quality.

The Group has had 5 manufacturing bases in Foshan of Guangdong Province and Jining of Shandong Province, with an annual production capacity of 400 million packs of granule, 4 billion tablets, 200 million capsules, 14 million bottles of medical wine, and 100 million jabs of antibiotics and oncology powder for injection, as well as 20,000 tonnes of Chinese medicine preprocessing and extraction.

INDUSTRY OVERVIEW

New Edition of National Essential Drugs List

On 15 March 2013, the Ministry of Health of China issued the New Edition of National Essential Drugs List, which contains three parts, namely chemical and bio-drugs, TCM and TCM decoction pieces, 317 of which are chemical and bio-drugs and 203 of which are TCM, 520 drugs in total. Following the issue of the New Edition of National Essential Drugs List, related policies will be perfected, such as further optimizing the mechanism of essential drugs tenders and purchase, and the way how health care institutions use these essential drugs.

In respect of optimizing the mechanism of essential drugs tenders and purchase, the Ministry of Health clearly stated that it is necessary to optimize "two-envelope" tendering system with full assessment on the drugs quality and services and reputation of the manufacturers during the economic and technical standard assessment. Passing the new GMP certification will be a vital benchmark for quality assessment. While during the commercial standard assessment, comprehensive assessment will be made for drugs with obviously low tender price to avoid vicious competition. Priority will be given to the generic drugs reaching international standards and encourage corporations to improve the quality of essential drugs. The Group has been paying attention to the management of drug quality. Dezhong and Dezhong Gaoming have passed the new GMP certification and finished the research on the quality consistency evaluation for generic and novelty drugs for two generic drugs, namely Gaode and Sheng Tong Ping, which places the Group in a favorable position in essential drugs tenders and purchases.

In respect of the way that how essential drugs are stocked up and used among health care institutions, the Ministry of Health stated that it is necessary to accelerate the formulation of administrative measures for the use of essential drugs by health care institutions in each level and category, revise and optimize the Guideline for the Clinical Application and Prescription Catalogue of National Essential Drugs and motivate health care institutions in each level and category to gradually stock up and give priority in using essential drugs. It also clarified that the governmental and primary health care institutions should be fully equipped with and use essential drugs, reasonably determine the usage of essential drugs for second and third class hospitals, enhance the promotion and training for the Guideline for the Clinical Application and Prescription Catalogue of National Essential Drugs and promote the priority in reasonably using essential drugs. Upon implementing such policies, it is expected that the proportion and consumption of essential drugs will increase, especially for the second and third class hospitals. Thus, the introduction of the New Edition of National Essential Drugs List is favorable to the Group's market sales in essential drugs in future.

The "12th Five-Year" Plan for Pharmaceutical Industry

On 19 January 2012, the Ministry of Industry and Information Technology promulgated the "12th Five-Year Development Plan for Pharmaceutical Industry (《醫藥工業"十二五"發展規劃》)" while the State Council promulgated the "12th Five-Year Plan for National Drugs Safety (《國家藥品安全"十二五"規劃》)" on 20 January 2012. These two plans were set to create a more favorable environment for the pharmaceutical industry of China by implementing supportive policy during the period from 2011 to 2015 ("12th Five-Year"). The core idea of these plans is to require pharmaceutical enterprises to enhance the overall quality and technical standard of drugs; while government policy towards the pharmaceutical industry will focus on supporting those enterprises with quality advantage and scalable sales, with an aim to help improve China's medicine quality to meet or rise closer to international standard. Therefore, the Group has also made relevant arrangements, firstly is to carry out the "research on the quality consistency evaluation for generic and novelty drugs" Nifedipine Sustained-release Tablet (Sheng Tong Ping) (硝苯地平緩釋片(聖通平)) and Cefodizime Sodium for injection (Gaode) (注射用頭孢地嗪鈉(高德)), both of which are the core products of the Group. It is expected that in the coming year, the State Food and Drug Administration ("SDA") will approve and recognize that the quality and technology of these two medicines are consistent with novelty drugs. At such time, these two core products can apply for differential pricing. Products approved for differential pricing can be sold at a price higher than the unified price, which help expand their market share.

On 14 March 2012, the State Council promulgated the "Regulation and Implementation Plan for Deepening Medical and Health System Reformation during the 12th Five-year Plan Period (《"十二五"期間深化醫藥衛生體制改革規劃暨實施方案》)". The plan explicitly stated that the National Essential Drugs List will be further enhanced; the practice of marking up drugs prices in public hospital will be cancelled; the reformation of drugs production and circulation will be encouraged; and that the coverage of medical insurance will continue to be expanded. By 2015, all county-level public hospitals should have achieved the reformed target of that stage, and comprehensive reformation on urban public hospitals will be implemented in full. These measures could help to increase the sales of general and inexpensive drugs in ranked hospital and retail pharmacies, which will be beneficial to the Group as well.

Golden Age for the Chinese Medicine Industry

On 5 June 2012, the State Administration of Traditional Chinese Medicine promulgated the "12th Five-Year Plan for the Development of Chinese Medicine Industry (中醫藥事業發展"十二五"規劃)", which stated that the government will increase investment to include Chinese medicine into the insurance system as well as improving such system, such as to extend medical insurance coverage to qualified Chinese medical institutions, Chinese medical diagnosis and treatment, Chinese medicine and preparations, so as to build a foundation for the development of Chinese medicine industry. Chinese medical practitioners focus on curing illnesses fundamentally, recuperation and improve patient's living habit and physical functions. Chinese medicines are made from natural substance with minimal toxic side effect and drugs resistance, therefore particularly suitable for chronic diseases and specialty medicines, and the treatment costs are relatively low. As aging population in China has created huge demand for health care services and products, it will lead Chinese medicine industry into its golden age and open opportunities for the Group for sustainable development in the future.

National Essential Drugs Policy

The Ministry of Health issued the Key Health Task for 2012 on 2 February 2012, which emphasized that the task for this year is to further expand the scope of the National Essential Drugs System, and to formulate administrative measures for the use of essential drugs by health care institutions. It is also stated that the "Guideline for the Clinical Application of National Essential Drugs (國家基本藥物臨床應用指南)" and "National Essential Drugs Prescription Catalogue (國家基本藥物處方集)" will be revised. The Ministry also considered formulating incentive policy to promote the use of essential drugs, so as to motivate other health care institutions to gradually stock up and give priority in using essential drugs.

On 21 June 2012, Guangdong Province has completed its first tender procurement after the issuance of No. 56 Document for Tender Procurement of Essential Drugs (關於基本藥物招標採購的56號文件) by the State Council. Essential drugs tenders conducted in Guangdong Province will continue to adopt the "Anhui Model", which is to use "two-envelope" tendering (「雙信封」招標) system, purchase based on agreed price and volume, as well as sourcing from single supplier. The difference lays in that the Tender Procurement of Essential Drugs in Guangdong Province adopted the Inexpensive Essential Drugs List, which meant that drugs listed on the Inexpensive Drugs List would not adopt the "two-envelope" system but would be decided by quality and technology of the drugs. The highest score company would win the tender, which avoided vicious competition for low price drugs. Guangdong Province is the biggest sales region for the Group's pharmaceutical products which accounts for 40% of the total sales amount.

25 products and product specifications of the Group won tender in the recent Essential Drugs Tender in Guangdong Province, which is expected to expand our market shares in the hospitals in Guangdong Province, especially for Nifedipine Sustained-release Tablet (聖通平), a cerebro-cardiovascular drug being listed on the Inexpensive Drugs List.

Since the implementation of the Essential Drugs System, Guangdong Province is the first and the only province that proposes the use of an Inexpensive Essential Drugs List in the tender. Such Inexpensive Essential Drugs List has been adopted in the tender procedures of Jiangsu Province. The Group's products, including VC Yinqiao Tablet, Guifu Dihuang Wan, Hericium Erinaceus Tablets and Maren Wan, have been listed on the Inexpensive Drugs List of Jiangsu Province. The implementation of inexpensive drugs policy has created a favorable condition for the Group to explore the market and expand the market share for generic drugs.

Administrative Measures on the Clinical Use of Antibiotics

"Administrative Measures on the Clinical Use of Antibiotics (《抗菌藥物臨床應用管理辦法》)" has been duly implemented since 1 August 2012. The requirement to classify antibiotics into different grades has inevitably reduced the market of antibiotics, and the effect on our Cefodizime Sodium for injection (Gaode) (注射用頭孢地嗪鈉 (高德)) is more apparent. Such management requirement has promoted the prudent use of antibiotics by clinicians, while certain Chinese medicines that have antibiotic function has gained more attention from doctors, and therefore should have better sales prospect. During the year under review, anti-inflammatory TCM of the Group such as Lianzhi Anti-inflammatory Tablet (蓮芝消炎片), Anti-inflammatory Cholagogic Tablet (消炎利膽片), Yinqiao Antidotal Tablet (銀翹解毒片), VC Yinqiao Tablet (維C銀翹片) and Andrographis Tablet (穿心蓮片) have achieved good sales performance.

BUSINESS REVIEW

Sales of Products

During the year under review, the Group's turnover increased by 24.8% from HK$1,015,935,000 for the corresponding period last year to HK$1,268,143,000, which was mainly attributable to the focus strategies in terms of specific products, markets and management. Focusing on specific products means the Group emphasized on expanding the market for its core products, including Yu Ping Feng Granule (玉屏風顆粒), Nifedipine Sustained-release Tablet (Sheng Tong Ping) (硝苯地平緩釋片(聖通平)), Bi Yan Kang Tablet (鼻炎康片) and Feng Liao Xing Medicinal Wine (馮了性藥酒). Focusing on markets means enhancing the market development work and increasing the usage of our core products at ranked health care institutions; expanding the coverage of essential drugs among primary health care institutions, and co-operating with major chain pharmacies to increase coverage of end-market retailing for our core products. Focusing on management means the implementation of a comprehensive performance evaluation on our sales team at all levels and enhancing the integrated management ability of our provincial managers.

Analysis by Types of Medicines:

	For the year ended 31 December				
	2012	**Percentage to turnover**	2011	Percentage to turnover	Change
	HK$'000		*HK$'000*		
Respiratory system drugs and nasal preparations	**587,505**	**46.3%**	442,942	43.6%	32.6%
Cerebro-cardiovascular drugs	**164,894**	**13.0%**	151,975	15.0%	8.5%
Rheumatic diseases and bone injury drugs	**155,749**	**12.3%**	132,438	13.0%	17.6%
Antibiotics	**70,318**	**5.6%**	66,165	6.5%	6.3%
Oncology drugs	**20,414**	**1.6%**	19,581	1.9%	4.3%
Others	**269,263**	**21.2%**	202,834	20.0%	32.8%
Total	**1,268,143**	**100.0%**	1,015,935	100.0%	24.8%

Analysis by TCM and Chemical Medicine:

	For the year ended 31 December				
	2012	**Percentage to turnover**	2011	Percentage to turnover	Change
	HK$'000		*HK$'000*		
TCM	**1,050,544**	**82.8%**	821,211	80.8%	27.9%
Chemical medicine	**217,599**	**17.2%**	194,724	19.2%	11.7%
Total	**1,268,143**	**100.0%**	1,015,935	100.0%	24.8%

Sales Analysis of Top Ten Products:

	For the year ended 31 December				
	2012	**Percentage to turnover**	2011	Percentage to turnover	Change
	HK$'000		*HK$'000*		
Bi Yan Kang Tablet	**272,224**	21.5%	220,424	21.7%	23.5%
Yu Ping Feng Granule	**205,649**	16.2%	130,200	12.8%	57.9%
Sheng Tong Ping	**109,128**	8.6%	92,699	9.1%	17.7%
Feng Liao Xing Medicinal Wine	**106,677**	8.4%	82,845	8.2%	28.8%
Gaode	**69,105**	5.4%	67,022	6.6%	3.1%
VC Yinqiao Tablet	**41,673**	3.3%	23,113	2.3%	80.3%
Yuanjilin Herbal Tea	**28,439**	2.2%	18,284	1.8%	55.5%
Sha Pei Lin	**20,414**	1.6%	19,618	1.9%	4.1%
Shedan Chuanbei San	**18,771**	1.5%	15,124	1.5%	24.1%
Yao Shen Herbal Plaster	**18,175**	1.4%	14,409	1.4%	26.1%
Other products	**377,888**	29.9%	332,197	32.7%	13.8%
Total	**1,268,143**	100.0%	1,015,935	100.0%	24.8%

Cost control

During the year under review, the Group kept deepening the integration of end-market sales resources, streamlining sales personnel, reinforcing sales expense control and improving sales and marketing efficiency, so as to lay a solid foundation for the stable sales growth of the Group. Meanwhile, the Group rationalized and optimized the management procedures of various departments, including marketing, operation, finance, research and development, production and human resources, so as to reduce administrative costs and improve the output per capita and management efficiency.

Research and development

The Group's research and development ("R&D") on new products will be focused on cerebro-cardiovascular drugs. In 2012, Nicotinic Acid Sustained Release Capsules (Luoweiding) (煙酸緩釋膠囊 (洛唯定)) an exclusive drug for hyperlipemia was granted the production approval, Rosuvastatin Tablet (瑞舒伐他汀片), Indapamide Release Tablet (吲噠帕胺緩釋片) and Nifedipine Sustained-release Tablet (30mg) (New Sheng Tong Ping) (硝苯地平緩釋片(新聖通平)) were reported, and the consistency evaluation of "Sheng Tong Ping" was finished and reported. These products are expected to commence production and launch for sales next year, which will greatly enrich our cerebro-cardiovascular product lines and will serve as the catalyst for the sustainable sales growth in the future.

In addition, the Group has achieved remarkable progress in some major R&D projects, such as obtaining approval for Aspirin Paracetamol and Caffeine Tablet (阿咖酚片) (use for curing migraine) for a term of 2 years and completing the revision on its quality standard; completing the reporting procedures for enhancing the standard of Cefodizime Sodium for injection (Gaode) (注射用頭孢地嗪(高德)); rolling out Phase IV clinical trial of Sha Pei Lin (沙培林) used for curing bladder cancer in full; and Fexofenadine/Pseudophedrine Sustained-release capsule (非索偽麻緩釋膠囊), a category 3.2 new drug, has entered into the technical evaulation and complementary stage.

Products under research and development include: Cerebro-cardiovas products--Metoprolol Tartrate Sustained Release Tablet (酒石酸美托洛爾緩釋片), Telmisartan Tablet (替米沙坦片), Telmisartan and Hydrochlorothiazide Bilayer Tablet (替米沙坦+氫氯噻嗪雙層片), Amlodipine Besylate and Atorvastatin Calcium Tablet (氨氯地平阿托伐他汀鈣片), Benidipine Tablet (貝尼地平片), Sitagliptin Tablet (西格列汀), Dofetilide (多非利特); drug for dysmnesia treatment-Galanthamine Hydrobromide Sustained Release Capsule (氫溴酸加蘭他敏緩釋膠囊); and drug for BPH treatment – Alfuzosin Hydrochloride Sustained Release Tablet (鹽酸阿夫唑嗪緩釋片).

The clinical trial of two new products, namely "Hongzhu Capsule (紅珠膠囊)", a Chinese medicine under category 5 for respiratory system and Artemether Xureqing Granule (蒿甲虛熱清顆粒), a new Chinese medicine under category 6 which has specified healing efficacy for fever in children, has been successfully undergoing relevant complementary trials in accordance with new technical standards. The re-development proposal of Feng Liao Xing Medicinal Wine has been progressed as planned while the development of a new Chinese medicine under category 6 for diabetes has commenced. These new projects for Chinese medicine will further enhance the existing and future development of the Group's Chinese medicine business.

Progress of investment projects

Feng Liao Xing Materials & Slices

Foshan Nanhai Pharmaceutical Group Medicinal Material Co., Ltd. (佛山市南海醫藥集團藥材有限公司), a wholly-owned subsidiary of the Group, has been renamed as Foshan Feng Liao Xing Medicinal Materials & Slices Co., Ltd. (佛山馮了性藥材飲片有限公司) with effect from 15 June 2012, so as to reflect its business development and "Feng Liao Xing Material & Slices" brand strategy. The new name can better reflect the three major business scopes that will be developed in the future, including TCM decoction pieces business, high-end quality TCM decoction pieces and health care business.

According to the five-year (2011-2015) plan of the Group, the business strategy of Feng Liao Xing Material & Slices will focus on TCM decoction pieces, and supplemented by health care products, and will become the new driver for the Group's sales growth by enriching our product mix, exploring new sales channels and improving overall product quality.

Guizhou Zhongtai

Pursuant to a conditional investment agreement dated 22 December 2011 entered into among a wholly-owned subsidiary of the Group, Guangdong Medi-World and Henan Xintai Medicine Company Limited ("Henan Xintai") and Guizhou Zhongtai Biological Technology Company Limited ("Guizhou Zhongtai", a wholly-owned subsidiary of Henan Xintai) ("the Investment Agreement"), Henan Xintai has agreed that Guizhou Zhongtai will increase its registered capital ("Increased Capital") and Guangdong Medi-World has agreed to invest in the Increased Capital of Guizhou Zhongtai for a cash consideration of RMB153 million (equivalent to approximately HK$183.6 million). The Increased Capital represented 51% of the entire registered capital of Guizhou Zhongtai upon completion. In addition, the Group provided a pledged loan of RMB70 million (equivalent to approximately HK$86 million) to Guizhou Zhongtai through Guangdong Medi-World (the "Loan") as its working capital. In accordance with the loan agreement, if increase in registered capital of Guizhou Zhongtai is approved by the relevant authority in Guizhou Province within three months after entering into the Investment Agreement, the Loan would bear no interest, otherwise interest payment should be made by Guizhou Zhongtai to Guangdong Medi-World at the then prevailing interest rate for bank borrowing and should be accrued since the date of the Loan. In 2012, interest income recognized for the Loan was approximately HK$8,332,000. The net interest income of the Loan was HK$1,861,000, less the financing cost of the Group of approximately HK$6,471,000.

In January 2013, with approval of local government, Guangdong Medi-World invested RMB 23 million (approximately $28 million). Pursuant to the investment agreement, the first consideration is RMB93 million (approximately $115 million) and the remaining balance of RMB70 million (approximately $86 million) will be paid after Guizhou Zhongtai repay the loan. Guizhou Zhongtai will become the subsidiary of the Group upon the completion of the transaction above.

Land for the Headquarters

In April 2010, the Group successfully bid a land parcel of 33 mus at the south part of Kui Qi Road and the east part of Ling Nan Road, Chan Cheng Area, Foshan, at a consideration (land premium) of approximately RMB77,060,000. Such land parcel is originally planned to be used for education (R&D and design). The Group plans to construct headquarters building and R&D center on the land. According to the letter "關於啟動市中心組團新城區北片控制詳細規劃(修訂)嶺南大道以東、魁奇路以南地塊規劃調整的復函", the usage of such land parcel has been adjusted for commercial land use. The land bank management office of Chan Cheng Area in Foshan (the "Land Bank Management Office") will auction the land use right of such land parcel by additional tender. The Land Bank Management Office pays the interest for the land premium, calculated at the one year benchmark lending rate of People's Bank of China, as a compensation. In 2012, the interest income of such land premium recognized was HK$14,226,000 since the payment of land premium from 2010 to the end of 2012. The net interest income of such land premium was HK$7,811,000, less the corresponding financing cost of the Group of approximately HK$6,415,000 in 2012. Notwithstanding the foregoing, the Board considered that there will not be any material adverse effect to the Group.

Dezhong Gaoming TCM Extraction Base

By the end of 2012, the Group completed the construction of Dezhong Gaoming which has started operation, representing upgraded and next generation equipment, technology and technique for TCM materials pre-processing and extraction. It is a modern TCM extraction and drinking pills production base possessing the most advanced technology and management system in China with an annual production capacity of processing 20,000 tonnes TCM materials and 80 million packets of TCM decoction pieces.

Solid Preparations Workshop

Yu Ping Feng Granules is one of our core products, the sales of which have increased substantially in recent years. In order to meet the need for strategic development of the Group, we have started to constructing a new and modernized solid preparations workshop since last year. On 15 June 2012, the construction of the new solid preparations workshop with an annual capacity of 600 million bags of granules has commenced. This workshop occupies a site area of 2,660 square meters and its production technology and equipment model will fully comply with the new GMP's requirement.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012
(Expressed in Hong Kong dollars)

	Note	**2012**	2011
		$'000	*$'000*
Turnover	*2*	**1,268,143**	1,015,935
Cost of sales		**(574,915)**	(467,529)
Gross profit		**693,228**	548,406
Other revenue	*3*	**30,872**	12,306
Other net income	*3*	**242**	625
Selling and distribution costs		**(289,651)**	(328,642)
Administrative expenses		**(144,876)**	(130,551)
Profit from operations		**289,815**	102,144
Finance costs	*4(a)*	**(23,831)**	(7,689)
Profit before taxation	*4*	**265,984**	94,455
Income tax	*5*	**(53,330)**	(20,747)
Profit for the year		**212,654**	73,708
Attributable to:			
Equity shareholders of the Company		**207,134**	72,072
Non-controlling interests		**5,520**	1,636
Profit for the year		**212,654**	73,708
Earnings per share			
Basic and diluted	*6*	**11.61 cents**	4.04 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2012
(Expressed in Hong Kong dollars)

	2012	2011
	$'000	*$'000*
Profit for the year	**212,654**	73,708
Other comprehensive income for the year (after tax)		
Exchange differences on translation of financial statements of subsidiaries in the PRC	**(1,849)**	43,252
Available-for-sale securities: net movement in fair value reserve	**1,727**	(1,829)
	(122)	41,423
Total comprehensive income for the year	**212,532**	115,131
Attributable to:		
Equity shareholders of the Company	**207,050**	112,627
Non-controlling interests	**5,482**	2,504
Total comprehensive income for the year	**212,532**	115,131

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012
(Expressed in Hong Kong dollars)

	Note	**2012**	2011
		$'000	*$'000*
Non-current assets			
Fixed assets			
– Investment properties		**3,394**	3,426
– Other property, plant and equipment		**411,676**	253,093
– Interests in leasehold land held for own use under operating leases		**102,123**	199,516
Construction in progress		**42,569**	87,861
Other receivables	*8*	**17,768**	37,707
		577,530	581,603
Intangible assets		**90,885**	101,646
Goodwill		**208,637**	208,644
Other financial assets		**10,639**	8,601
Deferred tax assets		**24,617**	12,744
		912,308	913,238
Current assets			
Other financial assets		**94,692**	81,411
Inventories		**198,614**	233,935
Trade and other receivables	*8*	**546,088**	346,891
Deposits with banks		**108,068**	4,919
Cash and cash equivalents		**57,050**	42,354
		1,004,512	709,510

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
At 31 December 2012
(Expressed in Hong Kong dollars)

	Note	2012	2011
		$'000	*$'000*
Current liabilities			
Trade and other payables	9	**253,828**	240,798
Bank loans		**511,104**	340,570
Current taxation		**31,993**	12,251
Current portion of deferred government grants		**3,797**	3,230
		800,722	596,849
Net current assets		**203,790**	112,661
Total assets less current liabilities		**1,116,098**	1,025,899
Non-current liabilities			
Deferred tax liabilities		**55,269**	52,097
Deferred government grants		**17,738**	9,487
		73,007	61,584
NET ASSETS		**1,043,091**	964,315
CAPITAL AND RESERVES			
Share capital		**178,341**	178,341
Reserves		**843,691**	770,397
Total equity attributable to equity shareholders of the Company		**1,022,032**	948,738
Non-controlling interests		**21,059**	15,577
TOTAL EQUITY		**1,043,091**	964,315

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Significant accounting policies

(a) Statement of compliance

These 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 consolidated financial statements for the year ended 31 December 2012 comprise the Company and its subsidiaries (together referred to as the "Group").

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 manufacturing 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:

	2012	2011
	$'000	*$'000*
Sales of pharmaceutical products		
– Pills and tablets	**630,321**	484,633
– Granules	**218,049**	130,200
– Injections	**92,496**	88,649
– Medicine wine	**106,677**	82,845
– Others	**220,600**	229,608
	1,268,143	1,015,935

3 Other revenue and net income

	2012	2011
	$'000	*$'000*
Other revenue		
Government grants	**4,960**	9,432
Interest income^	**24,908**	1,452
Rental income	**1,004**	1,422
	30,872	12,306

^ The interest income includes $8,332,000 (2011: Nil) from the loan to Guizhou Zhongtai Biological Technology Co., Ltd. and $14,226,000 (2011: Nil) receivables from the government as a result of the disposal of land use right located in Foshan. The government agreed to pay an interest on outstanding balance, calculated at the one year benchmark lending rate of People's Bank of China.

	2012	2011
	$'000	*$'000*
Other net income		
Net loss on disposal of fixed assets	**(444)**	(124)
Available-for-sale securities:		
– gain on disposal reclassified from equity	**–**	854
Exchange gain/(loss)	**998**	(6)
Others	**(312)**	(99)
	242	625

4 Profit before taxation

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

	2012	2011
	$'000	*$'000*
(a) Finance costs:		
Interest on bank advances and other borrowings wholly repayable within five years	**30,284**	13,530
Less:interest expense capitalised into construction in progress	**(6,453)**	(5,841)
	23,831	7,689
(b) Staff costs:		
Salaries, wages and other benefits	**166,850**	132,978
Contributions to defined contribution retirement plans	**17,750**	15,234
	184,600	148,212
(c) Other items		
Auditors' remuneration	**2,371**	3,014
Depreciation		
– investment properties	**30**	180
– assets held for use under operating leases	**2,430**	2,499
– other property, plant and equipment	**33,526**	34,059
Amortisation		
– intangible assets	**10,707**	20,368
Impairment losses recognised/(reversed)		
– trade and other receivables	**2,701**	(345)
Operating lease charges: minimum lease payments	**5,355**	4,643
Research and development costs	**42,862**	41,506
Rentals receivable from investment properties	**(1,004)**	(1,422)
Cost of inventories	**575,512**	468,934

5 Income tax in the consolidated income statement

(a) Taxation in the consolidated income statement represents:

	2012	2011
	$'000	*$'000*
Current tax		
PRC enterprise income tax for the year	**57,197**	27,935
Under-provision in respect of prior years	**843**	623
	58,040	28,558
Deferred tax		
Reversal of temporary differences	**(4,710)**	(7,811)
	53,330	20,747

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 (2011: Nil).

Pursuant to the Corporate Income Tax Law of PRC, the statutory tax rate applicable to the Group's PRC subsidiaries is 25%, except for Foshan Feng Liao Xing Pharmaceutical Co., Ltd. ("Feng Liao Xing"), Foshan Dezhong Pharmaceutical Co., Ltd. ("Dezhong") and Guangdong Medi-World Pharmaceutical Co., Ltd. ("Guangdong Medi-World"), which were recognised as advanced and new technology enterprises to enjoy a preferential enterprise income tax rate of 15% in 2012 (2011: 15%) 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.

5 Income tax in the consolidated income statement (continued)

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

	2012	2011
	$'000	*$'000*
Profit before taxation	**265,984**	94,455
Notional tax on profit before taxation, calculated at rates applicable to profit in the jurisdictions concerned	**69,010**	25,105
Tax effect on non-deductible expenses	**2,036**	3,397
Income tax concessions	**(28,365)**	(10,012)
Withholding tax on undistributed profits of PRC subsidiaries	**9,806**	1,634
Under-provision in respect of prior year	**843**	623
Actual tax expense	**53,330**	20,747

6 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of $207,134,000 (2011: $72,072,000) and the weighted average of 1,783,410,807 ordinary shares (2011: 1,783,410,807 ordinary shares) in issue during the year.

(b) Diluted earnings per share

There were no dilutive potential ordinary shares during the years.

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 presented the following six reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Foshan Dezhong Pharmaceutical Co., Ltd. ("Dezhong")
- Foshan Feng Liao Xing Pharmaceutical Co., Ltd. ("Feng Liao Xing")
- Guangdong Medi-World Pharmaceutical Co., Ltd. ("Guangdong Medi-World")
- Shandong Luya Pharmaceutical Co., Ltd. ("Luya")
- Foshan Feng Liao Xing Medicinal Material & Slices Co., Ltd. ("Feng Liao Xing Material & Slices")
- Foshan Winteam Pharmaceutical Sales Company Limited ("Winteam Sales")

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources 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 investments in financial assets, deferred tax assets and other corporate assets. Segment liabilities include trade payables, and accruals attributable to the manufacturing and sales activities of the individual segments and bank borrowings managed directly by the segments.

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. To arrive at adjusted EBITDA the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as directors' and auditors' remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted EBITDA, management is provided with segment information concerning revenue (including inter segment sales), interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and additions to non-current segment assets used by the segments in their operations.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2012 and 2011 is set out below.

Year ended 31 December 2012

	Dezhong	Feng Liao Xing	Guangdong Medi-World	Luya	Feng Liao Xing Material & Slices	Winteam Sales	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Revenue from external customers	**388,997**	**253,671**	**380,318**	**78,642**	**154,985**	**758,172**	**2,014,785**
Inter-segment revenue	**(212,314)**	**(166,956)**	**(226,153)**	**(11,498)**	**(129,721)**	**–**	**(746,642)**
Reportable segment revenue	**176,683**	**86,715**	**154,165**	**67,144**	**25,264**	**758,172**	**1,268,143**
Reportable segment profit (adjusted EBITDA)	**119,220**	**42,229**	**144,362**	**24,873**	**6,382**	**(80)**	**336,986**

Year ended 31 December 2011

	Dezhong	Feng Liao Xing	Guangdong Medi-World	Luya	Feng Liao Xing Material & Slices	Winteam Sales	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Revenue from external customers	346,472	235,693	313,221	85,686	202,779	11,891	1,195,742
Inter-segment revenue	(729)	(1,248)	(111)	–	(177,719)	–	(179,807)
Reportable segment revenue	345,743	234,445	313,110	85,686	25,060	11,891	1,015,935
Reportable segment profit (adjusted EBITDA)	68,533	22,101	35,919	29,240	8,870	1,322	165,985

(b) *Reconciliations of reportable segment revenues, profit or loss*

	2012	2011
	$'000	*$'000*
Revenue		
Reportable segment revenue	**2,014,785**	1,195,742
Elimination of inter-segment revenue	**(746,642)**	(179,807)
Consolidated turnover	**1,268,143**	1,015,935
Profit		
Reportable segment profit	**336,986**	165,985
Elimination of inter-segment profits	**(13,224)**	(4,146)
Reportable segment profit derived from the Group's external customers	**323,762**	161,839
Other revenue and net income	**31,114**	12,931
Depreciation and amortisation	**(46,693)**	(57,106)
Finance costs	**(23,831)**	(7,689)
Unallocated head office and corporate expenses	**(18,368)**	(15,520)
Consolidated profit before taxation	**265,984**	94,455

(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		The Company	
	2012	2011	**2012**	2011
	$'000	*$'000*	***$'000***	*$'000*
Current				
Trade receivables	**211,092**	181,831	**–**	–
Bills receivables	**205,006**	150,417	**–**	–
Less: allowance for doubtful debt	**(11,685)**	(11,378)	**–**	–
	404,413	320,870	**–**	–
Other receivables	**141,675**	26,021	**9,954**	105,730
	546,088	346,891	**9,954**	105,730
Non-current				
Other receivables	**17,768**	37,707	**–**	–
	563,856	384,598	**9,954**	105,730

(a) Ageing analysis

As of the end of the financial year, the ageing analysis of trade receivables (which are included in trade and other receivables), based on the invoice date and net of allowance for doubtful debts, is as follows:

	The Group	
	2012	2011
	$'000	$'000
Within 3 months of invoice date	**164,092**	148,465
3 to 6 months after invoice date	**18,432**	15,022
More than 6 months less than 12 months after invoice date	**16,883**	6,966
More than 12 months after invoice date	**11,685**	11,378
	211,092	181,831

Trade 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		The Company	
	2012	2011	**2012**	2011
	$'000	*$'000*	***$'000***	*$'000*
Trade creditors	**101,377**	97,621	**–**	–
Other creditors and accrued charges	**138,235**	134,693	**16,487**	17,393
Advances received from customers	**14,216**	8,484	**–**	–
	253,828	240,798	**16,487**	17,393

As of the end of the financial year, the ageing analysis of trade creditors (which are included in trade and other payables), based on the invoice date, is as follows:

	The Group	
	2012	2011
	$'000	*$'000*
Due within 1 month or on demand	**101,377**	97,621

Other creditors and accrued charges mainly include accrued staff costs and benefits, accrued sales rebates to customers and other tax payables.

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

10 Dividends

Dividends payable to equity shareholders of the Company attributable to the year

	2012	2011
	$'000	*$'000*
Interim dividend declared and paid of 2.5 cents per ordinary share (2011: Nil)	**44,585**	–
Final dividend proposed after the end of the financial year of nil cent per ordinary share (2011: 5 cents per ordinary share)	**–**	89,171

FINANCIAL REVIEW

Turnover

During the reporting period, the Group's turnover increased by 24.8% to HK$1,268,143,000 from HK$1,015,935,000 for the corresponding period last year. The increase in sales was attributable to the successful expansion of our product coverage in primary health care institutions, as well as the partnerships established with major chain pharmacy which has increased its coverage in OTC retail market, resulting in the satisfactory growth of our core products (such as Yu Ping Feng Granule and Bi Yan Kang Tablet). In addition, the business of Foshan Winteam Pharmaceutical Sales Company Limited (formerly known as Foshan Nanhai Yikang Pharmaceutical Co., Ltd), which was acquired by the Group at the end of last year, also contributed to the increase in the turnover of the Group directly.

Cost of Sales

During the reporting period, the Group's cost of sales was HK$574,915,000, representing an increase of 23.0% as compared to HK$467,529,000 for the corresponding period last year. Direct raw materials, direct labor and production overhead accounted for approximately 71.4%, 10.8% and 17.8% of the total cost of sales respectively, as compared to 76.7%, 11.3% and 12.0% for the corresponding period last year.

Other Revenue

During the year under review, the Group's other revenue was HK$30,872,000, representing an increase of approximately 150.9% compared to HK$12,306,000 for the corresponding period last year.

	2012	2011	Change
	HK$'000	*HK$'000*	
Interest income	**24,908**	1,452	1615.4%
Government grants	**4,960**	9,432	-47.4%
Rental income	**1,004**	1,422	-29.4%
Total	**30,872**	12,306	150.9%

Interest income increased, which was mainly due to the interest income of HK$14,226,000 from the compensation for land premium of the land for headquarters and interest income of HK$8,332,000 from the loan to Guizhou Zhongtai.

Other Net Income

During the year under review, the Group's other net income was HK$242,000, representing a decrease of HK$383,000 as compared to HK$625,000 for the corresponding period last year. Other net income decreased, which was mainly due to the increase of approximately HK$320,000 in the loss of disposal of fixed assets.

Sales and Distribution Costs

During the year under review, the Group's sales and distribution costs amounted to HK$289,651,000 (2011: HK$328,642,000).

	2012	2011	Change
	HK$'000	*HK$'000*	
Advertising, promotion and traveling expenses	**169,269**	221,094	–23.4%
Salary expenses of sales and marketing staffs	**84,773**	62,021	36.7%
Distribution and logistics costs	**14,192**	13,368	6.2%
Other sales and distribution costs	**21,417**	32,159	–33.4%
Total	**289,651**	328,642	–11.9%

Although the increase in sales amount drove the salary expenses of sales and marketing staff to increase by 36.7%, the Group enhanced control over sales costs reducing advertising and promotion and traveling expenses by 23.4%, other sales and distribution costs by 33.4%, resulting in a decrease in sales in distribution cost of 11.9% as compared to the corresponding period of last year.

Administrative Expenses

During the year under review, the Group's administrative expenses amounted to HK$144,876,000 (2011: HK$130,551,000).

	2012	2011	Change
	HK$'000	*HK$'000*	
Staff salary	**40,567**	36,960	9.8%
Depreciation and amortization	**13,480**	8,323	62.0%
Expenses for product research and development	**42,862**	41,506	3.3%
Office rental cost and other expenses	**47,967**	43,762	9.6%
Total	**144,876**	130,551	11.0%

Administrative expenses increased by 11.0% as compared to the corresponding period of last year, which was mainly due to the aggregate increase in executive salary expense of HK$3,607,000; increase in depreciation and amortization of HK$5,157,000, which was mainly due to the increase in depreciation of fixed asset during the construction preparation period of Dezhong Gaoming. Office rental costs and other expenses increased by HK$4,205,000.

Profit from Operations

During the year under review, the Group's profit from operations was HK$289,815,000, representing an increase of 183.7% as compared to HK$102,144,000 for the corresponding period last year, while operating profit ratio (defined as profit from operations divided by total turnover) increased to approximately 22.9% from 10.1% for the corresponding period last year.

Finance Costs

During the year under review, the Group's finance costs amounted to HK$23,831,000 (2011: HK$7,689,000), and the higher finance costs as compared with the corresponding period last year was attributable to the increase in the Group's bank borrowings to approximately HK$511,104,000 (31 December 2011: HK$340,570,000). The effective interest rate for the loans was 6.75% (31 December 2011: 6.23%).

Earnings per share

During the year under review, the basic earnings per share was HK11.61 cents, representing an increase of 187.4% as compared to HK4.04 cents for the corresponding period last year. The increase in basic earnings per share was due to the profit attributable to equity shareholders increased by 187.4% to approximately HK$207,134,000 (2011: HK$72,072,000).

Liquidity and Financial Resources

As at 31 December 2012, the Group's current assets amounted to approximately HK$1,004,512,000 (31 December 2011: HK$709,510,000), which included cash, cash equivalents and deposits with banks of approximately HK$165,118,000 (31 December 2011: HK$47,273,000), as well as trade and other receivable of approximately HK$546,088,000 (31 December 2011: HK$346,891,000). Current liabilities amounted to approximately HK$800,722,000 (31 December 2011: HK$596,849,000). Net current assets aggregated to approximately HK$203,790,000 (31 December 2011: HK$112,661,000). The Group's current ratio was 1.3 (31 December 2011: 1.2). The gearing ratio (defined as bank loans divided by the interests attributable to equity shareholders of the Company) increased to 50.0% from 35.9% as at 31 December 2011. Such increase was due to the increase in bank loans to fund the Group's business expansion and production capacity expansion.

Bank Loans and Pledge of Assets

As at 31 December 2012, the balance of the Group's bank loans was approximately HK$511,104,000 (31 December 2011: HK$340,570,000), of which approximately HK$313,775,000 (31 December 2011: HK$161,711,000) was secured by the Group's assets with book value of HK$233,545,000 (31 December 2011: HK$80,627,000). The additional bank loans were mainly used as the loan for Guizhou Zhongtai, and the construction cost of Dezhong Gaoming.

Contingent Liabilities

The Group did not have any contingent liabilities as at 31 December 2012 (31 December 2011: Nil).

Employee and Remuneration Policies

As at 31 December 2012, the Group employed a total of 3,167 (31 December 2011: 3,510) staff members, including directors of the Company, of which the number of sales staff, production staff and those engaged in operation and administration and senior management were 1,450, 1,269 and 448, respectively. Remuneration packages principally comprised salary and discretionary performance bonus based on individual merits. The Group's total remuneration for the period was approximately HK$184,600,000 (2011: HK$148,212,000).

FINAL DIVIDEND

The Board has resolved not to declare a final dividend for the year ended 31 December 2012 (2011: HK5.00 cents per share).

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held at Conference Room, 1st Floor, No. 2 Rong Gui Qiao Xi Road, Shunde District, Foshan City, Guangdong Province, the People's Republic of China on Tuesday, 28 May 2013 at 3:00 p.m. (the "AGM").

CLOSURE OF REGISTER OF MEMBERS

To ascertain the shareholders' entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 23 May 2013 to Tuesday, 28 May 2013, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible 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. on Wednesday, 22 May 2013.

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 Corporate Governance Code (the "Code") as set out in the Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited which was revised and took effect on 1 April 2012, as well as those of the former Code, for the year ended 31 December 2012, except Code A5.2(a) that the nomination committee of the Company did not convene any meeting during the year. The reason for the deviation was that there was not any immediate need to make any change to the composition of the Board after the establishment of the nomination committee and the composition of the Board should remain intact during the period of the voluntary conditional cash offer as announced in the Company's announcement dated 31 August 2012. The nomination committee convened a meeting on 24 January 2013 and considered the biographies and suitability of the directors nominated by the new controlling shareholder as well as the new structure of the Board and make recommendations to the Board for the proposed appointment and the change to the Board.

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 2012.

By Order of the Board
WU Xian
Chairman

Hong Kong, 23 March 2013

As at the date of this announcement, the Board comprises 9 directors, of which Mr. WU Xian and Mr. YANG Bin are executive directors, Mr. SHE Lulin, Mr. LIU Cunzhou, Mr. DONG Zenghe and Mr. ZHAO Dongji are non-executive directors, Mr. ZHOU Bajun, Mr. XIE Rong and Mr. FANG Shuting are independent non-executive directors.