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

(Incorporated in Hong Kong with Limited Liability)
(Stock code:00570)

2009年报
ANNUAL REPORT 2009

CORPORATE PROFILE

Winteam Pharmaceutical Group Limited (the "Company") and its subsidiaries (collectively, the "Group") is a large modernized pharmaceutical group in the People's Republic of China ("PRC"). As at 31 December 2009, the Group has total assets amounted to approximately HK$1,203 million and about 2,350 employees. With five major brands, namely "Sheng Tong Ping" (聖通平), "Gaode"(高德), "Xi Ming Tang" (西鳴堂), "Dezhong" (德眾) and "Feng Liao Xing" (馮了性), the Group manufactures over 200 types of medicines ranging from Chinese patent medicines, chemical drugs to bio-drugs.

The Group possesses a comprehensive business chain capable of manufacturing all types of preparation from traditional Chinese medicine to modern prescription drugs, and the Group's member companies have all passed GMP certification of the PRC. Products of the Group are sold to hospitals in the PRC and distributed to retail drug stores throughout the country via the Group's extensive sales network.

Currently, the Group has five subsidiaries, namely Guangdong Medi-World Pharmaceutical Co., Ltd., Shandong Lukang Pharmaceutical Group Luya Co., Ltd., Foshan Dezhong Pharmaceutical Co., Ltd., Foshan Feng Liao Xing Pharmaceutical Co., Ltd. and Foshan Nanhai Pharmaceutical Group Medicinal Material Co. Ltd.

The ten major products of the Group are as follows:

Chinese Patent Medicines:	Biyankang tablet (鼻炎康片), Bi Yan Di Ji (Spray)(鼻炎滴劑) Yupingfeng Granule (玉屏風顆粒), Feng Liao Xing Rheumatism Medicinal Wine (馮了性風濕跌打藥酒), VC Yinqiao tablet (維C銀翹片), Shedan Chuanbei Powder (蛇膽川貝散) and Qiye Shen'an Tablet (七葉神安片)
Chemical Drugs:	Sheng Tong Ping (聖通平) (Nifedipine Sustained-release Tablet) (硝苯地平緩釋片), Gaode (高德) (Cefodizime Sodium for injection) (注射用頭孢地嗪鈉)
Bio-Drugs:	Sha Pei Lin (沙培林) (Group A Streptococcus for injection) (注射用A群鏈球菌)

In September 2009, the Group renamed from Wing Shan International Limited to Winteam Pharmaceutical Group Limited to underscore its new corporate identity, business positioning and the Group's determination to develop pharmaceutical business, laying an important milestone of its future business development.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-executive Director

DU Richeng *(Chairman)*

Executive Directors

XU Tiefeng *(Executive Deputy Chairman)*
YANG Bin *(Managing Director)*
SITU Min *(Chief Financial Officer)*
LI Songquan *(Deputy Managing Director)*

Independent Non-executive Directors

LO Wing Yat
PANG Fu Keung
WANG Bo
ZHANG Jianhui

COMPANY SECRETARY

HUEN Po Wah

AUDIT COMMITTEE

PANG Fu Keung *(Chairman)*
LO Wing Yat
WANG Bo
ZHANG Jianhui

REMUNERATION COMMITTEE

LO Wing Yat *(Chairman)*
DU Richeng
PANG Fu Keung
WANG Bo
ZHANG Jianhui

REGISTERED OFFICE

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Fax: (852) 2544 1269
Email: publicrelation@winteamgroup.com.hk

STOCK CODE

The shares of Winteam Pharmaceutical Group Limited are listed on The Stock Exchange of Hong Kong Limited

Stock code: 00570

AUDITORS

KPMG
Certified Public Accountants
8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-16
17th Floor, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

PRINCIPAL BANKERS

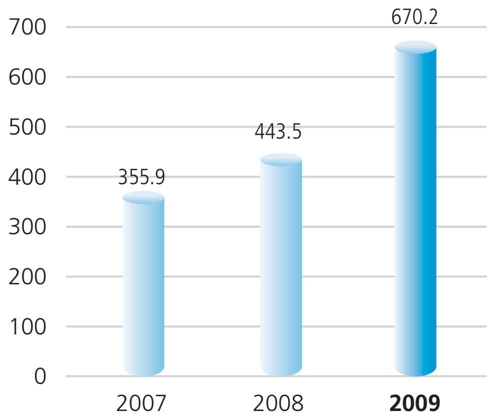
Bank of China (Hong Kong) Limited
The Hongkong & Shanghai Banking Corporation Limited
China Construction Bank (Asia) Corporation Limited

WEBSITE

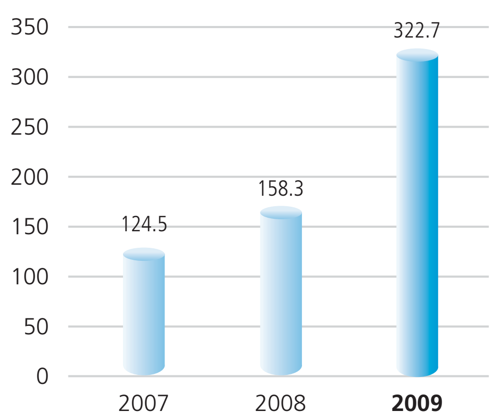
http://www.winteamgroup.com

	2009 HK$'000	2008 HK$'000	Change
Turnover	**670,175**	443,533	51.1%
Gross Profit	**322,696**	158,284	103.9%
Profit before taxation	**90,465**	53,405	69.4%
Profit attributable to equity shareholders of the Company	**44,054**	20,330	116.7%
Net cash generated from operating activities	**171,160**	77,630	120.5%
Basic earnings per share (HK cent)	**2.82**	2.45	15.1%

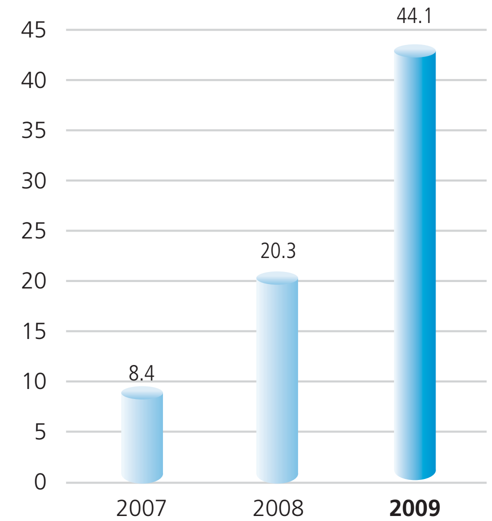
TURNOVER
(HK$ million)



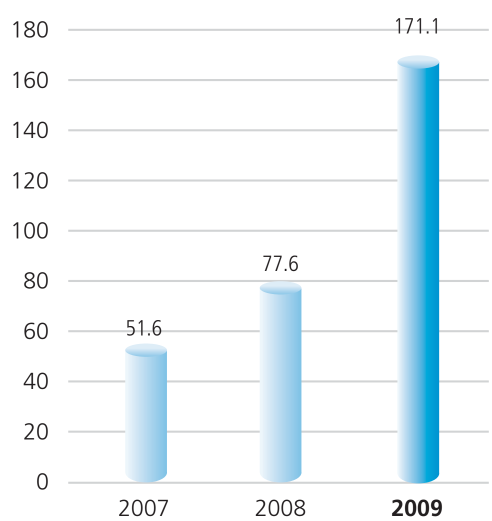
GROSS PROFIT
(HK$ million)



NET PROFIT
(HK$ million)



NET CASH GENERATED FROM OPERATING ACTIVIES
(HK$ million)



CHAIRMAN'S STATEMENT

On behalf of Winteam pharmaceutical Group Limited (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (the "Group") for the year ended 31 December 2009.

With the impact of the global financial crisis, the overall business environment in China was extremely volatile, leading to a difficult year for all sectors in 2009. However, the pharmaceutical industry, which was driven by market demand, managed to maintain high growth. According to the data of the Southern Institute of Medical Economics (南方醫藥經濟研究所) under the State Food and Drug Administration, the total output value of medicines of China in 2009 reached approximately RMB1,023 billion, representing an increase of approximately 18%. It was mainly attributable to the inelastic demand for medicines and the booming effect brought about to the medicine market by the extension of the coverage of medical insurance.

In addition, the Chinese government introduced the New Medical Reform Plan (the "New Medical Reform") in 2009, which has brought about substantial changes to the domestic pharmaceutical industry along with extensive business development opportunities for all industry players.

PROMISING RESULTS BROUGHT ABOUT BY ACQUISITION AND INTEGRATION

Despite the intense market competition, the Group's business recorded satisfactory growth and delivered promising performance during the year under review. It was mainly attributable to the success of the acquisition and integration strategy formulated by the board of directors (the "Board") and the strengthened competitive edges of the Group.

For the year under review, the Group's turnover increased considerably by 51.1% to approximately HK$670.18 million from HK$443.53 million for the corresponding period of last year. The profit from operations was approximately HK$95.79 million, representing an increase of 74.8% as compared to approximately HK$54.78 million for the corresponding period of last year. The profit attributable to equity shareholders increased significantly by 116.7% to approximately HK$44.05 million. Basic earnings per share were HK cents 2.82, representing an increase of 15.1% as compared to the last corresponding period.

The Group was reorganized in 2009. During the year, the Group completed its capital reorganization and a number of acquisitions as well as integrations involving functions like sales and marketing, purchasing and human resources. As a result of these, the Group's competitiveness has been enhanced in various aspects. The Group secured core resources for sales networks, product sources, competent staff members and research and development through reorganization, thus provided solid foundation for future development of the Group.

The Group always values our capability to develop innovative products and technologies. During the year under review, the Group delivered promising achievements in respect of research and development, which further enhanced the Group's ability in providing innovative products and developing technologies as an independent entity. To capitalise on the reputable corporate image and identity of "Winteam" as a branded quality medicine manufacturer focusing on contemporary and traditional Chinese medicines and to well define our positioning in the market, the Group renamed from Wing Shan International Limited (榮山國際有限公司) to Winteam Pharmaceutical Group Limited (盈天醫藥集團有限公司) in September 2009. With the enhancement of operation capability, together reorganization and acquisitions, the Group will strive to realize its strategic goal of becoming one of the well-known and influential pharmaceutical enterprises in China.

NEW MEDICAL REFORM BENEFITS THE GROUP IN VARIOUS ASPECTS

Owing to the ever improving living standard of people and the aging population in China, the demand for medical healthcare services will be enormous in the future. The total number of visits (in-patients and out-patients) will increase rapidly, supporting the rapid expansion of the market of medicines for hospitals on an on-going basis. According to a forecast made by the IMS Health, an international market research firm, China will become the second largest pharmaceutical market in the world only after the United States by 2020. The Chinese government is going to invest RMB850 billion from 2009 to 2011 for the New Medical Reform, aiming at providing people in cities and rural areas across the country with quality and affordable medical healthcare services. With the New Medical Reform, the Board believes that the pharmaceutical industry is experiencing substantial changes and the golden period for further development will emerge within the next few years. The development of the Group will be facilitated by the New Medical Reform and our competitive edge strengthened by acquisitions and integration with beneficial factors as follows:

- Over 60 products of the Group, including two exclusive products, namely Biyankang Tablet (鼻炎康片) and Yupingfeng Granule (玉屏風顆粒), have been included in the National List of Essential Drugs (Basic Version). In the National Basic Medical Insurance, Work Injury Insurance and Childbirth Insurance Medicine List (國家基本醫療保險、工傷保險和生育保險藥品目錄) (2009 Version) (the "National Medical Insurance List (2009 Version)") announced in November 2009, in addition to over 120 existing products of the Group, three more exclusive products, namely Gandakang Granule (肝達康顆粒), Gandakang Tablet (肝達康片) and Wuji Bai Feng Granule (烏雞白鳳顆粒) (in the form of exclusive dosage), have been added. This will enable the Group to enlarge its sales scale and market share in the future.

- The Group has a strong product line comprised of over 200 products covering Chinese patent medicines, chemical and bio-drugs. Major products of the Group are essential medicines for common, frequent and chronic diseases, including medicines for cardiovascular and respiratory diseases, and injuries & pain relieving. The product mix of the Group complements with the States's policy which encourages the use of essential medicines.

- Products of the Group mainly target at the basic market, including the OTC end-market at retail points, hospitals in counties and cities and hospitals in local communities and rural areas. These markets will be able to deliver higher growth in the future under the New Medical Reform.

- According to the New Medical Reform of China, specific policies which are in support of and favorable to the development of the Chinese medicine industry have been introduced. Since the Group's products are mainly Chinese patent medicines, all these policies are beneficial to the Group. In particular, the Group has positioned its operating subsidiaries, Foshan Dezhong Pharmaceutical Co., Ltd. ("Dezhong") as a modernized Chinese medicine enterprise while another subsidiary, Foshan Feng Liao Xing Pharmaceutical Co., Ltd. ("Feng Liao Xing") as a Chinese medicine enterprise manufacturing products with traditional prescriptions.

- The Group's five well-known corporations and product brand names, namely "Dezhong" ("德眾"), "Feng Liao Xing" ("馮了性"), "Sheng Tong Ping" ("聖通平"), "Gaode" ("高德") and "Xi Ming Tang" ("西鳴堂"), are all valuable to the effective brand name promotion and marketing activities in various end-markets of pharmaceutical products.

CORE BUSINESS STRATEGY AND OUTLOOK

The core strategy of the Group is: through the internal growth along with external acquisitions, we strive to enlarge scale of sales and market share, and become one of the well-known and influential pharmaceutical enterprises in China. the Board reckons the New Medical Reform will bring about progressive changes, opportunities as well as challenges to the entire pharmaceutical industry. In response to this, the Group has formulated a three-year (2010 – 2012) development plan emphasizing "consolidation, upgrading and development" based on our core strategy. Furthermore, the Group will leverage on the business opportunities brought about by the New Medical Reform and adapt to challenges therefrom, and adjust its research and development, production management and sales and marketing strategies to step up the foundation for further growth.

In the future, we will implement the following business measures to realize the strategic goal of the Group: (i) to increase the investment in research and development activities and human resources, upgrade our standard and capability in production quality management and to further improve the product mix of the Group for meeting market demand for both high-end and low-end products; (ii) to establish a modernized medicine pre-processing and extracting center to expand our productivity to cope with the market demand derived from increasing sales volume; (iii) to modify the Group's sales and marketing strategies by improving our product mix through acquisitions and reorganization, as well as repositioning our products; and (iv) to formulate new sales and marketing strategies for the basic market, including the exploration of new markets, placing more emphases on basic communities and the expanding the coverage of sales network to the end-market at hospitals in communities and rural areas.

Looking ahead, the Group intends to combine the essence of the traditional Chinese medicines with modern pharmaceutical technologies, and to conduct product research and development supported by innovative technologies to meet market demand, realizing the corporate mission of "contributing to human healthcare; improving life quality and creating happy life".

DIVIDEND

The Board clearly understands that dividend payment is one of the most important ways for a company to show appreciation to its shareholders, and it is the standard policy of the Company. However, the Group is in a crucial stage of business expansion and development, and therefore, requires sufficient cash to ensure rapid and sustained development. Accordingly, the Board considers it prudent not to recommend a payment of final dividend for the year ended 31 December 2009. Nevertheless, the Company will review the dividend policy from time to time and the payment of dividend will be made in due course when it is appropriate.

Finally, I would like to take this opportunity to express my sincere gratitude to our staff members for their effort and contribution in 2009 and my appreciation also goes to our clients and shareholders for their support. With the effort and support from all parties, the Group will adhere to our established goals of providing our shareholders with the highest return.

DU Richeng
Chairman

20 April 2010

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

The economic development in China was significantly undermined by the global financial crisis in 2009. However, the pharmaceutical industry managed to maintain high growth, mainly attributable to the inelastic demand for medicines and the booming effect brought about to the medicine market by the extension of the coverage of medical insurance.

The Chinese government introduced the New Medical Reform in 2009, providing the pharmaceutical industry in China with extensive opportunities for business development. To adapt to the New Medical Reform, market players of the sector have adjusted themselves in terms of research and development of medicines, production management, product mix and sales and marketing strategies.

Furthermore, the New Medical Reform will also speed up the structural reorganization of the pharmaceutical industry. With reorganizations, mergers and acquisitions exercises, corporations in the industry will be able to strengthen their competitive edge by securing products, brand names, technologies and sales channels, which is an inevitable trend of the industry. The New Medical Reform will help to expand the market and uplift the entry barrier, thus providing ample space for further development of the sector.

BUSINESS REVIEW

Results

For the year under review, the Group's turnover increased significantly by 51.1% to approximately HK$670.18 million from HK$443.53 million for the corresponding period of last year. Such increase was primarily attributable to the consolidation of the results of the two newly acquired operating subsidiaries, Guangdong Medi-World Pharmaceutical Co., Ltd. ("Guangdong Medi-World") and Shandong Lukang Pharmaceutical Group Luya Co., Ltd. ("Luya"), for the period between February and December 2009, into the consolidated financial statements of the Group. Guangdong Medi-World and Luya contributed approximately HK$258.25 million to the Group's turnover during the period, representing 38.5% of its total turnover. The Group's profit from operations was approximately HK$95.79 million, representing an increase of 74.8% as compared to approximately HK$54.78 million for the corresponding period of last year. The profit attributable to equity shareholders increased significantly by 116.7% to approximately HK$44.05 million. Basic earnings per share were HK cents 2.82, representing an increase of 15.1% as compared to the last corresponding period.

Enhancement of Core Competitiveness through Acquisitions and Reorganization

In 2009, in order to cope with the State policy of the New Medical Reform, the Group carried out a series of acquisitions to realize its strategy in this respect during the year up to the date of the results announcement. The Group expanded by acquiring important sales and marketing networks and relevant product resources, and its core competitiveness was also strengthened accordingly. As a result, the Group was able to diversify its business from traditional Chinese patent medicines to high-end bio-drugs and chemical drugs, making it an excellent well-rounded pharmaceutical corporation.

1 The Acquisition of Guangdong Medi-world and Luya

During the year under review, the Group completed the acquisition of entire equity interests in Guangdong Medi-world and Luya in February. Each of Guangdong Medi-world and Luya owned a sizable sales team targeting at hospitals as well as an established end-market hospital network and their major products of chemical drugs were Sheng Tong Ping (聖通平) (a medicine for hypertension) and Gaode (高德) (antibiotics) respectively. Currently, a total of 12 products of both companies are included in the "National List of Essential Drugs", of which Yupingfeng Granule (玉平風顆粒) is an exclusive product. Besides, 29 products are named in the "National Medical Insurance List (2009 Version)".

Guangdong Medi-world established a post-doctorate research center and a provincial research and development center. In the future, major products of Guangdong Medi-world will still be cardiovascular drugs (namely Sheng Tong Ping) and exclusive Chinese patent medicines (namely Yupingfeng Granule) and the development of which will be focused on controlled-release and sustained-release preparation. In addition, sales and marketing activities will be based on an academic approach by building up and maintaining a network of healthcare and medical experts. Key target markets of the products will be extended from major hospitals in the cities to the basic market, including those in the communities and rural areas.

Luya will focus on developing into the characteristic manufacturing base for antibiotics, and striving to become a leading company in manufacturing Cefodizime Sodium for Injection (注射用頭孢地嗪吶類抗生素). Its products include Gaode (高德) and Sha Pei Lin（沙培林）(which are aiding drugs for malignant tumors), which aim at the hospitals in first-tier and second-tier cities.

2 The Acquisition of Nanhai Pharmaceutical

The Group also completed the acquisition of entire equity interests in Foshan Nanhai Pharmaceutical Group Medicinal Material Co. Ltd. ("Nanhai Pharmaceutical") in November 2009. Nanhai Pharmaceutical is principally engaged in the business of purchasing traditional Chinese medicines and manufacturing prepared Chinese drug in slices. It holds a production approval for prepared Chinese drug in slices, GSP and GMP certifications and a purchasing approval for medicinal materials. Nanhai Pharmaceutical is expected to serve as the Group's procurement platform of medicinal materials.

3 The Acquisition of An Ning

In January 2010, the Group announced the acquisition of 93% interests in Foshan City An Ning Company Limited ("An Ning") and the sole asset of An Ning was 49% interests in Dezhong. Upon completion of the transaction, the shareholding in Dezhong held by the Group will be increased from 51% to 96.57%. "Dezhong" is a well-known brand name in China and 17 products of Dezhong have been included in the "National List of Essential Drugs", of which Biyankang Tablet (鼻炎康片) is an exclusive product. Moreover, 27 products of Dezhong have been added to the "National Medical Insurance List (2009 Version)", of which three are newly added exclusive products. Dezhong holds eight National Protected Traditional Chinese Medicine Products (國家中藥保護品種) and owns the technical skills for the production of double-layered tablets for ensuring efficacy of medicines.

In the future, the major product of Dezhong will still be Biyankang Tablet (鼻炎康片) and the development of which will be focused on exclusive OTC products and prescription medicines. With respect to sales activities, an OTC end-market sales team will be established to deal with well-defined and segmented end-markets of product sales. Also, the market recognition of the brand name will be enhanced by advertisements in the mass media. The Group has positioned Dezhong as a leading and modernized domestic Chinese medicine enterprise specialized in the production of medicines for rhinitis and other diseases of the respiratory system.

Market Competitiveness of the Group's Core Products

Through the acquisitions and the increase in product categories, 64 products of the Group's subsidiaries were included in the "National List of Essential Drugs" and more than 120 products were added to the "Medical Insurance List (2009 Version)". The product numbers of the Group with sales exceeding HK$30 million increased from 2 in 2008 to 6 in 2009. These core products are important to the Group and are influential in their respective segmented markets.

Biyankang Tablet (鼻炎康片), Sheng Tong Ping (Nifedipine Sustained-release Tablet) (聖通平), Feng Liao Xing Rheumatism Medical Wine (馮了性風濕跌打藥酒), Gaode (高德) (Cefodizime Sodium for Injection), VC Yin Qiao Tablet (維C銀翹片) and Yupingfeng Granule (玉平風顆粒) were the 6 core products of the Group during the year under review. The total turnover of the above 6 products was approximately HK$407.6 million, representing 60.8% of the Group's total turnover.

Internal Resources Consolidation and Structural Reorganization

During the year under review, the Group consolidated its internal resources thoroughly through gradual restructuring of the human resources, product resources and sales resources of each subsidiary. Six management centers were established accordingly, namely the sales and marketing center, the production center, the operation center, the finance center, the human resource center and the research and development center. Meanwhile, the management process has been optimized to reduce costs in this respect. Also, the market admission department was set up to maintain and strengthen the relationship between the Group and government authorities.

In addition, in order to fully reflect the Group's reputable corporate image as a branded quality medicine manufacturer and to well define our positioning in the market, the Group renamed from Wing Shan International Limited (榮山國際有限公司) to Winteam Pharmaceutical Group Limited (盈天醫藥集團有限公司) in September 2009. In 2010, the Group will continue to work on the consolidation issues for placing a solid foundation for its marketing activities and quality management.

Full Deployment of Strong Product Mix of the Group

The Group has a strong product line comprised of over 200 products covering Chinese patent medicines, chemical drugs and bio-drugs. These medicines are mainly for 12 clinical diseases, including cardiovascular and cerebrovascular, respiration, gynecology, pediatrics, orthopedics and traumatology, otorhinolaryngology and injuries. As a result, the Group has efficient sales resources in medicines for cardiovascular and respiratory diseases, injuries and pain relieving, and brand names of the Group are influential in these aspects.

During the year under review, the Group initiated the product selection program and professional advisors were engaged to analyze all products of the Group in a scientific and systematic way. Key products for further development were selected according to market potential, market scale, competitive edge and the Group's existing resources for sales and marketing activities, hence, formulated the Group's future planning for products accordingly.

The Group determined the direction of its sales and marketing efforts and resources allocation. Two major project streams were confirmed as follows: (i) prescription medicines targeted at hospitals, including medicines for cardiovascular and cerebrovascular diseases, medicines for diseases of upper respiratory tracts and the digestive system and medicines for gynecology and oncology; and exclusive products to be particularly promoted, including Rujiekang Tablet (乳結康片), Gankangda Tablet (肝達康片) and Weipixiao Granule (胃痞消顆粒); (ii) OTC products targeted at retail points at drug stores, including medicines for diseases of upper respiratory tracts, allergy and dermatology and external pain relievers; and exclusive products to be particularly promoted, including FuFang ZhenZhu Pimple Tablet (複方珍珠暗瘡片), Yao Shen Herbal Plaster (腰腎膏) and Shaolin Dieda Herbal Plaster (少林跌打止痛膏).

Integration and Establishment of Nationwide Sales and Marketing Network

Each subsidiary of the Group has got its dominant sales and marketing network and a sales and marketing team of its own. During the year under review, the Group integrated these networks and related teams according to the results of the product selection for resources sharing. Consequently, the management efficiency was upgraded and the pace of response to the ever changing market was expedited, thereby fortifying the establishment of a remarkable sales and marketing platform for the rapid development of the Group.

Since the Group's products were mainly branded essential medicines targeted at the basic market, it enhanced strategic co-operation with sizable chain stores and distributors of medicines during the year under review for building a comprehensive sales network covering the entire State. As a result, the Group's strategic planning of extending the coverage of its major products to OTC retail points as well as the basic market of communities and rural areas was being realized step by step. With the product coverage and the market recognition and reputation of our brand name, the Group's control over the end-market and its ability to cope with uncertainties were highly strengthened.

RESEARCH AND DEVELOPMENT

During the year under review, the Group delivered promising achievements in respect of research and development, including 1 new medicine certificate, 3 production approvals and 2 clinical research approvals. To be specific, a new medicine with intellectual property rights and under category 6 and named Weipixiao Granule (胃痞消顆粒) (a medicine for chronic gastritis or chronic gastratrophia) was granted a new medicine certificate and a production approval; a new medicine for pimples named Viaminate and Vitamin E Gel (維胺酯維E凝膠) and a non-prescription medicine for protecting the gastric mucosa named Colloidal Bismuth Pectin Capsule (膠體果膠鉍膠囊) were also granted production approvals respectively; a controlled-release medicine for hypertension named Nifedipine Controlled-release Tablet (硝苯地平控釋片) and Waishang Ruyi Gel (外傷如意凝膠) were granted an approval for clinical research respectively. In addition, two medicines for gastric diseases were also granted invention patents together with six patents for appearance design in total.

The Group initiated three clinical research projects for new medicines, namely Nifedipine Controlled-release Tablets (硝苯地平控釋片), Trimebutine Sustained-release Tablets (曲美布汀緩釋片) (a new bowel movement regulator) and Artemether Xureqing Granule (蒿甲虛熱清顆粒) (a new Chinese medicine under category 6 for relieving internal heat and nourishing). The clinical test on Artemether Xureqing granules was basically completed.

In connection with projects on new technologies, the Group participated in several research and development projects regarding: the efficacy of the substance base of Yupingfeng Granule (玉屏風顆粒), a new anti-depressant extracted from leaves of panax pseudoginseng, a new medicine under category 1 named Polydatin Tablet (白藜蘆醇苷及片劑) for Parkinson's disease, a new medicine under category 6 named Yaotongkang Granule (腰痛康顆粒), the re-development of Feng Liao Xing Rheumatism Medicine Wine (馮了性風濕跌打藥酒)-cataplasm (transdermal patch) and the re-development of Jie Hong Dieda Tincture (竭紅跌打酊) – cataplasm. These projects are well on track as scheduled.

In the future, the Group's efforts in research and development activities will be concentrated on "consolidation, upgrading and development" as stated in the three-year plan. Special attention will be paid to the preparation of modern medicines, the re-development of Chinese medicines and the development of innovative medicines, and medicines for cardiovascular and cerebrovascular diseases, diseases of respiratory and neurological systems, rheumatic diseases, tumors and anti-infection will be the main focus. The Group will plan its product line for the following 3 to 5 years according to the development mentioned above. The Group will set up a research and development center to concentrate its resources for central planning and management and to broaden the scope of co-operation with universities and scientific research institutes. All these aim at laying a solid ground for the establishment of a new medicine research institute.

OUTLOOK AND DEVELOPMENT STRATEGY

The New Medical Reform in China will bring about drastic changes as well as invaluable business opportunities to the pharmaceutical industry. Pharmaceutical companies, especially those producing essential medicines, will benefit from the government's increased spending in fundamental public medical healthcare services and its initiatives to enlarge the coverage of medical insurance. Since about half of the medicines stated in the "National Essential Drugs List" are Chinese medicines, with the strong support to the development of the Chinese medicine industry from the State, manufacturers of Chinese medicines will be able to capitalize on this trend. In response to the ever improving living standard of people and the aging population in China, there will be enormous demand for medical healthcare services in China.

However, with amendments to GMP and GSP in China during these years, the regulation of the industry has become more stringent, thus upgrading the quality of medicines and setting higher standard for pharmaceutical companies. Due to the continuous consolidation of the pharmaceutical industry, entry barrier of the sector will be uplifted, thereby eliminating manufacturers with less competency.

2010 is the first year of the New Medical Reform as well as the starting point of the Group's three-year plan. The Group will implement the following business strategies in an effective way so as to strengthen our three vital capability in operations, including: (i) research and innovation; (ii) product quality; and (iii) sales and marketing. With the strengths mentioned above, we will be able to deliver promising growth and enjoy cost effectiveness in the ever changing pharmaceutical market.

1 **Integration of sales channels:** the Group will continue to integrate its sales team and will gradually adopt a centralized approach for corporation management to consolidate human resources and lower labor costs. It will rapidly uplift its products from regional to national brands through enhanced promotional efforts targeting at public medical institutions in cities, major OTC end-markets and basic medical institutions in rural areas. The Group will focus on the "Step by Step Penetration Program (星火燎原計劃)" to expand the end-markets in second-tier and third-tier cities and rural areas, in addition to its existing markets in southern and northern China and coastal cities.

2 **Enhancement of brand influence:** the Group will integrate product and brand resources of all its subsidiaries for the purpose of rational selection and scientific categorization of all our products. They will also be combined with the Group's brands honored with China's Time-honored Brand (中華老字號), Famous Trademark of China (中國馳名商標), Provincial Well-known Trademark (省著名商標) and the "Winteam" brand of its listed company in an organic way to enhance the influence of our brands by resources consolidation.

3 **Strengthening promotion of core product portfolio:** as the New Medical Reform of the State advances further, the Group will centralize the management of its national and regional exclusive products and products with stronger competitive edges listed in the National Essential Drugs List and 2009 Medical Insurance List to fortify a highly efficient product portfolio. The Group will rapidly seize market shares through a centralized sales team and marketing approach focusing on academic aspects.

4 **Strengthening research and development capability:** the Group will increase its investment in research and development and set up a unified research and development center, making use of production technologies of its subsidiaries with reference to the Group's development strategies. Product research and development will include the development of new products and re-development of existing products. It will strengthen the exchange and co-operation with domestic and foreign institutions in the field, adhere to the philosophy of development through technological innovation and the thought of manufacturing quality products in compliance with stringent scientific standards, as well as setting up a staff team of high caliber.

5 **Enhancement of management and quality:** the Group will set up a production management center to co-ordinate and further integrate all aspects related to production technologies, technical research and quality control of all companies within the Group, aiming at uplifting the overall standard in production technologies and quality control.

6 **Expansion of production capacity and seeking the merger and acquisition opportunities:** the Group will set up an advanced production base in China for processing and extracting Chinese medicines to expand its production capacity, and will also launch selected new products, particularly high-end products and those with discretionary pricing rights, for upgrading its product mix. In addition, the Group will identify merger and acquisition opportunities beneficial to the Group in terms of brand name, sales network, products and research and development in order to become one of the well-known and influential pharmaceutical enterprises in China.

FINANCIAL REVIEW

Sales

For the year ended 31 December 2009, the Group's turnover increased significantly by 51.1% to approximately HK$670.18 million from approximately HK$443.53 million for the corresponding period of last year. Such increase was primarily attributable to the consolidation of the results of the two newly acquired operating subsidiaries, Guangdong Medi-World and Luya, for the period between February and December 2009, into the consolidated financial statements of the Group. Guangdong Medi-World and Luya contributed approximately HK$258.25 million to the Group's turnover during the period, representing 38.5% of its total turnover.

Cost of Sales and Gross Profit Margin

For the year ended 31 December 2009, the Group's cost of sales was approximately HK$347.48 million, representing an increase of 21.8% as compared to approximately HK$285.25 million for the corresponding period of last year. Direct raw materials, direct labor and production overhead accounted for approximately 63.1%, 12.0% and 24.9% of the total cost of sales respectively, as compared to 64.5%, 12.4% and 23.1% for the corresponding period of last year. For the year ended 31 December 2009, the Group's gross profit margin was approximately 48.2%, representing a significant increase of 12.5 percentage points as compared to 35.7% for the corresponding period of last year. Such increase was attributable to the higher gross profit margins of most products of Guangdong Medi-World and Luya as well as the strengthened cost control measures on medicinal and packaging materials implemented by the Group in 2009.

Other Revenue and Net Income/(Loss)

For the year ended 31 December 2009, the Group's other revenue and net income/(loss) was approximately HK$13.19 million, representing an increase of 164.9% as compared to HK$4.98 million of last year. Such increase was attributable to the significant increase in government grants by HK$7.72 million to approximately HK$9.35 million.

Operating Costs

For the year ended 31 December 2009, the overall operating cost of the Group was approximately HK$240.10 million, representing an increase of approximately 121.3% as compared to HK$108.48 million for the corresponding period of 2008. Such increase was mainly attributable to the consolidation of the results of the newly acquired operating subsidiaries, Guangdong Medi-World and Luya, into the consolidated accounts of the Group. The percentage of the operating cost to the total turnover is set out in the following table:

	Year ended 31 December	
	2009	2008
Selling and Distribution costs (%)	**24.1**	14.9
Administrative Expenses (%)	**11.7**	9.5
Operating Costs (%)	**35.8**	24.4

Selling and Distribution Costs

For the year ended 31 December 2009, the Group's selling and distribution costs amounted to approximately HK$161.62 million (31 December 2008: HK$66.24 million), which mainly consisted of advertising and promotion expenses of approximately HK$100.09 million, salary expenses of sales and marketing staff of HK$20.70 million, transportation costs of approximately HK$6.73 million and other cost of sales of approximately HK$34.10 million. The increase in the percentage of selling and distribution costs as compared to last year was due to the fact that sales of Guangdong Medi-World and Luya had been targeted at hospitals, for which selling and promotion expenses were slightly higher than those incurred in OTC retail sales.

Administrative Expenses

Administrative expenses of the Group for the year ended 31 December 2009 amounted to approximately HK$78.47 million (31 December 2008: HK$42.25 million). The administrative expenses were mainly comprised of salaries of approximately HK$33.71 million, depreciation and amortization of approximately HK$5.77 million, expenses for product research and development of approximately HK$11.85 million and office rental and other expenses of approximately HK$27.14 million.

Profit from Operations

For the year ended 31 December 2009, the Group's profit from operations was approximately HK$95.79 million, representing a significant increase of 74.8% as compared to approximately HK$54.78 million for last year; and the operating profit ratio (defined as the profit from operations divided by the total turnover) increased to 14.3% from 12.4% for last year.

Finance Costs

For the year ended 31 December 2009, the Group's finance costs amounted to approximately HK$5.32 million (31 December 2008: HK$1.38 million). Such increase as compared to the last year was attributable to the acquisition of operating subsidiaries – Guangdong Medi-World and Luya, which increased the Group's bank loans to approximately HK$84.04 million (31 December 2008: HK$18.19 million). The effective interest rate for the loans was 5.6% (31 December 2008: 7.84%).

Income Tax

For the year ended 31 December 2009, the Group's income tax was approximately HK$22.24 million (31 December 2008: HK$4.94 million). Such increase as compared to the corresponding period of last year was attributable to the newly acquired operating subsidiaries – Guangdong Medi-World and Luya. The income tax rate for Luya, the Group's operating subsidiary, was 25%. Other operating subsidiaries, namely Feng Liao Xing, Dezhong and Guangdong Medi-World, were recognized as advanced and new technology enterprises, and enjoyed a preferential tax rate of 15% accordingly.

Profit Attributable to Equity Shareholders

For the year ended 31 December 2009, the profit attributable to equity shareholders of the Company increased significantly by 116.7% to approximately HK$44.05 million, and the net profit margin (defined as the profit attributable to equity holders of the Company divided by the total turnover) rose to 6.6% from 4.6% for last year.

Liquidity and Financial Resources

As at 31 December 2009, the Group's current assets amounted to approximately HK$508.25 million (31 December 2008: HK$309.64 million), including cash and cash equivalents of HK$233.50 million (31 December 2008: HK$155.72 million). Current liabilities amounted to approximately HK$268.18 million (31 December 2008: HK$120.53 million). Net current assets aggregated to approximately HK$240.07 million (31 December 2008: HK$189.11 million). The Group's current ratio decreased from 2.57 as at 31 December 2008 to 1.9 as at 31 December 2009. The reason for such decrease was due to the bank loans of the newly acquired operating subsidiaries-Guangdong Medi-World and Luya, which brought about higher current liabilities and an increase in the gearing ratio (defined as the bank loans divided by the interests attributable to equity shareholders of the Company) from 5.1% for 2008 to 12.2% in 2009.

Bank Loans and Pledge of Assets

As at 31 December 2009, the balance of the Group's bank loan was approximately HK$84.04 million (31 December 2008: HK$18.19 million), of which approximately HK$59.51 million (31 December 2008: Nil) was secured by pledging the Group's assets.

Contingent Liabilities

The Group did not have any contingent liabilities as at 31 December 2009 (31 December 2008: Nil).

Exchange Rate Risk

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

Employee and Remuneration Policies

As at 31 December 2009, the Group employed a total of approximately 2,350 (31 December 2008: 969) staff members, including directors of the Company, of which the number of sales staff, production staff and those engaged in research and development, operation and administration and senior management were approximately 860, 1,150 and 340 respectively. Remuneration packages were principally comprised of salary and discretionary performance bonus based on individual merits. The Group's total remuneration for employees for the year was approximately HK$100.30 million (31 December 2008: HK$65.01 million).

BIOGRAPHICAL DETAILS OF DIRECTORS

NON-EXECUTIVE DIRECTOR

DU Richeng, aged 60, was appointed to the Board as a non-executive director in January 2008 and is also a member of the Company's remuneration committee. Mr. DU is the Chairman of the Company. Mr. DU has over 30 years' experience in international trading, industrial management, property development and public utilities. Mr. DU was an executive director of the Company from 14 April 1998 to 8 February 2001. Mr. DU came to work in Hong Kong in March 1990 and was appointed as the vice chairman and managing director of Foshan Development Company Limited ("FDC"), a controlling shareholder of the Company in November 1996. Subsequently, he was appointed as the chairman of 佛山電建集團公司 (Foshan Electric Power Construction Group Corporation) on his return to the mainland China in January 2001 and was re-designated as the chairman of 佛山市公用事業控股有限公司 (Foshan Public Utilities Holding Co., Ltd.) ("Foshan Public Utilities") in July 2006 and had held such office until December 2008. Now, Mr. DU is a 調研員 (senior consultant) of Foshan Public Utilities.

EXECUTIVE DIRECTORS

XU Tiefeng, aged 55, was appointed to the Board on 10 June 2009. Mr. XU was the Executive Deputy Chairman of the Company with effect from 30 July 2009. Mr. XU obtained a college diploma in political economy from Guangdong Provincial Party School (廣東黨校) in 1987 and had worked for over 15 years in the government departments and organisations in the People's Republic of China (the "PRC"). During 1984 to 1999, he acted as the Deputy Supervisor (副鎮長) and Supervisor (鎮長) of the former Shunde Rongqi Municipal Government (佛山市順德區容奇鎮人民政府) (the "Rongqi Government"), Deputy Director (副主任) of Office of Industry Development of the Rongqi Government (順德容奇鎮政府工業辦公室) and Secretary of the Rongqi Government. Mr. XU was responsible principally for industrial and economy development and overseeing the development of local state-owned industrial and technology enterprises in Shunde District, covering a wide range of industries including manufacturing of electrical appliances, electronic products, animal feed and pharmaceutical products, and software development. He was actively involved in introducing international practices and management models to local enterprises as well as promoting corporate activities such as mergers and acquisitions and listings for local enterprises. Mr. XU had during that period taken up various roles in companies under the control of the Rongqi Government to represent the controlling interests of the Rongqi Government, including acting as the General Manager of Rongqi Town Economic Development Corporation (容奇經濟發展總公司) and Rongqi Investment Holding Company (容奇鎮投資控股公司), and a director of Guangdong Kelon (Rongsheng) Group Company Limited (廣東科龍(容聲)集團有限公司) and Guangdong Kelon Electrical Holdings Company Limited 廣東科龍電器股份有限公司 ("Kelon"). Kelon (now known as Hisense Kelon Electrical Holdings Company Limited 海信科龍電器股份有限公司) is a joint stock limited company incorporated in the PRC whose H shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 921) and whose A shares are listed on The Stock Exchange of Shenzhen, the PRC.

YANG Bin, aged 42, was appointed to the Board on 6 February 2009. Mr. YANG was the Managing Director of the Company with effect from 11 February 2009. Mr. YANG graduated from 中央民族大學 (Minzu University of China) majoring in Biochemistry. Mr. YANG engaged in research and development of new products in 佛山市醫藥總公司 (Foshan City Medical Corporation), and served as the Deputy General Manager of 佛山市醫藥銷售有限公司 (Foshan City Medical Sale Co., Ltd.), director of 佛山市生物化學製藥廠 (Foshan City Biochemical Pharmaceutical Factory) and General Manager of 佛山市華衛醫藥有限公司 (Foshan City Huawei Medical Co., Ltd.). Mr. YANG has 20 years of experience in registration of medicines and drugs, research and development and sale of medical products. He had successfully launched a series of new products with good response from the market and enjoys high reputation in the sales market. Mr.YANG is currently the Chairman and a director of 廣東環球製藥有限公司 (Guangdong Medi-World Pharmaceutical Co., Ltd.), 山東魯抗醫藥集團魯亞有限公司 (Shandong Lukang Pharmaceutical Group Luya Co., Ltd.) and 佛山盈天醫藥科技有限公司 (Foshan Winteam Medical Technology Company Limited).

SITU Min, aged 40, was appointed to the Board in September 2001. Mr. SITU is the Chief Financial Officer and the Qualified Accountant of the Company. Mr. SITU is mainly responsible for the Group's financial disclosure, acquisitions and reorganizations, investor relations. He is a fellow member of the Association of Chartered Certified Accountants and is also a member of Chinese Institute of Certified Public Accountants. Mr. SITU has extensive experience in financial management, and corporate finance and acquisitions.

LI Songquan, age 34, was appointed to the Board in January 2007. Mr. LI has been appointed as the Deputy Managing Director with effect from 1 April 2007. Mr. LI is mainly responsible for the overall strategic planning and management of the Group's business, and human resources. Mr. LI graduated from South China University of Technology. He has working experience in the state-owned enterprises and joint-venture enterprises in the PRC, especially in the reform, reorganization, acquisition, merger and listing of state-owned enterprises.

INDEPENDENT NON-EXECUTIVE DIRECTORS

LO Wing Yat, aged 51, was appointed to the Board on 11 February 2009. Mr. LO is the Executive Vice Chairman and Chief Executive Officer of CIAM Group Limited (Stock Code: 378), whose shares are listed on the Stock Exchange. He is also the Chief Executive Officer of CITIC International Assets Management Limited, the Managing Director of CITIC International Financial Holdings Limited and a non-executive director of CITIC Ka Wah Bank Limited. Mr. LO also serves as director in numerous Hong Kong listed companies. He is an executive director of Jia Sheng Holdings Limited (Stock Code: 729), a non-executive director of China Fortune Holdings Limited (Stock Code: 110) and Longlife Group Holdings Limited (Stock Code: 8037), and a former non-executive director of China Sciences Conservational Power Limited (Stock Code: 351). Mr. LO graduated from The University of Hong Kong with a bachelor's degree in Laws. He was admitted as a solicitor of the Supreme Court of Hong Kong in 1984 and a solicitor of the Supreme Court of England and Wales in 1989. He served as an in-house counsel of Bank of China Hong Kong-Macau Regional Office and a partner of Linklaters. During his legal career, Mr. LO was specialized in banking project financing primarily in the PRC.

PANG Fu Keung, aged 38, was appointed to the Board on 11 February 2009. Mr. PANG is the Senior Investment Professional – TRG Management Hong Kong Limited (known as The Rohatyn Group) and Head of the China Special Investments. Mr. PANG was also a director of Citigroup's Global Special Situations Group responsible for Greater China distressed assets, NPL portfolios, pre-IPO and growth equity. Mr. PANG formerly worked for KPMG's Financial Advisory Services as a corporate restructuring specialist. Mr. PANG has extensive experience in assurance, corporate finance and corporate restructuring work and has assisted a number of listed companies in Hong Kong and the PRC since mid-1990s. Mr. PANG graduated from the University of New South Wales in Australia and is member of the CPA Australia and the Hong Kong Institute of Certified Public Accountants. Mr. PANG is also a member of The Hong Kong Institute of Directors.

WANG Bo, aged 49, was appointed to the Board on 10 June 2009. Mr. WANG graduated from Beijing Institute of Iron and Steel Metallurgy Machinery. Mr. WANG had been Deputy Director of Design and Research Institute of Beijing Non-ferrous Metallurgy, General Manager of Beijing Bodi Computer Software Technology Co., Ltd. and General Manager of Beijing Online Software Technology Co., Ltd. Mr. WANG is currently President of 北京秦脉醫藥科技發展有限公司 (Beijing Qinmai Pharmaceutical Technology Development Co., Ltd.) and Chairman of 北京秦脉醫藥諮詢有限公司 (Beijing Qinmai Pharmaceutical Consultant Co., Ltd.). Mr. WANG is also the independent director of Beijing Double Crane Pharmaceutical Co., Ltd. which is listed in the PRC (stock code: 600062). Additional, Mr. WANG is also Vice Chairman of 中國醫藥企業管理協會 (Chinese Pharmaceutical Enterprises Association) and Vice Chairman of 全國醫藥技術市場協會 (National Pharmaceutical Technology Market Association). Mr. WANG has 10 years of experience in pharmaceutical policy research and pharmaceutical manufacturing consultancy.

ZHANG Jianhui, aged 64, was appointed to the Board on 10 June 2009. Mr. ZHANG graduated from Institute of Chemical Engineering, Faculty of Biochemistry of Zhejiang University. Mr. ZHANG is a senior engineer and licensed pharmacist. Mr. ZHANG has 40 years of experience in management of pharmaceutical manufacturing and has obtained the National Technological Advancement Third Class Award. Mr. ZHANG is entitled to the Special Allowance from State Council and is an Excellent Talent of the Professional Technique in the Shandong Province. Mr. ZHANG had been Chairman of Shandong Lukang Pharmaceutical Group and Chairman of Shandong Lukang Pharmaceutical Co., Ltd. (listed on Shanghai Stock Exchange, stock code: 600789). Mr. ZHANG is currently appointed as Deputy Director of the 中國化學制藥工業協會專家委員會 (Specialist Committee of China Pharmaceutical Industry Association) and Consultant of 山東省醫藥工業協會顧問 (Shandong Pharmaceutical Industry Association).

The directors have pleasure in submitting their annual report together with the audited accounts of the Group for the year ended 31 December 2009.

CHANGE OF COMPANY NAME AND STOCK SHORT NAME

The name of the Company has been changed from "WING SHAN INTERNATIONAL LIMITED 榮山國際有限公司" to "WINTEAM PHARMACEUTICAL GROUP LIMITED 盈天醫藥集團有限公司" with effect from 4 September 2009.

The stock short name for trading in the shares of the Company on the Stock Exchange has also been changed from "WING SHAN INT'L 榮山國際" to "WINTEAM PHARMA 盈天醫藥".

Further details are set out in the announcement of the Company dated 11 September 2009.

PRINCIPAL PLACE OF BUSINESS

The Company is incorporated and domiciled in Hong Kong and has its registered office and principal place of business at Rooms 2801-2805, China Insurance Group Building, 141 Des Voeux Road Central, Hong Kong.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are research and development, production and sale of pharmaceutical products in the PRC.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2009 and the state of the Company's and the Group's affairs at that date are set out in the financial statements on pages 44 to 108.

No interim dividend was paid during the year. The Group is in the crucial stage of business expansion and development and requires sufficient cash to ensure rapid and sustained development. Accordingly, the Board considered prudent not to recommend a payment of final dividend for the year ended 31 December 2009 (2008: HK0.7 cent per ordinary share).

TRANSFER TO RESERVES

Profits attributable to shareholders, before dividends, of HK$44,054,000 (2008: HK$20,330,000) have been transferred to reserves. Other movements in reserves are set out in the Consolidated Statement of Changes in Equity in the financial statements.

FIXED ASSETS

Details of movements in fixed assets during the year are set out in note 13 to the financial statements.

SHARE CAPITAL AND RESERVES

Details of the movements in share capital and reserves of the Company and the Group during the year are set out in note 28 and the Consolidated Statement of Changes in Equity in the financial statements, respectively.

GROUP FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 109 to 110.

SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2009 are set out in note 17 to the financial statements.

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

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

DIRECTORS

The Board comprises the following directors during the financial year and up to the date of this report:

Non-executive Director

DU Richeng	*Chairman*

Executive Directors

XU Tiefeng	*Executive Deputy Chairman*
	(appointed as Executive Director on 10 June 2009 and as Executive Deputy Chairman on 30 July 2009)
YANG Bin	*Managing Director*
	(appointed as Executive Director on 6 February 2009 and as Managing Director on 11 February 2009)
SITU Min	*Chief Financial Officer*
LI Songquan	*Deputy Managing Director*
LAM Siu Hung	*(resigned as Executive Director and Managing Director on 21 January 2009)*

Independent Non-executive Directors

LO Wing Yat	*(appointed on 11 February 2009)*
PANG Fu Keung	*(appointed on 11 February 2009)*
WANG Bo	*(appointed on 10 June 2009)*
ZHANG Jianhui	*(appointed on 10 June 2009)*
CHAN Ting Chuen, David	*(resigned on 11 February 2009)*
CHEUNG Kin Piu, Valiant	*(resigned on 21 January 2009)*
NG Pui Cheung, Joseph	*(resigned on 24 March 2009)*

The Company has received from each independent non-executive director an annual confirmation pursuant to Rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange and the Company considers all the independent non-executive directors to be independent.

In accordance with Articles 92 and 101 of the Company's Articles of association, Mr. DU Richeng, Mr. XU Tiefeng, Mr. SITU Min, Mr. LI Songquan and Mr. WANG Bo will retire from the Board at the forthcoming Annual General Meeting (the "AGM") and, being eligible, offer themselves for re-election.

No director proposed for re-election at the forthcoming AGM has an unexpired service contract which is not determinable by the Company and any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

Biographical details of the existing directors of the Company, including the particulars required under paragraph 12 of Appendix 16 to the Listing Rules (if and as applicable and appropriate), are set out on pages 18 to 20.

NON-EXECUTIVE DIRECTOR'S SERVICE CONTRACT

Mr. DU Richeng has entered into an appointment letter with the Company for a term of one year commencing on 1 January 2010.

EXECUTIVE DIRECTORS' SERVICE CONTRACTS

Mr. XU Tiefeng has a service contract with the Company for a term of two years commencing on 15 June 2009 which will continue thereafter until terminated by either party to the agreement at six months' notice.

Mr. YANG Bin has a service contract with the Company for a term of two years commencing on 21 June 2009 which will continue thereafter until terminated by either party to the agreement at six months' notice.

Mr. SITU Min has a service contract with the Company for a term of two years commencing on 1 March 2003 which will continue thereafter until terminated by either party to the agreement at six months' notice.

Mr. LI Songquan has a service contract with the Company for a term of two years commencing on 1 April 2007 which will continue thereafter until terminated by either party to the agreement at six months' notice.

INDEPENDENT NON-EXECUTIVE DIRECTORS' SERVICE CONTRACTS

All the independent non-executive directors are appointed for a specific term subject to re-election.

Mr. LO Wing Yat and Mr. PANG Fu Keung entered into appointment letters with the Company for a term of two years commencing on 11 February 2009 which were approved by the Board.

Mr. WANG Bo and Mr. ZHANG Jianhui entered into appointment letters with the Company for a term of two years commencing on 10 June 2009 which were also approved by the Board.

DIRECTORS' FEES

The fee for each of the directors was fixed at HK$100,000 per annum by the shareholders at the AGM of the Company held in May 2002 and continues to be paid at such rate until otherwise determined by the shareholders in general meeting. However, at the AGM of the Company held in June 2009, the shareholders approved an authorization to be given to the Board to fix the directors' fees. Shareholders' approval of the authorization to be given to the Board to fix the directors' fees will be sought at the AGM to be held in each year in the future.

DISCLOSURE OF INTERESTS

Directors' and Chief Executives' Interests

As at 31 December 2009, the interests or short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules as adopted by the Company, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in shares and underlying shares of the Company as at 31 December 2009:

Name of Directors	**Capacity**	**Number of Ordinary Shares**	**Underlying Shares Pursuant to Share Options**	**Total Interests**	**Approximate Percentage of Total Interests to Issued Share Capital (%)**
XU Tiefeng	Interest of a controlled corporation	564,102,563 *(Note)*	–	564,102,563	34.64
YANG Bin	Interest of a controlled corporation	564,102,563 *(Note)*	–	564,102,563	34.64
SITU Min	Beneficial owner	268,000	–	268,000	0.02

Note: The shares are held by Sureplan Limited ("Sureplan"), 50% of which is owned indirectly by Mr. YANG Bin and 25% of which is owned indirectly by Mr. XU Tiefeng.

Save as disclosed above, none of the directors and chief executives of the Company had, as at 31 December 2009, any interests or short positions in any shares and underlying shares or debentures of the Company or any of its associated corporations as recorded in the register which were required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers. None of directors or their spouses or children under the age of 18, had been granted any right to subscribe for the equity or debt securities of the Company or any of its associated corporations, or had exercised any such right during the period.

On 30 January 2010, the Company entered into a Subscription Agreement with Extra Benefit Corp. ("Extra Benefit") and Profit Channel Development Limited ("Profit Channel") pursuant to which the Company has agreed to allot and issue and each of Extra Benefit and Profit Channel has agreed to subscribe 77,500,000 new shares. Extra Benefit and Profit Channel are wholly owned by Mr. XU Tiefeng and Mr. YANG Bin respectively. The issue and allotment of aggregate of 155,000,000 new shares were not completed as at the date of this report, but each of Mr. XU Tiefeng and Mr. YANG Bin is deemed to be interested in such 77,500,000 shares of the Company.

As at the date of this report, the interests or short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company as recorded in the register required to be kept under section 352 of the SFO were as follows:

Long positions in shares and underlying shares of the Company as at the date of this report:

Name of Directors	**Capacity**	**Number of Ordinary Shares**	**Underlying Shares Pursuant to Share Options**	**Total Interests**	**Approximate Percentage of Total Interests to Issued Share Capital (%)** *(Note 4)*
XU Tiefeng	Interest of a controlled corporation	641,602,563 *(Notes 1 & 2)*	–	641,602,563	39.40
YANG Bin	Interest of a controlled corporation	641,602,563 *(Notes 1 & 3)*	–	641,602,563	39.40
SITU Min	Beneficial owner	268,000	–	268,000	0.02

Notes:

1. The 564,102,563 shares are held by Sureplan, which is 25% owned indirectly by Mr. XU Tiefeng and 50% owned indirectly by Mr. YANG Bin who are deemed to be interested in Sureplan's interest in the Company under SFO. Mr. XU Tiefeng and Mr. YANG Bin are directors of Sureplan.

2. The 77,500,000 shares are to be subscribed by Extra Benefit pursuant to the terms of the Subscription Agreement and Extra Benefit is deemed to be interested in such shares. Extra Benefit is wholly owned by Mr. XU Tiefeng.

3. The 77,500,000 shares are to be subscribed by Profit Channel pursuant to the terms of the Subscription Agreement and Profit Channel is deemed to be interested in such shares. Profit Channel is wholly owned by Mr. YANG Bin.

4. The percentage level in relation to interest in shares is calculated based on the issued capital of the Company as at 31 December 2009.

Substantial Shareholders' Interests

On 6 February 2009, the acquisition of the entire issued share capital in Smartpoint International Limited ("Smartpoint") and the issue and allotment of 564,102,563 consideration shares by the Company to Sureplan were completed. The issue and allotment of 233,334,000 placing shares by the Company to the placees were also completed. Therefore, Sureplan had the interests in these shares and became a substantial shareholder of the Company.

As at 31 December 2009, the interests and short positions of the shareholders, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of SFO were as follows:

Long positions in shares and underlying shares of the Company as at 31 December 2009:

	Capacity	Number of Ordinary Shares	Percentage of Issued Capital (%)
Hensil Investments Group Limited	Beneficial owner	605,290,886 *(Note 1)*	37.17
Foshan Development Company Limited	Interest of a controlled corporation	605,290,886 *(Note 1)*	37.17
Sureplan	Beneficial owner	564,102,563 *(Note 2)*	34.64
Profit Channel	Interest of a controlled corporation	564,102,563 *(Note 2)*	34.64
Extra Benefit	Interest of a controlled corporation	564,102,563 *(Note 2)*	34.64
First Linkup Development Limited ("First Linkup")	Other	564,102,563 *(Note 2)*	34.64
WU Chiu Kong	Other	564,102,563 *(Note 2)*	34.64

Notes:

1. The 605,290,886 shares are held by Hensil Investments Group Limited, which is wholly owned by Foshan Development Company Limited. By virtue of its interest in Hensil Investments Group Limited, Foshan Development Company Limited is deemed to be interested in such 605,290,886 shares held by Hensil Investments Group Limited.

2. The 564,102,563 shares are held by Sureplan, which is owned indirectly as to 25% by Mr. WU Chiu Kong, 25% by Mr. XU Tiefeng and 50% by Mr. YANG Bin. Profit Channel is deemed to be interested in Sureplan's interest in the Company under the SFO by virtue of Profit Channel being entitled to control the exercise of not less than one-third of the voting power at the general meeting of Sureplan. Profit Channel is wholly owned by Mr. YANG Bin. Sureplan is owned as to 25% by Extra Benefit and 25% by First Linkup whereas Extra Benefit is wholly owned by Mr. XU Tiefeng and First Linkup is wholly owned by Mr. WU Chiu Kong. So, Mr. YANG Bin, Mr. XU Tiefeng and Mr. WU Chiu Kong are deemed to be interested in Sureplan's interest in the Company under SFO.

Save as disclosed above, the register which was required to be kept under section 336 of the SFO showed that the Company had not been notified of any interests or short positions in the shares and underlying shares of the Company as at 31 December 2009.

On 30 January 2010, the Company entered into a Subscription Agreement with Extra Benefit and Profit Channel pursuant to which the Company has agreed to allot and issue and each of Extra Benefit and Profit Channel has agreed to subscribe 77,500,000 new shares. Extra Benefit and Profit Channel are wholly owned by Mr. XU Tiefeng and Mr. YANG Bin respectively. Extra Benefit and Profit Channel have become substantial shareholders of the Company. The issue and allotment of aggregate of 155,000,000 new shares were not completed as at the date of this report, but each of Extra Benefit and Profit Channel are deemed to be interested in such 77,500,000 shares of the Company.

As at the date of this report, the interests and short positions of the shareholders, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register which were required to be kept by the Company under section 336 of SFO were as follows:

Long positions in shares and underlying shares of the Company as at the date of this report:

	Capacity	**Number of Ordinary Shares**	**Percentage of Issued Capital (%)** *(Note 5)*
Hensil Investments Group Limited	Beneficial owner	605,290,886 *(Note 1)*	37.17
Foshan Development Company Limited	Interest of a controlled corporation	605,290,886 *(Note 1)*	37.17
Sureplan	Beneficial owner	564,102,563 *(Note 2)*	34.64
Profit Channel	Interest of a controlled corporation	564,102,563 *(Note 2)*	34.64
Profit Channel	Beneficial owner	77,500,000 *(Note 3)*	4.76
Extra Benefit	Interest of a controlled corporation	564,102,563 *(Note 2)*	34.64
Extra Benefit	Beneficial owner	77,500,000 *(Note 4)*	4.76
First Linkup	Other	564,102,563 *(Note 2)*	34.64
WU Chiu Kong	Other	564,102,563 *(Note 2)*	34.64

Notes:

1. The 605,290,886 shares are held by Hensil Investments Group Limited, which is wholly owned by Foshan Development Company Limited. By virtue of its interest in Hensil Investments Group Limited, Foshan Development Company Limited is deemed to be interested in such 605,290,886 shares held by Hensil Investments Group Limited.

2. The 564,102,563 shares are held by Sureplan, which is owned indirectly as to 25% by Mr. WU Chiu Kong, 25% by Mr. XU Tiefeng and 50% by Mr. YANG Bin. Profit Channel is deemed to be interested in Sureplan's interest in the Company under the SFO by virtue of Profit Channel being entitled to control the exercise of not less than one-third of the voting power at the general meeting of Sureplan. Profit Channel is wholly owned by Mr. YANG Bin. Extra Benefit is wholly owned by Mr. XU Tiefeng and First Linkup is wholly owned by Mr. WU Chiu Kong. So, Mr. YANG Bin, Mr. XU Tiefeng and Mr. WU Chiu Kong are deemed to be interested in Sureplan's interest in the Company under SFO.

3. The 77,500,000 shares are to be subscribed by Profit Channel pursuant to the terms of the Subscription Agreement and Profit Channel is deemed to be interested in such shares. Profit Channel is wholly owned by Mr. YANG Bin.

4. The 77,500,000 shares are to be subscribed by Extra Benefit pursuant to the terms of the Subscription Agreement and Extra Benefit is deemed to be interested in such shares. Extra Benefit is wholly owned by Mr. XU Tiefeng.

5. The percentage level in relation to interest in shares is calculated based on the issued capital of the Company as at 31 December 2009.

SHARE OPTION SCHEME

The Company adopted a share option scheme ("Scheme") for any eligible employee or director of any member of the Group. The Scheme was approved by the Company's shareholders at the Extraordinary General Meeting of the Company held on 22 May 2002 and amended by the Company's shareholders at the AGM on 29 May 2006. Details of the Scheme have been disclosed in the Company's most recent published annual report.

The refreshment of the scheme mandate limit of the Scheme was approved by the Company's shareholders at the Extraordinary General Meeting of the Company held on 28 August 2009. Further details of the refreshment of the scheme mandate limit of the Scheme are set out in the circular of the Company dated 5 August 2009.

None of the directors and chief executives had any personal interests in the share options to subscribe for shares of the Company at any time during the year.

No option was granted, exercised, cancelled or lapsed during the year.

Details of the Scheme

Details of the Scheme have already been disclosed in the Company's circular to shareholders dated 29 April 2002 and approved by the Company's shareholders on 22 May 2002. The following is a summary of the Scheme:

(i) Who May Participate

Any employee or director of any member of the Group ("Participant(s)") as invited by the Board at the Board's absolute discretion may participate. In determining the basis of eligibility of each Participant, the Board will mainly take into account of the experience of the Participant on the Group's business, the length of service of the Participant with the Group and the efforts and contributions the Participant has made or is likely to be able to give or make towards the success of the Group in the future.

(ii) Purpose

The purpose of the Scheme is for the Company to attract, retain and motivate talented Participants to strive for future developments and expansion of the Group, to encourage the Participants to perform their best in achieving the goals of the Group and above all to allow the Participants to enjoy the results of the Company attained through their efforts and contributions.

(iii) Duration and Administration

Subject to that the Scheme is terminated by the Company, the Scheme shall be valid and effective for a period of 10 years commencing on the date of adoption, after which period no further options will be issued but in all other respects the provisions of the Scheme shall remain in full force and effect and options which are granted during the life of the Scheme may continue to be exercisable in accordance with their terms of issue.

(iv) Grant of Option

The Board shall be entitled at any time within 10 years after the date of adoption to make an offer to any Participant. An option shall be deemed to have been granted and accepted and to have taken effect when a signed copy of an offer letter made by the Company to a Participant together with a remittance in favour of the Company of HK$1.00 as consideration for the granting of the same is received by the Company. Subject to the provisions of the Scheme and the Listing Rules, the Board may at its discretion, when making the offer, impose any conditions, restrictions or limitations in relation thereto as it may think fit.

(v) Subscription Price

The subscription price shall be a price determined by the Board and notified to a Participant and shall be at least the highest of (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of the grant of an option ("Grant Date"); (b) a price being the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 Business Days immediately preceding the Grant Date; and (c) the nominal value of a share.

(vi) Maximum Number of Shares Available for Subscription

The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of shares in issue as at the date of approval of the Scheme, unless the Company obtains an approval from its shareholders to refresh the 10% limit. Notwithstanding the above, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company shall not exceed 30% of the shares in issue from time to time. As at the date of this report, the total number of shares available for issue under the Scheme was 162,841,080 shares which represented 10% of the existing issued share capital.

(vii) Maximum Entitlement of Shares of Each Participant

The total number of shares issued and to be issued upon exercise of the options granted to each Participant (including options exercised, cancelled, lapsed and outstanding) in any 12-month period shall not exceed 1% of the total number of shares in issue. Should any further grant of options in excess of the 1% limit of the shares in issue, such further grant must be separately approved by the shareholders in general meeting with such Participant and his associates abstaining from voting.

OPTIONS TO SUBSCRIBE FOR ORDINARY SHARES GRANTED UNDER THE COMPANY'S SHARE OPTION SCHEME

At no time during the year was the Company or its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the above section headed "Share Option Scheme" of this report, at no time during the year were there any rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouses or children under 18 years of age, or were there any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as disclosed below, none of the directors and their respective associates was interested in any business which competes or is likely to compete, whether directly or indirectly, with the business of the Group. The directors confirm that the Group is capable of carrying on its business independent of, and at arm's length from, the business as disclosed below which is considered to compete or likely to compete with the business of the Group. The Directors also confirm that the respective management and administration of the business set out below are independent from the Group.

Name of Directors	Name of Company	Nature of Business	Nature of interest
XU Tiefeng and YANG Bin	Nanhai Pharmaceutical Group *(Note)*	– management of investment in the sectors of pharmaceuticals, medical equipments, sanitary materials and health food; and – distribution of pharmaceutical products	shareholders and directors

Note: Nanhai Pharmaceutical Group is owned as to 25.5% by each of Mr. XU Tiefeng and Mr. YANG Bin.

DIRECTORS' INTERESTS IN CONTRACTS

During the year, Mr. XU Tiefeng and Mr. YANG Bin, both executive directors, have material interests indirectly in the contracts which are listed below under the section headed "Connected Transactions" and "Continuing Connected Transactions" in this report.

Save as disclosed above, no contracts of significance to which the Company or any of its subsidiaries was a party, and in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

CONNECTED TRANSACTIONS

Acquisition of the entire issued share capital in Smartpoint

On 29 November 2008, the Company entered into the sales and purchase agreement (the "Agreement") with Sureplan and Mr. YANG Bin, Mr. XU Tiefeng and Mr. WU Chiu Kong as the guarantors pursuant to which, among other things, Sureplan agreed to sell and the Company agreed to acquire the entire issued share capital of Smartpoint and its subsidiaries at a consideration of HK$300 million (the "Acquisition"). The same parties entered into the supplemental agreement to amend the Agreement on 16 December 2008. The principal operating subsidiaries of Smartpoint are 廣東環球制藥有限公司 (Guangdong Medi-world Pharmaceutical Co., Ltd.) ("Guangdong Med-world") and 山東魯抗醫藥集團魯亞有限公司 (Shandong Lukang Pharmaceutical Group Luya Co., Ltd.) ("Luya"). The consideration of HK$300 million was settled as to HK$80 million by cash and as to HK$220 million by the issue of 564,102,563 shares by the Company to Sureplan. In the meantime, 233,334,000 shares were issued and allotted to independent placees. The net proceeds from the placing were used to finance part of the consideration of the Acquisition. Sureplan is owned indirectly as to 25% by Mr. WU Chiu Kong, 25% by Mr. XU Tiefeng and 50% by Mr. YANG Bin. As Mr. XU Tiefeng and Mr. YANG Bin were the then proposed executive directors of the Company, the Acquisition constituted a connected transaction of the Company under the Listing Rules. Details of the Acquisition were disclosed in the circular of the Company dated 31 December 2008. On 6 February 2009, the Acquisition was completed.

In view of the success in the pharmaceutical business of the Group, the Board considers that the Acquisition will allow the Company to further penetrate into the pharmaceutical business in the PRC.

Acquisition of the entire equity interest in 佛山市南海醫藥集團藥材有限公司(Foshan Nanhai Pharmaceutical Group Medicinal Material Co. Ltd.) ("Nanhai Pharmaceutical")

On 2 July 2009, Guangdong Medi-Word entered into the equity interest transfer agreement with 佛山市南海醫藥集團有限公司 (Foshan Nanhai Pharmaceutical Group Co. Ltd.) ("Nanhai Pharmaceutical Group"), pursuant to which Nanhai Pharmaceutical Group agreed to sell and Guangdong Medi-World agreed to acquire the entire interest in Nanhai Pharmaceutical at a consideration of RMB4,000,000. Nanhai Pharmaceutical Group is owned as to 25.5% by each of Mr. XU Tiefeng and Mr. YANG Bin who are executive directors and controlling shareholders of the Company. As such, Nanhai Pharmaceutical Group is an associate of the connected persons of the Company and this acquisition constituted a connected transaction of the Company under the Listing Rules.

The acquisition of Nanhai Pharmaceutical is one of the Group's strategies to establish a unified purchase platform to lower material costs through economies of scale. The Board considers that this acquisition will create synergistic benefits to the Group for this purpose and enables the Company to broaden its revenue base and further improve the financial performance of the Company. Details of the acquisition are set out in the announcement of the Company dated 2 July 2009. The acquisition of Nanhai Pharmaceutical was completed on 6 November 2009.

Acquisition of the 93% equity interest in Foshan City An Ning Company Limited ("An Ning")

On 30 January 2010, Guangdong Medi-Word entered into the equity transfer agreement with Mr. HE Zhaojian ("Mr. HE") pursuant to which Guangdong Medi-Word has agreed to acquire and Mr. HE has agreed to sell a 93% equity interest in Foshan City An Ning Company Limited ("An Ning") at a consideration of RMB116 million. An Ning is an investment holding company. The principal asset of An Ning is the holding of a 49% equity interest in Dezhong and the remaining 51% equity interest in Dezhong is held by the Company. Since Mr.HE owns 93% equity interest in An Ning which in turns holds 49% equity interest in Dezhong, Mr. HE is therefore a connected person of the Company under the Listing Rules.

Despite the future performance of the Group may rely more on the business performance of Dezhong after completion of the acquisition of An Ning, the Company considers that the business prospects of Dezhong is promising and this acquisition provides a good opportunity for the Company to increase its investment in Dezhong with a view to enhancing the overall profitability of the Group and bringing value to the shareholders.

On even date, the Company also entered into the subscription agreement with Extra Benefit and Profit Channel as the subscribers and Mr. XU Tiefeng and Mr. YANG Bin as the guarantors pursuant to which the Company has agreed to issue and allot and each of Extra Benefit and Profit Channel has agreed to subscribe for, on a several basis, 77,500,000 new shares at a price HK$0.85 per share. The net proceeds of approximately HK$130 million from the subscription will be used to finance payment of the consideration for the acquisition of the equity interest in An Ning.

Extra Benefit and Profit Channel are wholly owned by Mr. XU Tiefeng and Mr. YANG Bin respectively. Mr. XU Tiefeng and Mr. YANG Bin are executive directors and controlling shareholders of the Company. Therefore, Extra Benefit and Profit Channel are connected persons of the Company under the Listing Rules.

Mr. He, Extra Benefit and Profit Channel are connected persons of the Company, the entering into of the equity transfer agreement and the subscription agreement constitute connected transactions for the Company under the Listing Rules.

The issuance of the aggregate of 155,000,000 new shares is considered appropriate as it is fast, relatively straightforward, interest-free and gearing-free as compared to other alternatives such as debt financing and rights issue despite its dilutive impact on the existing shareholdings. Further, their share of subscription provides further impetus to Mr. XU Tiefeng and Mr. YANG Bin who are important to the future performance of the Group to implement the Group's relevant development strategies and is therefore beneficial to the Company in this regard.

All transactions contemplated under the equity transfer agreement and subscription agreement have been approved by the Company's independent shareholders at the extraordinary general meeting held on 29 March 2010. Further details of the aforesaid acquisition and subscription have been disclosed in the Company's circular dated 11 March 2010.

CONTINUING CONNECTED TRANSACTIONS

Entering into the master supply agreement with Nanhai Pharmaceutical Group

On 10 November 2009, the Company had entered into the master supply agreement with Nanhai Pharmaceutical Group, pursuant to which the Group agreed to supply and Nanhai Pharmaceutical Group agreed to purchase certain products during the three-year period from 1 January 2010 to 31 December 2012. Nanhai Pharmaceutical Group is owned as to 25.5% by each of Mr. YANG Bin and Mr. XU Tiefeng who are executive directors and controlling shareholders of the Company. Therefore, the sale and purchase of the products contemplated under the master supply agreement (the "Transactions") constitute continuing connected transactions of the Company under the Listing Rules.

According to the master supply agreement, the value of the Transactions shall not exceed the annual caps of RMB40,000,000, RMB50,000,000 and RMB62,500,000 for each of the financial year ending 31 December 2010, 2011 and 2012 respectively, details of the Transactions have been disclosed in the Company's circular dated 4 December 2009. The master supply agreement and the Transactions were approved by the Company's independent shareholders at an extraordinary general meeting held on 21 December 2009.

Nanhai Pharmaceutical Group (together with its subsidiaries) is one of the major distributors of pharmaceutical products and is also a licensed distributor of pharmaceutical products to public hospitals in Foshan City. It has established an extensive sales network in Foshan City. Despite the potential reliance on Nanhai Pharmaceutical Group and its subsidiaries for sales during the term of the master supply agreement, the directors consider that by entering into the master supply agreement, the Group will be able to take advantage of the sales network of Nanhai Pharmaceutical Group and its subsidiaries in Foshan City to tap into the public hospitals market and therefore seize the market share in a more effective way when the public medical and health care system reform is gradually implemented.

MAJOR CUSTOMERS AND SUPPLIERS

The turnover attributable to the five largest customers of the Group accounted for around 22% of the Group's total turnover during the year.

The purchases from the Group's five largest suppliers accounted for around 19% of the Group's total purchases during the year.

At no time during the year, none of the directors, their associates, or any shareholders of the Company (which to the best knowledge of the Directors own more than 5% of the Company's share capital) had any interest in the Group's five largest suppliers and customers.

RETIREMENT SCHEME

Details of the employees' retirement plans of the Group are set out in notes 5(b) and 26 to the financial statements.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in the note 33 to the financial statements.

AUDITORS

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming AGM.

AUDIT COMMITTEE

The Group's annual report for the year ended 31 December 2009 has been reviewed by the audit committee of the Company (the "Audit Committee"). Information on the work of the Audit Committee and its composition are set out in the Corporate Governance Report on pages 35 to 41.

CORPORATE GOVERNANCE

The Company is dedicated to maintaining a high standard of corporate governance. Information regarding the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 35 to 41 of this annual report.

CORPORATE SOCIAL RESPONSIBILITY

The Group is always committed to saving energy, reducing the emission of pollution, as well as implementation of projects and plans for environmental protection. During the year, the Group participated in "Verification Project under Cleaner Production Partnership Programme" launched by Hong Kong Productivity Council, and was awarded various Certificates of Recognition by Hong Kong Productivity Council on 17 March 2010.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its directors, as at the date of this annual report, there is sufficient public float as not less than 25% of the Company's issued shares are held by the public.

By Order of the Board

DU Richeng
Chairman

Hong Kong, 20 April 2010

The Board of Directors of the Company believes that corporate governance is essential to safeguard the interests of the shareholders and enhance the performance of the Group. The Board is committed to maintaining and ensuring high standards of corporate governance. The Company has applied the principles and complied with all of the applicable code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules on the Stock Exchange for the year ended 31 December 2009.

The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

BOARD COMPOSITION AND BOARD PRACTICES

Composition and Role

None of the directors is related to each other and the Board of the Company comprises the following directors during the year and up to the date of this report:

Non-executive Director:

DU Richeng	*Chairman*

Executive Directors:

XU Tiefeng	*Executive Deputy Chairman* *(appointed as Executive Director on 10 June 2009 and as Executive Deputy Chairman on 30 July 2009)*
YANG Bin	*Managing Director* *(appointed as Executive Director on 6 February 2009 and as Managing Director on 11 February 2009)*
SITU Min	*Chief Financial Officer*
LI Songquan	*Deputy Managing Director*
LAM Siu Hung	*(resigned as Executive Director and as Managing Director on 21 January 2009)*

Independent Non-executive Directors:

LO Wing Yat	*(appointed on 11 February 2009)*
PANG Fu Keung	*(appointed on 11 February 2009)*
WANG Bo	*(appointed on 10 June 2009)*
ZHANG Jianhui	*(appointed on 10 June 2009)*
CHAN Ting Chuen, David	*(resigned on 11 February 2009)*
CHEUNG Kin Piu, Valiant	*(resigned on 21 January 2009)*
NG Pui Cheung, Joseph	*(resigned on 24 March 2009)*

As at the date of this report, the Board comprises nine directors, including one non-executive director, four executive directors and four independent non-executive directors. The existing directors have a mix of core competence and experiences in areas such as pharmaceutical, accounting, management and marketing strategies. With a wide range of expertise and a balance of skills, the independent non-executive directors bring independent judgment on issues of strategic direction, development, performance and risk management through their contribution at the Board meetings and the relevant committee works. In addition, Mr. PANG Fu Keung, an independent non-executive director, possesses appropriate professional accounting qualifications and financial management expertise. Each of the independent non-executive directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all the independent non-executive directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

The directors are regularly updated on governance and regulatory matters. There is an established procedure for directors to obtain independent professional advice at the expense of the Company when necessary. New directors are offered a comprehensive, formal and tailored induction upon appointment. The Company has also arranged appropriate directors and officers liability insurance to indemnify their liabilities arising out of the corporate activities. The insurance coverage is reviewed on an annual basis.

The Board meets regularly at quarterly basis. Ad-hoc meetings are convened when necessary. The Company Secretary assists the Chairman in setting the agenda of the Board meeting and directors are invited to present any issue at such meetings. Notices of all regular Board meetings are issued at least 14 days before the meetings. The agenda and the accompanying Board papers are sent to the directors within reasonable time before the meetings. Draft minutes of Board meetings are circulated to the directors for comment within a reasonable time prior to confirmation. Minutes of the Board meetings are open for inspection by directors.

The Board is charged with providing effective and responsible leaderships for the Company. The matters subject to the Board's review and approval include:–

– setting the Group's overall objectives and strategies.

– approval of annual budgets and business plans.

– evaluating and monitoring operating and financial performance.

– reviewing and monitoring internal control and risk management.

– approval of announcements of financial results.

– declaration and recommendation of the payment of dividend.

– appointment of new directors.

During the year, six full board meetings, of which four were regular meetings, were held and the individual attendance of each director is set out below:

Directors		Attendance of Board Meeting	Attendance Rate
Non-executive Director:			
DU Richeng *Chairman*		6/6	100%
Executive Directors:			
XU Tiefeng	*(appointed on 10 June 2009)*	4/4	100%
YANG Bin	*(appointed on 6 February 2009)*	5/5	100%
SITU Min		6/6	100%
LI Songquan		6/6	100%
LAM Siu Hung	*(resigned on 21 January 2009)*	1/1	100%
Independent Non-executive Directors:			
LO Wing Yat	*(appointed on 11 February 2009)*	5/5	100%
PANG Fu Keung	*(appointed on 11 February 2009)*	5/5	100%
WANG Bo	*(appointed on 10 June 2009)*	4/4	100%
ZHANG Jianhui	*(appointed on 10 June 2009)*	1/4	25%
CHAN Ting Chuen, David	*(resigned on 11 February 2009)*	1/1	100%
CHEUNG Kin Piu, Valiant	*(resigned on 21 January 2009)*	1/1	100%
NG Pui Cheung, Joseph	*(resigned on 24 March 2009)*	1/1	100%

Chairman and Managing Director

As at the date of this report, Mr. DU Richeng, a non-executive director, is the Chairman of the Board, and Mr. YANG Bin, an executive director, is the Managing Director of the Company.

The chairman is responsible for the leadership of effective operation of the Board, ensuring that all major and appropriate issues are discussed by the Board on a timely basis and in a constructive manner.

Managing Director is responsible for implementing the important policies and development strategies approved by the Board and he has direct management responsibility of daily operations of the Group.

Appointment and Re-election of Directors

The Company has not set up a nomination committee, the Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors of the Company.

The non-executive director and all the independent non-executive directors are appointed for a specific term and subject to re-election. Mr. DU Richeng has an appointment letter for a term of 1 year with the Company. Mr. LO Wing Yat, Mr. PANG Fu Keung, Mr. WANG Bo and Mr. ZHANG Jianhui have an appointment letter for a term of two years with the Company.

The Code provision A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

According to Article 92 of the Articles of Association of the Company, a director appointed by the Board to fill a casual or as an addition to the Board shall hold office only until the next following general meeting of the Company (in case of filling a casual vacancy) or until the next following AGM (in case of an addition to the existing Board), and shall then be eligible for re-election. Furthermore, according to the Article 101 of the Articles of Association of the Company, at each AGM one-third of the directors for the time being, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office. The directors to retire in every year shall be those who have been longest in office.

Audit Committee

Due to the resignation of Mr. CHEUNG Kin Piu, Valiant and Mr. NG Pui Cheung, Joseph on 21 January 2009 and 24 March 2009 respectively, the number of independent non-executive directors and members of the Audit Committee of the Company fell below the minimum number as required under Rule 3.10 and Rule 3.21 of the Listing Rules. In compliance with the requirements of the Listing Rules, the Board appointed Mr. PANG Fu Keung and Mr. ZHANG Jianhui as the independent non-executive directors to fill the vacancy on 11 February 2009 and 10 June 2009 respectively.

As at the date of this report, the Audit Committee comprises four independent non-executive directors. The Chairman of the Audit Committee is Mr. PANG Fu Keung. The composition and members of the Audit Committee complies with the requirements under Rule 3.21 of the Listing Rules.

The written terms of reference which describe the authority and duty of the Audit Committee were subsequently amended in April 2009 to conform to the Code, a copy of which is posted on the Company's website.

Major roles and functions of the Audit Committee include:

– reviewing financial information of the Group;

– overseeing the Group's financial reporting system and internal control procedures; and

– reviewing the appointment of the external auditor including a review on the scope of audit and approval of audit fees.

The Audit Committee can seek independent professional advice at the expenses of the Company.

During the year, two Audit Committee meetings were held and the individual attendance of each member is set out below:

Independent Non-executive Directors			**Attendance of Audit Committee Meeting**	**Attendance Rate**
PANG Fu Keung	*Chairman*	*(appointed on 11 February 2009)*	2/2	100%
LO Wing Yat		*(appointed on 11 February 2009)*	2/2	100%
WANG Bo		*(appointed on 10 June 2009)*	1/1	100%
ZHANG Jianhui		*(appointed on 10 June 2009)*	0/1	0%

During the year, the audit committee reviewed the audited accounts of the Group for the year ended 31 December 2008 and the interim results of the Group for the year 2009, as well as the effectiveness of the internal control system of the Group including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

Remuneration Committee

As at the date of this report, the remuneration committee which was established in 2005 comprises four independent non-executive directors and the Chairman of the Company. The Chairman of the remuneration committee is Mr. LO Wing Yat. None of the member or any associate with them should be involved in deciding his own remuneration. The remuneration committee advises the Board on the Group's overall policy and structure for the remuneration of the directors and senior management. The written terms of reference of the remuneration committee are available on the Company's website.

In determining the emolument payable to the directors, the remuneration committee takes into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the Group and the desirability of performance-based remuneration.

The principal objectives of the Company's remuneration policy include:

– providing an equitable and competitive package so as to attract and retain the best available human resources to serve corporate needs;

– providing base remuneration to the employees that is competitive to the industry and general market condition;

– awarding employees in recognition of good individual and corporate performance; and

– encouraging future employee contributions to achieve overall corporate goals.

During the year, one remuneration committee meeting was held and the individual attendance of each member is set out below:

		Attendance of Remuneration Committee Meeting	Attendance Rate
Independent Non-executive Directors			
LO Wing Yat *Chairman*	*(appointed on 11 February 2009)*	1/1	100%
PANG Fu Keung	*(appointed on 11 February 2009)*	1/1	100%
WANG Bo	*(appointed on 10 June 2009)*	1/1	100%
ZHANG Jianhui	*(appointed on 10 June 2009)*	0/1	0%
Non-executive Director			
DU Richeng		1/1	100%

During the year, the remuneration committee determined the remuneration packages of all executive directors and senior management and made recommendation to the Board of the remuneration of the non-executive director and independent non-executive directors.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding directors' securities transactions. After making specific enquiry, all of the directors have confirmed that they have complied with the required standard set out in the Model Code throughout the year. Specified employees who may possess or have access to price sensitive information, have been required to comply with the provisions of the Model Code as well.

FINANCIAL REPORTING

The Board presents a balanced, clear and comprehensible assessment of the Company's performance, position and prospects. Management shall provide such explanations and information to all directors so as to enable them to make an informed assessment of the financial and other information at Board meetings for approval.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors acknowledge their responsibilities for keeping proper accounting records and preparing accounts of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the accounts for the year ended 31 December 2009, the directors have:

– approved the adoption of all applicable Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards which are issued by the Hong Kong Institute of Certified Public Accountants;

– selected and applied consistently appropriate accounting policies;

– made judgments and estimates that are prudent and reasonable; and

– prepared the accounts on the going concern basis.

The statement about the directors' reporting responsibilities is set out in the Independent Auditor's Report on pages 42 to 43 of this annual report.

AUDITORS' REMUNERATION

The fee charged by the Group's external auditor, KPMG for statutory audit and non-audit service are set out below:

Services rendered	Fee paid/payable in 2009 HK$
Audit service	1,700,000
Total	1,700,000

INTERNAL CONTROLS

The Board has overall responsibility for the system of internal controls of the Group and for reviewing its effectiveness. The Board is committed to implementing an effective and sound internal control system to safeguard the interest of shareholders and the Group's assets. The Board has conducted an annual review of the effectiveness system of internal controls which covered relevant financial, operational, compliance control and risk management function within an established framework. The annual review also considered the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

The Board believed that the effectiveness of the Group's internal controls and key areas of the Group's system of internal controls are reasonably implemented, which provide prevention of material misstatement or loss, safeguard the Group's assets, maintain appropriate accounting records and financial reporting, efficiency of operations and ensure compliance with applicable laws and regulation. Nevertheless, the Board will endeavour its best effort to enhance and improve the internal controls in all aspects of the Group, and will regularly monitor the issues raised by the audit committee to ensure appropriate remedial measures have been implemented.

COMMUNICATION WITH SHAREHOLDERS

In line with continuous disclosure obligations, the Company is committed to regular and proactive communication with its shareholders and investors. It is the Company's policy that the shareholders and investors be informed of all major developments that have an impact on the Group.

Information is communicated to the shareholders and investors on a timely basis through:

(a) publication of announcements and circulars on the websites of the Stock Exchange and the Company;

(b) publication of financial statements containing a summary of the financial information and affairs of the Group for the half-yearly and fully year via the websites of the Stock Exchange and the Company;

(c) interim reports, annual reports and circulars that are sent to all shareholders;

(d) notices of and explanatory notes for general meetings; and

(e) meetings with investors and analysts.

VOTING BY POLL

The Company regularly informs the shareholders of the procedure for voting by poll and ensures compliance with the requirements about voting by poll contained in the Listing Rules and the constitutional documents of the Company.

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the shareholders of
Winteam Pharmaceutical Group Limited
(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Winteam Pharmaceutical Group Limited (the "Company", formerly known as Wing Shan International Limited) set out on pages 44 to 108, which comprise the consolidated and company balance sheets as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

20 April 2010

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009
(Expressed in Hong Kong dollars)

	Note	**2009** **$'000**	2008 $'000
Turnover	*3*	**670,175**	443,533
Cost of sales		**(347,479)**	(285,249)
Gross profit		**322,696**	158,284
Other revenue	*4*	**12,004**	4,233
Other net income	*4*	**1,184**	748
Selling and distribution costs		**(161,625)**	(66,237)
Administrative expenses		**(78,473)**	(42,245)
Profit from operations		**95,786**	54,783
Finance costs	*5(a)*	**(5,321)**	(1,378)
Profit before taxation	*5*	**90,465**	53,405
Income tax	*6*	**(22,239)**	(4,938)
Profit for the year		**68,226**	48,467
Attributable to:			
Equity shareholders of the Company		**44,054**	20,330
Minority interests		**24,172**	28,137
Profit for the year		**68,226**	48,467
Earnings per share	*11*		
Basic		**2.82 cents**	2.45 cents
Diluted		**N/A**	N/A

The notes on pages 53 to 108 form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009
(Expressed in Hong Kong dollars)

	Note	**2009** **$'000**	2008 $'000
Profit for the year		**68,226**	48,467
Other comprehensive income for the year, net of tax			
Exchange differences on translation of financial statements of overseas subsidiaries		**4,109**	29,533
Available-for-sale securities: net movement in fair value reserve		**1,358**	(587)
		5,467	28,946
Total comprehensive income for the year		**73,693**	77,413
Total comprehensive income attributable to:			
Equity shareholders of the Company		**49,258**	38,804
Minority interests		**24,435**	38,609
Total comprehensive income for the year		**73,693**	77,413

The notes on pages 53 to 108 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

At 31 December 2009
(Expressed in Hong Kong dollars)

	Note	**2009 $'000**	2008 $'000
Non-current assets			
Fixed assets	*13*		
– Property, plant and equipment		**247,352**	135,763
– Investment properties		**7,305**	8,165
– Interests in leasehold land held for own use under operating leases		**92,438**	26,305
		347,095	170,233
Construction in progress	*14*	**14,396**	1,364
Intangible assets	*15*	**135,127**	78,706
Goodwill	*16*	**186,197**	141,037
Other financial assets	*18*	**5,828**	2,743
Deferred tax assets	*21(b)*	**6,045**	–
		694,688	394,083
Current assets			
Inventories	*19*	**115,041**	82,457
Trade and other receivables	*20*	**159,710**	68,490
Current tax recoverable	*21(a)*	**–**	1,440
Restricted deposits		**–**	1,529
Deposits with banks	*22*	**22,033**	7,958
Cash and cash equivalents	*22*	**211,462**	147,764
		508,246	309,638
Current liabilities			
Trade and other payables	*23*	**169,366**	99,786
Bank loans	*24*	**84,042**	18,190
Current tax payable	*21(a)*	**8,493**	–
Current portion of deferred government grants	*25*	**6,283**	2,553
		268,184	120,529
Net current assets		**240,062**	189,109
Total assets less current liabilities		**934,750**	583,192

The notes on pages 53 to 108 form part of these financial statements.

At 31 December 2009
(Expressed in Hong Kong dollars)

	Note	2009 $'000	2008 $'000
Non-current liabilities			
Deferred tax liabilities	*21(b)*	**55,261**	28,078
Deferred government grants	*25*	**7,625**	–
		62,886	28,078
NET ASSETS		**871,864**	555,114
CAPITAL AND RESERVES			
Share capital	*28(b)*	**162,841**	83,097
Reserves		**523,273**	276,207
Total equity attributable to equity shareholders of the Company		**686,114**	359,304
Minority interests		**185,750**	195,810
TOTAL EQUITY		**871,864**	555,114

Approved and authorised for issue by the board of directors on 20 April 2010.

LI Songquan
Director

SITU Min
Director

The notes on pages 53 to 108 form part of these financial statements.

BALANCE SHEET

At 31 December 2009
(Expressed in Hong Kong dollars)

	Note	2009 $'000	2008 $'000
Non-current assets			
Interest in subsidiaries	*17*	**589,388**	282,438
Current assets			
Other receivables	*20*	**296**	5,996
Cash and cash equivalents	*22*	**5,137**	17,688
		5,433	23,684
Current liabilities			
Trade and other payables	*23*	**2,076**	6,900
		2,076	6,900
Net current assets		**3,357**	16,784
NET ASSETS		**592,745**	299,222
CAPITAL AND RESERVES	*28(a)*		
Share capital		**162,841**	83,097
Reserves		**429,904**	216,125
TOTAL EQUITY		**592,745**	299,222

Approved and authorized for issue by the board of directors on 20 April 2010.

LI Songquan
Director

SITU Min
Director

The notes on pages 53 to 108 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009
(Expressed in Hong Kong dollars)

	Share capital $'000	Share premium $'000	Capital redemption reserve $'000	Capital reserve $'000	Exchange reserve $'000	Reserve fund $'000	Fair value reserve $'000	Retained profits $'000	Total equity attributable to equity shareholders of the Company $'000	Minority interests $'000	Total equity $'000
At 1 January 2008	83,097	204,057	297	–	22,059	7,631	792	6,232	324,165	173,263	497,428
Dividends approved in respect of the previous year	–	–	–	–	–	–	–	(4,155)	(4,155)	–	(4,155)
Total comprehensive income for the year	–	–	–	–	18,414	328	(268)	20,330	38,804	38,609	77,413
Transfer to reserve fund	–	–	–	–	–	10,237	–	(10,237)	–	–	–
Dividends declared by subsidiaries paid to minority interests	–	–	–	–	–	–	–	–	–	(16,062)	(16,062)
Equity settled share based transaction	–	–	–	490	–	–	–	–	490	–	490
Release upon lapse of options	–	–	–	(490)	–	–	–	490	–	–	–
At 31 December 2008	83,097	204,057	297	–	40,473	18,196	524	12,660	359,304	195,810	555,114

The notes on pages 53 to 108 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009
(Expressed in Hong Kong dollars)

	Share capital $'000	Share premium $'000	Capital redemption reserve $'000	Exchange reserve $'000	Reserve fund $'000	Fair value reserve $'000	Retained profits $'000	Total equity attributable to equity shareholders of the Company $'000	Minority interests $'000	Total equity $'000
At 1 January 2009	**83,097**	**204,057**	**297**	**40,473**	**18,196**	**524**	**12,660**	**359,304**	**195,810**	**555,114**
Dividends approved in respect of the previous year	–	–	–	–	–	–	(11,399)	(11,399)	–	(11,399)
New shares issued during the year	79,744	209,207	–	–	–	–	–	288,951	–	288,951
Total comprehensive income for the year	–	–	–	4,428	–	776	44,054	49,258	24,435	73,693
Transfer to reserve fund	–	–	–	–	4,650	–	(4,650)	–	–	–
Dividends declared by subsidiaries paid to minority interests	–	–	–	–	–	–	–	–	(34,495)	(34,495)
At 31 December 2009	**162,841**	**413,264**	**297**	**44,901**	**22,846**	**1,300**	**40,665**	**686,114**	**185,750**	**871,864**

The notes on pages 53 to 108 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2009
(Expressed in Hong Kong dollars)

	Note	2009 $'000	2008 $'000
Operating activities			
Profit before taxation		**90,465**	53,405
Adjustments for:			
Depreciation and amortisation		**52,173**	35,217
Impairment loss on intangible assets	*5(c)*	**–**	1,811
Impairment loss on trade receivables	*5(c)*	**550**	125
Finance costs	*5(a)*	**5,321**	1,378
Interest income	*4*	**(1,444)**	(1,385)
Dividend income from unlisted equity securities	*4*	**(92)**	–
Loss on disposal of fixed assets	*4*	**503**	45
Equity settled share-based payment expenses		**–**	490
Foreign exchange loss		**68**	4,322
Operating profit before changes in working capital		**147,544**	95,408
Increase in inventories		**(1,238)**	(9,562)
Decrease in trade and other receivables		**15,347**	4,143
Decrease/(increase) in restricted deposits		**1,529**	(31)
Increase in trade and other payables		**21,614**	7,381
Cash generated from operations		**184,796**	97,339
PRC enterprise income tax paid		**(13,636)**	(19,709)
Net cash generated from operating activities		**171,160**	77,630
Investing activities			
Payment for the purchase of fixed assets		**(13,417)**	(4,050)
Increase in deposits with banks		**(14,075)**	(7,958)
Payment for construction in progress		**(12,532)**	(1,211)
Acquisition of subsidiaries, net of cash acquired	*32(c)*	**(67,141)**	–
Interest received		**1,444**	1,385
Dividends received from unlisted equity securities		**92**	–
Net cash used in investing activities		**(105,629)**	(11,834)

The notes on pages 53 to 108 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2009
(Expressed in Hong Kong dollars)

	Note	**2009 $'000**	2008 $'000
Financing activities			
Proceeds from the issue of new shares		**70,000**	–
Proceeds from new bank loans		**199,725**	17,696
Repayment of bank loans		**(220,978)**	–
Interest paid		**(5,321)**	(1,378)
Dividends paid to minority shareholders		**(34,495)**	(16,062)
Dividends paid to equity shareholders of the Company		**(11,399)**	(4,155)
Net cash used in financing activities		**(2,468)**	(3,899)
Net increase in cash and cash equivalents		**63,063**	61,897
Cash and cash equivalents at 1 January		**147,764**	82,364
Effect of foreign exchange rate changes		**635**	3,503
Cash and cash equivalents at 31 December		**211,462**	147,764

The notes on pages 53 to 108 form part of these financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements for the year ended 31 December 2009 comprise Winteam Pharmaceutical Group Limited (the "Company", formerly Wing Shan International Limited) and its subsidiaries (together referred to as the "Group").

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. A summary of the significant accounting policies adopted by the Group is set out below.

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. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis except that certain financial instruments classified as available-for-sale are stated at their fair value as explained in accounting policy set out in note 1(e).

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.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 35.

1 SIGNIFICANT ACCOUNTING POLICIES

(c) Subsidiaries and minority interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 1(k)).

(d) Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(k)).

1 SIGNIFICANT ACCOUNTING POLICIES

(d) Goodwill

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination is recognised immediately in profit or loss.

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(e) Other investments in equity securities

The Group's and the Company's investments in equity securities, other than investments in subsidiaries, associates and jointly controlled entities, are classified as available-for-sale securities, which are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. These investments are subsequently accounted for as follows:

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 1(k)).

Other investments in equity securities are remeasured at fair value at each balance sheet date with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. Dividend income from these investments is recognised in profit or loss in accordance with the policy set out in note 1(t)(iii). When these investments are derecognised or impaired (see note 1(k)), the cumulative gain or loss is reclassified from equity to profit or loss.

Investment are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(f) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(j)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 1(k)). Rental income from investment properties is accounted for as described in note 1(t)(ii). Depreciation is provided over the properties' estimated useful lives on a straight-line basis. Estimated useful lives of investment properties are 25 to 50 years.

1 SIGNIFICANT ACCOUNTING POLICIES

(f) Investment property

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 1(j)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 1(j).

Gains or losses arising from the retirement or disposal of an investment property are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

(g) Property, plant and equipment

Property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 1(k)).

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, borrowing cost and any other costs directly attributable to bringing the asset to a working condition for its intended use.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

– Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion

– Plant, machinery and equipment	10-15 years
– Motor vehicles	5-10 years
– Others	2-12 years

Both the useful life of an asset and its residual value, if any, are reviewed annually.

1 SIGNIFICANT ACCOUNTING POLICIES

(h) Construction in progress

Construction in progress represents buildings and, various plant and equipment under construction and pending installation, and is stated at cost less any impairment losses (see note 1(k)). Cost comprises direct costs of construction as well as borrowing cost, and foreign exchange differences on related borrowed funds to the extent that they are regarded as an adjustment to borrowing costs, during the period of construction.

Capitalization of these costs ceases and the construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use.

No depreciation is provided in respect of construction in progress.

(i) Intangible assets (other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable (see note 1(v)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 1(k)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(k)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

– product protection rights	over the product protection period
– trademarks	50 years
– technical know-how	10 years
– distribution network	10 years

Both the period and method of amortisation are reviewed annually.

1 SIGNIFICANT ACCOUNTING POLICIES

(i) Intangible assets (other than goodwill)

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

(j) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exception:

Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 1(f)).

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

1 SIGNIFICANT ACCOUNTING POLICIES

(k) Impairment of assets

(i) Impairment of investments in equity securities and trade and other receivables

Investments in equity securities (other than investments in subsidiaries) and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

1 SIGNIFICANT ACCOUNTING POLICIES

(k) Impairment of assets

(i) Impairment of investments in equity securities and trade and other receivables

– For available-for-sale securities, the cumulative loss that has been recognised directly in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;
– investment properties;
– pre-paid interests in leasehold land classified as being held under an operating lease;
– construction in progress;
– intangible assets;
– investments in subsidiaries; and
– goodwill.

1 SIGNIFICANT ACCOUNTING POLICIES

(k) Impairment of assets

(ii) Impairment of other assets

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill and intangible assets that are not yet available for use, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

1 SIGNIFICANT ACCOUNTING POLICIES

(k) Impairment of assets

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(k)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill and available-for-sale equity securities are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

(l) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(m) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 1(k)), unless the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see note 1(k)).

1 SIGNIFICANT ACCOUNTING POLICIES

(n) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(o) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(q) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve with equity. The fair value is measured at the grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

1 SIGNIFICANT ACCOUNTING POLICIES

(q) Employee benefits

(ii) Share-based payments

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review with a corresponding adjustment to the capital reserve. On the vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

No benefit cost or obligation is recognised at the date of grant or exercise for share options granted on or before 7 November 2002 as the Group has taken advantage of the transitional provisions set out in HKFRS 2 "Share-based payment", under which the recognition and measurement policies have not been applied to all options granted to employees on or before 7 November 2002.

All the options granted were lapsed without exercise during 2008 and no share options were outstanding as at 31 December 2009 and 2008.

(r) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

1 SIGNIFICANT ACCOUNTING POLICIES

(r) Income tax

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

1 SIGNIFICANT ACCOUNTING POLICIES

(r) Income tax

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(s) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(t) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

1 SIGNIFICANT ACCOUNTING POLICIES

(t) Revenue recognition

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) Dividends

– Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

– Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

(v) Government grants

Government grants are recognised in the balance sheet initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised in profit or loss on a systematic basis over the useful life of the asset.

(u) Translation of foreign currencies

For the purpose of presenting the consolidated financial statements, the Group adopted Hong Kong dollars ("HKD") as its presentation currency. The functional currencies of the Company and the subsidiaries incorporated in Hong Kong are HKD and the functional currencies of the subsidiaries established in the People's Republic of China (the "PRC") are Renminbi ("RMB").

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

1 SIGNIFICANT ACCOUNTING POLICIES

(u) Translation of foreign currencies

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of operations of the subsidiaries with functional currencies other than Hong Kong dollars are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items, including goodwill arising on consolidation of operations of the subsidiaries with functional currencies other than Hong Kong dollars acquired on or after 1 January 2005, are translated into Hong Kong dollars at the closing foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(w) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

1 SIGNIFICANT ACCOUNTING POLICIES

(w) Related parties

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued one new HKFRS, a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

– HKFRS 8, Operating segments

– HKAS 1 (revised 2007), Presentation of financial statements

– Amendments to HKFRS 7, Financial instruments: Disclosures-improving disclosures about financial instruments

– Improvements to HKFRSs (2008)

2 CHANGES IN ACCOUNTING POLICIES

– Amendments to HKAS 27, Consolidated and separate financial statements – cost of an investment in a subsidiary, jointly controlled entity or associate

– HKAS 23 (revised 2007), Borrowing costs

The Improvements to HKFRSs (2008) comprise a number of minor and non-urgent amendments to a range of HKFRSs which the HKICPA has issued as an omnibus batch of amendments. These amendments to HKAS 23 and the improvements to HKFRSs (2008) have no material impact on the Group's financial statements as the amendments are consistent with the accounting policies already adopted by the Group. The impact of the remainder of these developments in the financial report is as follows:

HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management, and has resulted in reportable segments being identified and presented (see note 12). Corresponding amounts have been provided on a basis consistent with the revised segment information.

As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

As a result of the adoption of the amendments to HKFRS 7, the financial statements include expanded disclosures in note 29(f) about the fair value measurement of the Group's financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. The Group has taken advantage of the transitional provisions set out in the amendments to HKFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided.

The amendments to HKAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 January 2009, all dividends receivable from subsidiaries, associates and jointly controlled entities, whether out of pre- or post-acquisition profits, will be recognised in the Company's profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the Company would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

3 TURNOVER

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

	2009 **$'000**	2008 $'000
Sales of pharmaceutical products		
– Pills and tablets	**351,532**	294,311
– Medicine wine	**53,097**	51,939
– Injections	**74,555**	–
– Paste, granules and others	**190,991**	97,283
	670,175	443,533

4 OTHER REVENUE AND NET INCOME

	2009 **$'000**	2008 $'000
Other revenue		
Government grants (note 25)	**9,354**	1,635
Interest income	**1,444**	1,385
Rental income	**1,114**	1,213
Dividend income from unlisted equity securities	**92**	–
	12,004	4,233

	2009 **$'000**	2008 $'000
Other net income		
Loss on disposal of fixed assets	**(503)**	(45)
Exchange (loss)/gain	**(68)**	794
Others	**1,755**	(1)
	1,184	748

5 PROFIT BEFORE TAXATION

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

		2009 $'000	2008 $'000
(a)	Finance costs:		
	Interest on bank advances and other borrowings wholly repayable within five years	**5,321**	1,378
(b)	Staff costs:		
	Salaries, wages and other benefits	**95,265**	62,655
	Contributions to defined contribution retirement plans	**5,037**	2,357
		100,302	65,012
(c)	Other items:		
	Auditors' remuneration	**1,890**	1,870
	Depreciation and amortisation		
	– investment properties	**292**	293
	– interest in leasehold land held for own use under operating leases	**2,223**	621
	– property, plant and equipment	**26,091**	18,649
	– intangible assets	**23,567**	15,654
	Impairment losses		
	– trade receivables	**550**	125
	– intangible assets	**–**	1,811
	Operating lease charges on buildings	**546**	373
	Research and development costs	**11,845**	2,054
	Rentals receivable from investment properties less direct outgoings	**(1,114)**	(750)

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2009 $'000	2008 $'000
Current tax		
PRC enterprise income tax for the year	**25,604**	11,558
Under-provision in respect of prior year	**717**	577
	26,321	12,135
Deferred tax		
Origination and reversal of temporary differences	**(4,082)**	(7,197)
	22,239	4,938

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

Pursuant to the Corporate Income Tax Law of PRC, the statutory tax rate applicable to the Group's PRC subsidiaries is 25%, except for 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% for a three-year period with effect from 1 January 2008 pursuant to documents issued jointly by Guangdong Science and Technology Department, Guangdong Provincial Finance Bureau, Guangdong Provincial Office of the State Administration of Taxation and Guangdong Provincial Local Taxation Bureau. As a result of the change in tax rate to 15% for a three-year period, the change in the carrying amount of the current tax payable and deferred tax liabilities has been reflected in these consolidated financial statements.

In addition, under the new tax law, the gross amount of dividends received by the Company from its PRC subsidiaries in respect of their profits generated after 1 January 2008 is subject to withholding tax at a rate of 5%. Under the grandfathering treatments, the undistributed profits of the PRC subsidiaries as at 31 December 2007 are exempted from withholding tax.

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

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

	2009 $'000	2008 $'000
Profit before taxation	**90,465**	53,405
Notional tax on profit before taxation, calculated at rates applicable to profit in the countries concerned	**28,014**	16,007
Tax effect on non-deductible expenses	**924**	1,623
Tax effect on non-taxable revenue	**(984)**	(165)
Effect on opening current and deferred tax balances resulting from the change in tax rate during the year	**–**	(6,422)
Income tax concessions	**(8,636)**	(8,159)
Withholding tax on undistributed profits of PRC subsidiaries	**2,204**	1,477
Under-provision in respect of prior year	**717**	577
Actual tax expense	**22,239**	4,938

7 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	2009				
	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Discretionary bonuses $'000	Retirement scheme contributions $'000	Total $'000
Executive directors					
Yang Bin	90	668	501	29	1,288
Situ Min	100	555	300	25	980
Li Songquan	100	555	300	25	980
Xu Tiefeng	56	462	360	20	898
Lam Siu Hung	6	40	–	2	48
Independent non-executive directors					
Du Richeng	100	–	–	–	100
Pang Fu Keung	89	–	–	–	89
Lo Wing Yat	89	–	–	–	89
Wang Bo	56	–	–	–	56
Zhang Jianhui	56	–	–	–	56
Chan Ting Chuen, David	11	–	–	–	11
Cheung Kin Piu, Valiant	5	–	–	–	5
Ng Pui Cheung, Joseph	22	–	–	–	22
	780	2,280	1,461	101	4,622

7 DIRECTORS' REMUNERATION

	2008				
	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Discretionary bonuses $'000	Retirement scheme contributions $'000	Total $'000
Executive directors					
Du Richeng	100	–	–	–	100
Lam Siu Hung	100	660	220	33	1,013
Situ Min	100	420	105	21	646
Li Songquan	100	420	105	21	646
Independent non-executive directors					
Chan Ting Chuen, David	100	–	–	–	100
Ng Pui Cheung, Joseph	100	–	–	–	100
Cheung Kin Piu, Valiant	100	–	–	–	100
	700	1,500	430	75	2,705

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, four (2008: two) are directors whose remuneration is disclosed in the above. Details of the emoluments of the remaining one (2008: three) individual(s) were as follows:

	2009 $'000	2008 $'000
Salaries and other emoluments	**723**	2,707
Retirement scheme contributions	**9**	–
	732	2,707

The emoluments of the one (2008: three) individual(s) with highest emoluments are within the following band:

	2009 Number of individuals	2008 Number of individuals
$		
Nil – 1,000,000	**1**	3

9 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a loss of $12,029,000 (2008: $8,121,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's loss for the year:

	2009 **$'000**	2008 $'000
Amount of consolidated result attributable to equity shareholders dealt with in the Company's financial statements	**(12,029)**	(8,121)
Final dividends from subsidiaries attributable to the profits of the pervious financial year, approved and paid during the year	**28,000**	16,803
Company's profit for the year (note 28(a))	**15,971**	8,682

10 DIVIDENDS

(a) Dividends payable to equity shareholders attributable to the year

	2009 **$'000**	2008 $'000
Final dividend proposed after the balance sheet date of nil cent per ordinary share (2008: 0.7 cent per ordinary share)	**–**	11,399

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(b) Dividends payable to equity shareholders attributable to the previous financial year, approved during the year

	2009 **$'000**	2008 $'000
Final dividend in respect of the previous financial year, approved during the year, of 0.7 cent per ordinary share (2008: 0.5 cent per ordinary share)	**11,399**	4,155

11 EARNINGS PER SHARE

(a) Basic

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of $44,054,000 (2008: $20,330,000) and the weighted average of 1,561,958,000 (2008: 830,974,000) ordinary shares in issue during the year.

(b) Diluted

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

12 SEGMENT REPORTING

The Group manages its businesses by subsidiaries. On first-time adoption of HKFRS 8 Operating Segments, and in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following five reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Dezhong
- Feng Liao Xing
- Guangdong Medi-World
- Shandong Lukang Pharmaceutical Group Luya Co., Ltd. ("Luya")
- Foshan Nanhai Pharmaceutical Group Medicinal Material Co., Ltd. ("Nanhai Pharmaceutical")

(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:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments including depreciation and amortisation of assets attributable to those segments.

The measure used for reporting segment profit is "gross profit of operating segment" i.e. "turnover less cost of sales". Items not specifically attributed to individual segment such as directors' and auditors' remuneration and other head office or administrative expenses are excluded from the calculation of segment profit. The Group's senior executive management is provided with segment information concerning segment revenue and profit. Segment assets and liabilities are not reported to the Group's senior executive management regularly.

12 SEGMENT REPORTING

(a) Segment results, assets and liabilities

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 2009 and 2008 is set out below.

Year ended 31 December 2009

	Dezhong $'000	Feng Liao Xing $'000	Guangdong Medi-World $'000	LUYA $'000	Nanhai Pharmaceutical $'000	Total $'000
Revenue from external customers	**223,470**	**178,702**	**186,264**	**71,988**	**9,751**	**670,175**
Inter-segment revenue	**–**	**–**	**–**	**–**	**9,616**	**9,616**
Reportable segment revenue	**223,470**	**178,702**	**186,264**	**71,988**	**19,367**	**679,791**
Reportable segment profit	**116,601**	**64,453**	**135,503**	**36,531**	**2,230**	**355,318**

Year ended 31 December 2008

	Dezhong $'000	Feng Liao Xing $'000	Total $'000
Revenue from external customers	251,366	192,167	443,533
Reportable segment revenue	251,366	192,167	443,533
Reportable segment profit	116,947	61,630	178,577

12 SEGMENT REPORTING

(b) Reconciliations of reportable segment revenues and profit

	2009 $'000	2008 $'000
Revenue		
Reportable segment revenue	**679,791**	443,533
Elimination of inter-segment revenue	**(9,616)**	–
Consolidated turnover	**670,175**	443,533
Profit		
Reportable segment profit	**355,318**	178,577
Elimination of inter-segment profits	**(1,107)**	–
Reportable segment profit derived from the Group's external customers	**354,211**	178,577
Other revenue and net income	**13,188**	4,981
Selling and distribution costs	**(161,625)**	(66,237)
Administrative expenses	**(78,473)**	(42,245)
Finance costs	**(5,321)**	(1,378)
Unallocated head office and corporate expenses	**(31,515)**	(20,293)
Consolidated profit before taxation	**90,465**	53,405

(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.

13 FIXED ASSETS

	Buildings $'000	Plant, machinery and equipment $'000	Motor vehicles $'000	Others $'000	Sub-total $'000	Investment properties $'000	Interests in leasehold land held for own use under operating leases $'000	The Group Total $'000
Cost:								
At 1 January 2008	73,888	140,776	3,859	40,444	258,967	11,462	29,581	300,010
Additions	–	1,046	–	3,004	4,050	–	–	4,050
Disposals	–	(286)	(451)	(47)	(784)	–	–	(784)
Exchange adjustments	4,620	8,767	209	2,553	16,149	718	1,849	18,716
At 31 December 2008	78,508	150,303	3,617	45,954	278,382	12,180	31,430	321,992
At 1 January 2009	78,508	150,303	3,617	45,954	278,382	12,180	31,430	321,992
Additions	42	6,283	785	5,838	12,948	–	469	13,417
Acquisition of subsidiaries	36,685	9,866	423	11,048	58,022	–	66,953	124,975
Transfer from construction in progress	44,745	21,250	–	882	66,877	–	–	66,877
Disposals	(369)	(2,128)	(302)	(2,611)	(5,410)	(717)	–	(6,127)
Exchange adjustments	937	(46)	19	1,192	2,102	(15)	987	3,074
At 31 December 2009	160,548	185,528	4,542	62,303	412,921	11,448	99,839	524,208
Accumulated depreciation and amortisation:								
At 1 January 2008	27,004	60,628	2,689	26,829	117,150	3,499	4,232	124,881
Charge for the year	2,648	12,431	364	3,206	18,649	293	621	19,563
Written back on disposals	–	(279)	(406)	(47)	(732)	–	–	(732)
Exchange adjustments	1,723	3,951	108	1,770	7,552	223	272	8,047
At 31 December 2008	31,375	76,731	2,755	31,758	142,619	4,015	5,125	151,759
At 1 January 2009	31,375	76,731	2,755	31,758	142,619	4,015	5,125	151,759
Charge for the year	6,236	14,573	379	4,903	26,091	292	2,222	28,605
Written back on disposals	(311)	(1,876)	(273)	(1,962)	(4,422)	(160)	–	(4,582)
Exchange adjustments	461	455	72	293	1,281	(4)	54	1,331
At 31 December 2009	37,761	89,883	2,933	34,992	165,569	4,143	7,401	177,113
Net book value:								
At 31 December 2009	122,787	95,645	1,609	27,311	247,352	7,305	92,438	347,095
At 31 December 2008	47,133	73,572	862	14,196	135,763	8,165	26,305	170,233

13 FIXED ASSETS

(a) The interests in leasehold land held for own use under operating leases and investment properties are held on medium-term leases of 50 years in the PRC.

(b) The Group leases out investment properties under operating leases. The leases typically run for an initial period of two to five years, at the end of which period the terms are renegotiated annually. One of the leases runs for twenty years with three months' notice for termination. Lease payments of this lease are gradually increased during the lease period to reflect market rentals. None of the leases includes contingent rentals.

The Group's total future minimum lease payments receivable under non-cancellable operating leases are as follows:

	2009 **$'000**	2008 $'000
Within 1 year	**480**	756
After 1 year but within 5 years	**221**	–
	701	756

All investment properties of the Group were stated in the consolidated balance sheet at cost less accumulated depreciation and impairment losses. The fair value of the investment properties as at 31 December 2009 is $16,093,000 (2008: $13,734,000) by reference to net rental income allowing for reversionary income potential. The valuation of the investment properties as at 31 December 2009 and 2008 was carried out by BMI Appraisals Limited, an independent firm of professional surveyors.

(c) Certain interests in leasehold land held for own use under operating leases and buildings with carrying value of $91,310,000 were pledged as securities of bank loans of the Group as at 31 December 2009 (see note 24).

14 CONSTRUCTION IN PROGRESS

	2009 **$'000**	2008 $'000
At 1 January	**1,364**	144
Additions	**12,532**	1,211
Acquisition of subsidiaries	**67,282**	–
Transfer to fixed assets	**(66,877)**	–
Exchange adjustments	**95**	9
At 31 December	**14,396**	1,364

15 INTANGIBLE ASSETS

	The Group				
	Product protection rights $'000	Trademarks $'000	Technical know-how $'000	Distribution network $'000	Total $'000
Cost:					
At 1 January 2008	69,978	39,376	–	–	109,354
Exchange adjustments	4,375	2,462	–	–	6,837
At 31 December 2008	74,353	41,838	–	–	116,191
At 1 January 2009	74,353	41,838	–	–	116,191
Addition through acquisition of subsidiaries	–	–	70,028	9,021	79,049
Exchange adjustments	(78)	(39)	1,146	132	1,161
At 31 December 2009	74,275	41,799	71,174	9,153	196,401
Accumulated amortisation and impairment loss:					
At 1 January 2008	(17,495)	(1,158)	–	–	(18,653)
Amortisation for the year	(14,682)	(972)	–	–	(15,654)
Impairment loss for the year	(1,811)	–	–	–	(1,811)
Exchange adjustments	(1,282)	(85)	–	–	(1,367)
At 31 December 2008	(35,270)	(2,215)	–	–	(37,485)
At 1 January 2009	(35,270)	(2,215)	–	–	(37,485)
Amortisation for the year	(14,843)	(983)	(6,914)	(827)	(23,567)
Exchange adjustments	26	(3)	(232)	(13)	(222)
At 31 December 2009	(50,087)	(3,201)	(7,146)	(840)	(61,274)
Net book value:					
At 31 December 2009	24,188	38,598	64,028	8,313	135,127
At 31 December 2008	39,083	39,623	–	–	78,706

The amortisation charge for the year is included in "cost of sales" in the consolidated income statement.

16 GOODWILL

	The Group	
	2009	2008
	$'000	$'000
Cost and carrying amount:		
At 1 January	**141,037**	132,738
Addition acquired through business combination	**44,721**	–
Exchange adjustments	**439**	8,299
At 31 December	**186,197**	141,037

Goodwill acquired through business combination is allocated to the Group's cash-generating units ("CGU") identified as follows:

	The Group	
	2009	2008
	$'000	$'000
Manufacture and sale of pharmaceutical products – Dezhong	**114,015**	114,136
Manufacture and sale of pharmaceutical products – Feng Liao Xing	**26,873**	26,901
Manufacture and sale of pharmaceutical products – Guangdong Medi-World	**40,095**	–
Manufacture and sale of pharmaceutical products – Luya	**2,433**	–
Manufacture and sale of pharmaceutical products – Nanhai Pharmaceutical	**2,781**	–
	186,197	141,037

The recoverable amount of the CGU is determined based on value-in-use calculations. The key assumptions used in the valuations are those regarding the expected changes to selling prices and costs, and discount rates. The changes in selling prices and costs are based on historical operating records and expectation of future changes in the market. Discount rates applied are able to reflect the current market assessments of the time value of money and the risks specific to the CGU.

The Company determined the value-in-use by preparing cash flow projections of each of the CGU derived from the most recent financial forecast approved by the management covering a one-year period and extrapolated to cover a period of nine more years with an estimated increase in selling prices and costs of 3% (2008: 3%) and no growth in sales volume. The rate used to discount the forecast cash flows is 12% (2008: 13%).

17 INTEREST IN SUBSIDIARIES

	The Company	
	2009	2008
	$'000	$'000
Unlisted shares, at cost	**529,542**	223,569
Amounts due from subsidiaries	**59,846**	58,869
	589,388	282,438

The amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment. In the opinion of the directors, the amounts will not be recoverable within twelve months from the Company's balance sheet date and are therefore shown in the Company's balance sheet as non-current.

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group at 31 December 2009.

All of these are controlled subsidiaries as defined under note 1(c) and have been consolidated into the Group's financial statements.

Name of company	Place of incorporation/ establishment and operation	Issued and paid up share capital	Percentage of equity interest held Directly	Percentage of equity interest held Indirectly	Principal activities
Lipromate Resources Limited	Hong Kong 14 December 2006	Ordinary HK$1	100%	–	Provision of accounting and management services to the Group
Hensil Industrial Inc. Limited	Hong Kong 6 July 2007	Ordinary HK$1	100%	–	Investment holding
Hensil Trading & Investments Limited	Hong Kong 6 July 2007	Ordinary HK$1	100%	–	Investment holding
Smartpoint International Limited ("Smartpoint")	BVI 10 November 2008	HK$1,000	100%	–	Investment holding
Foshan Dezhong Pharmaceutical Co., Ltd. ("Dezhong") (note (i))	The PRC 1 November 1998	US$5,760,000	–	51%	Manufacture and sale of Chinese pharmaceutical products

(Expressed in Hong Kong dollars unless otherwise indicated)

17 INTEREST IN SUBSIDIARIES

Name of company	Place of incorporation/ establishment and operation	Issued and paid up share capital	Percentage of equity interest held		Principal activities
			Directly	Indirectly	
Foshan Feng Liao Xing Pharmaceutical Co., Ltd. ("Feng Liao Xing") (note (i))	The PRC 16 March 2000	US$6,926,100	–	51%	Manufacture and sale of Chinese pharmaceutical products
Guangdong Medi-World Pharmaceutical Co., Ltd. ("Guangdong Medi-World") (note (ii))	The PRC 13 November 1992	US$9,060,000	–	100%	Manufacture and sale of pharmaceutical products and investment holding
Shandong Lukang Pharmaceutical Group LuYa Co., Ltd. ("Luya") (note (iii))	The PRC 6 November 2000	RMB24,529,300	–	100%	Manufacture and sale of pharmaceutical products
Foshan Nanhai Pharmaceutical Group Medicinal Material Co., Ltd. ("Nanhai Pharmaceutical") (note (iv))	The PRC 6 March 1982	RMB5,500,000	–	100%	Trading of pharmaceutical products

Notes:

(i) Dezhong and Feng Liao Xing are sino-foreign equity joint ventures established in the PRC pursuant to the law of the PRC on sino-foreign equity joint ventures. Dezhong and Feng Liao Xing have joint venture periods of 50 years expiring on 30 October 2048 and 15 March 2050, respectively.

(ii) Guangdong Medi-World is a wholly foreign owned enterprise established pursuant to the Wholly Foreign-owned Enterprise Law of the PRC. Guangdong Medi-World's period of operation is 30 years expiring on 13 November 2022.

(iii) Luya is a sino-foreign equity joint venture established pursuant to the law of the PRC on sino-foreign equity joint ventures. Luya has joint venture periods of 15 years expiring on 6 November 2015.

(iv) Nanhai Pharmaceutical was established pursuant to the Company Law of the PRC.

18 OTHER FINANCIAL ASSETS

	The Group	
	2009	2008
	$'000	$'000
Available-for-sale equity securities		
– Listed in the PRC, at fair value	**4,681**	2,743
– Unlisted equity securities, at cost	**1,147**	–
	5,828	2,743
Market value of listed securities	**4,681**	2,743

Investments in unlisted equity securities do not have a quoted market price in an active market. Quoted prices in active market for similar financial assets or observable market data as significant inputs for valuation techniques are also not available. Therefore, the unlisted equity securities are stated at cost less impairment, if any, in the financial statements.

19 INVENTORIES

(a) Inventories in the consolidated balance sheet comprise:

	2009	2008
	$'000	$'000
Raw materials	**39,265**	35,554
Work in progress	**34,219**	17,007
Finished goods	**32,544**	21,504
	106,028	74,065
Packaging materials	**5,450**	5,680
Low value consumables	**3,563**	2,712
	115,041	82,457

(b) The analysis of the amount of inventories recognised as an expense is as follows:

	2009	2008
	$'000	$'000
Cost of inventories sold	**347,479**	285,249

20 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Trade and bills receivables	**149,172**	52,965	**–**	–
Less: allowance for doubtful debt (note 20 (b))	**(8,364)**	(2,647)	**–**	–
	140,808	50,318	**–**	–
Deposits, prepayments and other receivables	**18,902**	18,172	**296**	5,996
	159,710	68,490	**296**	5,996

(a) Ageing analysis

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

	The Group	
	2009	2008
	$'000	$'000
Within 3 months of invoice date	**120,040**	41,651
3 to 6 months after invoice date	**16,473**	6,715
More than 6 months after invoice date	**12,659**	4,599
	149,172	52,965

Trade and bills receivables are due within 30 to 90 days from the date of billing. All of the trade and bills receivables are expected to be recovered within one year. Further details on the Group's credit policy are set out in note 29(a).

(b) Impairment of trade and bills receivables

Impairment losses in respect of trade and bills receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and bills receivables directly (see note 1 (k)(i)).

The movements in the allowance for doubtful debts during the year, including both specific and collective loss components, are as follows:

20 TRADE AND OTHER RECEIVABLES

(b) Impairment of trade and bills receivables

	The Group	
	2009	2008
	$'000	$'000
At 1 January	**2,647**	2,372
Addition through acquisition of subsidiaries	**5,154**	–
Impairment loss recognised	**550**	125
Exchange adjustments	**13**	150
At 31 December	**8,364**	2,647

At 31 December 2009, the Group's gross trade receivables of $8,364,000 (2008: $2,647,000) were individually determined to be impaired. The individually impaired receivables related to receivables that were overdue more than one year and management assessed that receivables are not expected to be recovered. Consequently, specific allowances for doubtful debts of $8,364,000 were recognised (2008: $2,647,000). The Group does not hold any collateral over these balances.

(c) Trade and bills receivables that are not impaired

The ageing analysis of trade and bills receivables that are neither individually nor collectively considered to be impaired are as follows:

	The Group	
	2009	2008
	$'000	$'000
Within 3 months of invoice date	**120,040**	41,651
3 to 6 months after invoice date	**16,473**	6,715
More than 6 months after invoice date	**4,295**	1,952
	140,808	50,318

As at 31 December 2009, receivables that were neither past due nor impaired individually, amounted to $140,808,000 (2008: $50,318,000).

Receivables that were not impaired relate to a number of independent customers that have a good track record with the Group and no recent history of default. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality of the customers and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

21 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

(a) Current taxation in the consolidated balance sheet represents:

	The Group	
	2009	2008
	$'000	$'000
PRC corporate income tax payable/(recoverable)	**8,493**	(1,440)

(b) Deferred tax assets/(liabilities) recognised

The components of deferred tax assets/(liabilities) recognised in the consolidated balance sheet and the movements during the year are as follows:

	Intangible assets $'000	Depreciation allowances in excess of related depreciation $'000	Allowance for impairment of inventories and doubtful debts $'000	Available-for-sale securities $'000	Withholding tax on undistributed profits of PRC subsidiaries $'000	Others $'000	Total $'000
At 1 January 2008	(22,675)	(9,580)	844	(958)	–	(1,436)	(33,805)
Effect of change in tax rate							
– credited/(charged) to consolidated income statement	4,756	962	(355)	–	–	603	5,966
– credited to reserves	–	–	–	407	–	–	407
Credited/(charged) to consolidated income statement	2,669	475	15	–	(1,477)	(451)	1,231
Credited to reserves	–	–	–	216	–	–	216
Exchange adjustments	(1,387)	(592)	50	(57)	(19)	(88)	(2,093)
At 31 December 2008	(16,637)	(8,735)	554	(392)	(1,496)	(1,372)	(28,078)
At 1 January 2009	(16,637)	(8,735)	554	(392)	(1,496)	(1,372)	(28,078)
Addition through acquisition	(17,808)	(10,574)	5,067	–	(1,346)	75	(24,586)
Credited/(charged) to consolidated income statement	3,574	624	(345)	–	(2,204)	2,433	4,082
Credited to reserves	–	–	–	(291)	–	–	(291)
Exchange adjustments	(278)	(158)	71	(1)	19	4	(343)
At 31 December 2009	(31,149)	(18,843)	5,347	(684)	(5,027)	1,140	(49,216)

21 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

(b) Deferred tax assets/(liabilities) recognised

Reconciliation to the consolidated balance sheet:

	The Group	
	2009	2008
	$'000	$'000
Net deferred tax assets recognised on the consolidated balance sheet	**6,045**	–
Net deferred tax liabilities recognised on the consolidated balance sheet	**(55,261)**	(28,078)
	(49,216)	(28,078)

22 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Deposits with banks	**22,033**	15,009	**–**	7,051
Cash at bank and in hand	**211,462**	140,713	**5,137**	10,637
	233,495	155,722	**5,137**	17,688
Less: Deposits with banks maturity beyond three months	**(22,033)**	(7,958)	**–**	–
Cash and cash equivalents	**211,462**	147,764	**5,137**	17,688

23 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Trade creditors	**63,672**	20,150	**–**	–
Other creditors and accrued charges	**74,427**	55,213	**2,076**	6,900
Advances received from customers	**31,267**	24,423	**–**	–
	169,366	99,786	**2,076**	6,900

23 TRADE AND OTHER PAYABLES

Included in trade and other payables are trade creditors with the following ageing analysis as of the balance sheet date:

	The Group	
	2009	2008
	$'000	$'000
Due within 1 month or on demand	**63,672**	20,150

Other creditors and accrued charges mainly include accrued staff costs and benefits and advertising expenses payable.

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

24 BANK LOANS

At 31 December 2009, the Group's bank loans were repayable as follows:

	The Group	
	2009	2008
	$'000	$'000
Within 1 year or on demand	**84,042**	18,190

At 31 December 2009, the Group's bank loans were secured as follows:

	The Group	
	2009	2008
	$'000	$'000
Bank loans		
Secured	**65,871**	–
Unsecured	**18,171**	18,190
	84,042	18,190

As at 31 December 2009, bank loans of $ 59,511,000 (2008: $nil) were secured by personal guarantee from Mr. Xu Tiefeng and Mr. Yang Bin, two executive directors of the Company, and interests in leasehold land and buildings of the Group with carrying amount of $ 91,310,000 (2008: $ nil) (see note 13(c)). Bank loan of $6,360,000 (2008: $ nil) was secured by the interests in leasehold land of Foshan Hanyu Pharmaceutical Co., Ltd. ("Hanyu Pharmaceutical"), previously known as Foshan Winteam Pharmaceutical Co., Ltd., a company in which Mr. Yang Bin and Mr. Xu Tiefeng jointly hold 72.7% equity interest.

24 BANK LOANS

$ 34,071,000 (2008: $ nil) of the Group's banking facilities is subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 29(b). As at 31 December 2009 none of the covenants relating to drawn down facilities had been breached (2008:$ nil).

25 DEFERRED GOVERNMENT GRANTS

The Group has been awarded various government grants for technological improvements and for research and development on new and existing pharmaceutical products. Deferred government grants represent the portion of government grants that compensate the Group for expenses to be incurred in future periods. The portion of deferred government grants that will be recognised as income in the next year amounted to $ 6,283,000 has been classified as current and the remaining portion of $ 7,625,000 has been classified as non-current.

26 EMPLOYEES RETIREMENT BENEFITS

The Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employee's relevant income, subject to a cap of monthly relevant income of $20,000. Apart from the mandatory contributions, the employer would make monthly voluntary contributions. The aggregate of the mandatory and voluntary contributions made by the employer represents 5% of the basic salary of the employees. Mandatory contributions to the plan vest immediately. Where there are employees who leave the Group prior to vesting fully in the voluntary contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

Employees in the Group's PRC subsidiaries are members of the state-managed retirement scheme. The PRC subsidiaries are required to contribute a specified percentage of the payroll to the scheme. The only obligation of the Group with respect to the retirement scheme is to make the specified contributions.

The Group has no other material obligation for payment of retirement benefits beyond the annual contributions as described above.

27 EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company had a share option scheme which was adopted on 22 May 2002 whereby the directors of the Company were authorized, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options to subscribe for shares of the Company. A total of 8,000,000 share options were granted on 30 July 2002. No benefit cost or obligation was recognised at the date of grant or exercise for these share options as the Group took advantage of the transitional provisions set out in HKFRS 2 "Share-based payment", under which the recognition and measurement policies have not been applied to all options granted to employees on or before 7 November 2002. On 30 January 2008, these 8,000,000 share options in total were lapsed without exercise.

27 EQUITY SETTLED SHARE-BASED TRANSACTIONS

On 2 January 2008, each of the three independent non-executive directors of the Company (who resigned in January and February 2009) was granted 828,000 share options under the Company's share option scheme to subscribe for 828,000 ordinary shares. Pursuant to the amendments made to the share option scheme adopted on 22 May 2002, these share options vest immediately on 2 January 2008 and have an exercise period of five years. On 19 March 2008, these 2,484,000 share options in total were lapsed following a mandatory unconditional cash offer to the three independent non-executive directors.

No share options were outstanding as at 31 December 2009 and 2008.

28 CAPITAL AND RESERVES

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The company

	Share capital $'000	Share premium $'000	Capital reserve $'000	Capital redemption reserve $'000	Retained profits $'000	Total $'000
At 1 January 2008	83,097	204,057	–	297	6,754	294,205
Dividends approved in respect of the previous year	–	–	–	–	(4,155)	(4,155)
Profit for the year	–	–	–	–	8,682	8,682
Equity settled share-based transactions	–	–	490	–	–	490
Release upon lapse of share options	–	–	(490)	–	490	–
At 31 December 2008	83,097	204,057	–	297	11,771	299,222
At 1 January 2009	83,097	204,057	–	297	11,771	299,222
Dividends approved in respect of the previous year	–	–	–	–	(11,399)	(11,399)
Profit for the year	–	–	–	–	15,971	15,971
New shares issued during the year	79,744	209,207	–	–	–	288,951
At 31 December 2009	162,841	413,264	–	297	16,343	592,745

28 CAPITAL AND RESERVES

(b) Share capital

	2009		2008	
	Number of shares '000	**Nominal value $'000**	Number of shares '000	Nominal value $'000
Authorized:				
Ordinary shares of $0.10 each	**3,000,000**	**300,000**	3,000,000	300,000
Ordinary shares, issued and fully paid:				
At 1 January	**830,974**	**83,097**	830,974	83,097
New shares issued during the year	**797,437**	**79,744**	–	–
At 31 December	**1,628,411**	**162,841**	830,974	83,097

(i) On 6 February 2009, the Company allotted and issued 564,102,563 ordinary shares of $0.10 each at the issue price of $0.39 per share to settle the consideration for a business combination, details of which are set out in note 32.

(ii) On 6 February 2009, the Company allotted and issued 233,334,000 ordinary shares of $0.10 each at the issue price of $0.30 per share for cash.

(c) Share premium and capital redemption reserve

The application of the share premium account and the capital redemption reserve is governed by sections 48B and 49H respectively of the Hong Kong Companies Ordinance.

(d) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of subsidiaries with functional currency other than HKD. The reserve is dealt with in accordance with the accounting policy set out in note 1(u).

(e) Reserve fund

In accordance with the accounting principles and financial regulations applicable in the PRC, the PRC subsidiaries are required to transfer part of its profit after taxation to the reserve fund. The transfer amounts are determined by the subsidiary's board of directors in accordance with the articles of association and the transfers are made before profit distribution to the equity holders of the subsidiary. Reserve fund can only be used to make good losses, if any, and for increasing paid-in capital.

28 CAPITAL AND RESERVES

(f) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale securities held at the balance sheet date, and is dealt with in accordance with the accounting policy set out in note 1(e).

(g) Capital reserve

The capital reserve comprises the portion of the grant date fair value of unexercised share options granted to employees of the Company that has been recognised in accordance with the accounting policy adopted for share-based payments in note 1(q)(ii).

(h) Distributability of reserves

At 31 December 2009, the aggregate amount of reserves available for distribution to equity shareholders of the Company was $ 16,343,000 (2008: $ 11,771,000). No final dividend per ordinary share was proposed after the balance sheet date (2008: $ 11,399,000, 0.7 cent per ordinary share).

(i) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes interest-bearing loans and borrowings, and obligations under finance leases but excludes redeemable preference shares) plus unaccrued proposed dividends, less cash and cash equivalents. Adjusted capital comprises all components of equity and redeemable preference shares, other than amounts recognised in equity relating to cash flow hedges, less unaccrued proposed dividends.

During 2009, the Group's strategy, which was unchanged from 2008, is to maintain the capital in order to cover any debt position.

28 CAPITAL AND RESERVES

(i) Capital management

The adjusted debt-to-equity ratios at 31 December 2009 and 2008 are as follows:

	2009	2008
	$'000	$'000
Current liabilities:		
Trade and other payables	**169,366**	99,786
Bank loans	**84,042**	18,190
	253,408	117,976
Add: Proposed dividends	**–**	11,399
Adjusted debt	**253,408**	129,375
Total equity	**871,864**	555,114
Less: Proposed dividends	**–**	(11,399)
Adjusted equity	**871,864**	543,715
Adjusted debt-to-equity ratio	**29%**	24%

Neither the Company nor its subsidiary is subject to externally imposed capital requirements.

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities and movements in its own equity share price.

The Group's exposure to these risks and the financial risk management policies and practises used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. These receivables are due within 30 to 90 days from the date of billing. Debtors with balances that are more than three months overdue are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At 31 December 2009, the Group has no certain concentration of credit risk.

The maximum exposure to credit risk is represented by the carrying amount of the asset in the balance sheet after deducting any impairment allowance. The Group does not provide any guarantees which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in note 20.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

(b) Liquidity risk

The following table details the remaining contractual maturities at the balance sheet date of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group can be required to pay:

The Group

	2009			2008		
	Carrying amount $'000	**Total contractual undiscounted cash flow $'000**	**Within 1 year or on demand $'000**	Carrying amount $'000	Total contractual undiscounted cash flow $'000	Within 1 year or on demand $'000
Trade and other payables	**169,366**	**(169,366)**	**(168,199)**	98,618	(98,618)	(98,618)
Bank loans	**84,042**	**(85,761)**	**(85,761)**	18,190	(18,289)	(18,289)
	253,408	**(255,127)**	**(253,960)**	116,808	(116,907)	(116,907)

The Company

	2009			2008		
	Carrying amount $'000	**Total contractual undiscounted cash flow $'000**	**Within 1 year or on demand $'000**	Carrying amount $'000	Total contractual undiscounted cash flow $'000	Within 1 year or on demand $'000
Trade and other payables	**2,076**	**(2,076)**	**(2,076)**	6,900	(6,900)	(6,900)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

(c) Interest rate risk

The Group's interest rate risk arises primarily from short-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group's interest rate profile as monitored by management is set out below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's total borrowings at the balance sheet date.

	2009		2008	
	Effective interest rate	**One year or less**	Effective interest rate	One year or less
	%	**$'000**	%	$'000
Variable rate borrowings:				
Bank loans	**5.60%**	**84,042**	7.84%	18,190

(ii) Sensitivity analysis

As at 31 December 2009, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's profit after tax and retained profits by approximately $714,000 (2008: $155,000). Other components of equity would not be affected by the changes in interest rates.

This sensitivity analysis has been determined assuming that the change in interest rates had occurred at the balance sheet dates and had been applied to the exposure to interest risk for financial investments in existence at those dates.

(d) Foreign currency risk

Individual companies within the Group has limited foreign currency risk as most of the transactions are denominated in the same currency as the functional currency of the operations in which they relate. However, as the principal subsidiaries, Dezhong, Feng Liao Xing, Guangdong Medi-World and Luya, mainly carried out transactions in RMB, therefore any appreciation or depreciation of HKD against RMB will affect the Group's financial position and be reflected in the exchange reserve.

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as available-for-sale equity securities (see note 18), which are listed on the Stock Exchange of Shenzhen, the PRC. The available-for-sale investments have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations.

The following table indicates the approximate change in the Group's equity in response to reasonably possible changes in the share price of equity securities to which the Group has significant exposure at the balance sheet date.

	Increase/ (decrease) in share price	**2009 Effect on equity $'000**	2008 Effect on equity $'000
Change in market price of equity investments:			
– increase	20%	**796**	466
– decrease	(20%)	**(796)**	(466)

The sensitivity analysis has been determined assuming that the reasonably possible changes in share price of equity investments had occurred at the balance sheet date and had been applied to the exposure to equity price risk in existence at that date. The stated changes represent management's assessment of reasonably possible changes in the share price over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2008.

(f) Fair values

The following table presents the carrying value of financial instruments measured at fair value at the balance sheet date across the three levels of the fair value hierarchy defined in HKFRS 7, Financial Instruments: Disclosures, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

– Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

– Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

– Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

(f) Fair values

	2009			
	level 1 $'000	level 2 $'000	level 3 $'000	Total $'000
Assets				
Available-for-sale equity securities:				
– Listed in the PRC	**4,681**	**–**	**–**	**4,681**
	4,681	**–**	**–**	**4,681**

30 COMMITMENTS

(a) Capital commitments of the Group outstanding at 31 December 2009 not provided for in the financial statements were as follows:

	The Group	
	2009 **$'000**	2008 $'000
Contracted for	**7,502**	291

(b) At 31 December 2009, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group	
	2009 **$'000**	2008 $'000
Within 1 year	**360**	–

Operating lease payments represent rentals payable by the Group for its office premises. The lease was negotiated for an average term of two years with fixed rental. The lease did not include any contingent rentals.

31 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Group's directors as disclosed in note 7, is as follows:

	2009 **$'000**	2008 $'000
Short-term employee benefits	**4,816**	4,312
Post-employments benefits	**110**	54
	4,926	4,366

Total remuneration is included in "staff costs" (see note 5(b)).

(b) Other related party transactions

During the year ended 31 December 2009, the following parties were considered as related party transaction of the Group as they are under the control of key management personnel of the Group:

Name of related party	**Relationship**
Foshan Nanhai New & Specific Pharmaceutical Co., Ltd. ("Nanhai New & Specific Pharmaceutical")	Effectively 25.5% owned by Mr. Yang Bin and 25.5% owned by Mr. Xu Tiefeng, directors of the Company
Foshan Nanhai Pharmaceutical Group Co., Ltd. ("Nanhai Pharmaceutical Group")	Effectively 25.5% owned by Mr. Yang Bin and 25.5% owned by Mr. Xu Tiefeng, directors of the Company
Hanyu Pharmaceutical	Effectively 45.32% owned by Mr. Yang Bin and 27.34% owned by Mr. Xu Tiefeng, directors of the Company

31 MATERIAL RELATED PARTY TRANSACTIONS

(b) Other related party transactions

	Year ended 31 December	
	2009	2008
	$'000	$'000
Sale of goods to Nanhai New & Specific Pharmaceutical	**831**	–
Acquisition of the entire interest of a subsidiary from Nanhai Pharmaceutical Group (note 32(b))	**4,540**	–

As at 31 December 2009, the amount due from Nanhai New & Specific Pharmaceutical amounted to $122,000 (31 December 2008: $ nil).

As at 31 December 2009, bank loan of $ 6,360,000 was secured by the interests in leasehold land of Hanyu Pharmaceutical (see note 24).

32 ACQUISITION OF SUBSIDIARIES

(a) On 6 February 2009, the Company acquired the entire equity interest in Smartpoint. Smartpoint is an investment holding company and its principal assets are its 100% equity interests in each of Guangdong Medi-World and Luya. Each of Guangdong Medi-World and Luya is principally engaged in the manufacture and sale of pharmaceutical products in the PRC.

Details of assets acquired and liabilities assumed as at the acquisition date were as follows:

	Pre-acquisition carrying amounts $'000	Fair value adjustments $'000	Recognised values on acquisition $'000
Fixed assets	81,517	42,981	124,498
Construction in progress	67,282	–	67,282
Intangible assets	3,972	75,077	79,049
Other financial assets	1,458	–	1,458
Deferred tax assets	5,972	–	5,972
Inventories	23,123	4,966	28,089
Trade and other receivables	93,534	–	93,534
Current tax recoverable	2,924	–	2,924
Cash and cash equivalents (note (c))	22,749	–	22,749
Trade and other payables	(30,299)	–	(30,299)
Bank loans	(87,105)	–	(87,105)
Deferred income on government grants	(13,561)	–	(13,561)
Deferred tax liabilities	(1,346)	(29,212)	(30,558)
Net identifiable assets	170,220	93,812	264,032
Add: Goodwill on acquisition			41,941
Consideration (note a (i))			305,973
Satisfied by:			
Issue of consideration shares (note a (ii))			220,000
Cash (note (c))			85,973
			305,973

32 ACQUISITION OF SUBSIDIARIES

Notes:

(i) The consideration includes legal and professional fees of $5,973,000.

(ii) The fair value of the shares issued was based on the closing share price on 6 February 2009 of $ 0.39 per share.

(iii) Pursuant to the sale and purchase agreement dated 29 November 2008 between the Group and the vendor, the consideration for acquisition of Smartpoint is subject to downward adjustment, whereby the vendor shall return the Company a cash amount (the "Return Amount") if the audited consolidated net profit after tax generated by Smartpoint and its subsidiaries ("Smartpoint Group") for the twelve months ended 30 June 2009 is less than RMB 45,000,000 (approximately $ 51,102,000) (the "Benchmark Figure"). The Return Amount is equivalent to six times of the shortfall in the audited consolidated net profit after tax generated by Smartpoint Group for twelve months ended 30 June 2009 as against the Benchmark Figure.

The above consideration does not include the downward adjustment as the audited consolidated net profit after tax generated by Smartpoint Group for the twelve months ended 30 June 2009 exceeds the Benchmark Figure.

(b) On 1 November 2009, Guangdong Medi-World acquired the entire interest in Nanhai Pharmaceutical from Nanhai Pharmaceutical Group Co., Ltd., a company under the control of key management personnel of the Group (see note 31). Nanhai Pharmaceutical is principally engaged in sale of traditional Chinese medicines.

	Pre-acquisition carrying amounts $'000	Fair value adjustments $'000	Recognised values on acquisition $'000
Fixed assets	487	(10)	477
Inventories	3,256	–	3,256
Trade and other receivables	13,036	–	13,036
Cash and cash equivalents (note (c))	623	–	623
Trade and other payables	(15,459)	–	(15,459)
Current tax payable	(173)	–	(173)
Net identifiable assets	1,770	(10)	1,760
Add: Goodwill on acquisition			2,780
Consideration (note (c))			4,540
Satisfied by:			
Cash			4,540

32 ACQUISITION OF SUBSIDIARIES

(c) Cash payment for acquisition of subsidiaries, net of cash acquired

	2009 **$'000**
Cash payment for acquisition of Smartpoint	**85,973**
Cash acquired in acquisition of Smartpoint	**(22,749)**
Cash payment for acquisition of Nanhai Pharmaceutical	**4,540**
Cash acquired in acquisition of Nanhai Pharmaceutical	**(623)**
Acquisition of subsidiaries, net of cash acquired	**67,141**

33 NON-ADJUSTING POST BALANCE SHEET EVENTS

(a) Acquisition of subsidiaries

On 30 January 2010, the Guangdong Medi-World entered into an Acquisition Agreement with the shareholder of Foshan City An Ning Company Limited ("An Ning") pursuant to which Guangdong Medi-World has conditionally agreed to acquire and the shareholder of An Ning has conditionally agreed to sell the 93% equity interest in An Ning at consideration of RMB116 million (equivalent to approximately $ 131.7 million). An Ning's principal asset is the holding of a 49% equity interest in Dezhong, with the remaining 51% equity interest in Dezhong indirectly held by the Company.

The transaction has not yet been completed at the date of this report. The Group has commenced the process of assessing the financial impact of the above acquisition but is not yet in a position to determine the potential financial impact of the above acquisition on the Group's results of operations in future periods and financial position at future date. Further details of the acquisition are disclosed in the Company's circular dated 11 March 2010.

(b) Major purchases of assets

On 19 April 2010, the Company made a successful bid for the land located in East of Lingnan Road and South of Kuiqi Road, Chancheng District, Foshan City, Guangdong Province, the PRC, with a net usable area of 22,047.01 square metres, at a price of RMB77.06 million (equivalent to approximately HK$87.63 million). The Company intends to erect buildings which would be used as the Group's headquarter and research centre, as well as for leasing purpose.

The transfer contract for State-owned Construction Land Use Right has not been signed by the Company as at date of these financial statements.

34 COMPARATIVE FIGURES

As a result of the application of HKAS 1 (revised 2007), Presentation of financial statements, and HKFRS 8, Operating segments, certain comparative figures have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in note 2.

35 ACCOUNTING JUDGEMENTS AND ESTIMATES

The Group's financial condition and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the financial statements. The Group bases the assumptions and estimates on historical experience and on various other assumptions that the Group believes to be reasonable and which form the basis for making judgements about matters that are not readily apparent from other sources. On an on-going basis, management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the financial statements. The significant accounting policies are set forth in note 1. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the financial statements.

(a) Impairment

If circumstances indicate that the net book value of property, plant and equipment, goodwill, intangible assets and interests in leasehold land held for own use under operating leases may not be recoverable, these assets may be considered "impaired", and an impairment loss may be recognised in accordance with HKAS 36, Impairment of assets. The carrying amounts of these assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for the Group's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volume, selling price, material costs and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including sales volume, expected changes to selling prices and operating costs, and discount rate.

In addition, the Group estimates impairment losses for bad and doubtful debts resulting from the inability of the debtors to make the required payments. The Group bases the estimates on the ageing of the trade and other receivables balance, credit-worthiness of the debtors and historical write-off experience. If the financial condition of the debtors were to deteriorate, actual write-offs would be higher than estimated.

35 ACCOUNTING JUDGEMENTS AND ESTIMATES

(b) Depreciation and amortisation

Fixed assets and intangible assets are depreciated and amortised on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value, if any. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation and amortisation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account upgrading and improvement work performed, anticipated technological changes, and legal or similar limits on the use of assets. The depreciation and amortisation expense for future periods is adjusted if there are significant changes from previous estimates.

(c) Write down of inventories

The Group determines the write-down for obsolescence of inventories. These estimates are based on the current market condition and the historical experience in selling goods of similar nature. It could change significantly as a result of change in market condition.

36 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2009

Up to the date of issue of these financial statements, the HKICPA has issued of certain amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2009 and which have not been adopted in these financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to result in a restatement of the Group's results of operations and financial position.

FIVE YEAR FINANCIAL SUMMARY

(Expressed in Hong Kong dollars)

	2005 $'000	2006 $'000	2007 $'000	2008 $'000	**2009** **$'000**
Results					
Turnover					
Pharmaceutical business	–	109,627	355,880	443,533	**670,175**
Electricity business	824,038	721,751	–	–	**–**
	824,038	831,378	355,880	443,533	**670,175**
Profit/(loss) from operations					
Pharmaceutical business	(5,892)	477	34,164	54,783	**95,786**
Electricity business	(800,911)	(459,078)	–	–	**–**
	(806,803)	(458,601)	34,164	54,783	**95,786**
Finance costs					
Pharmaceutical business	–	(6,358)	(1,258)	(1,378)	**(5,321)**
Electricity business	(18,555)	(15,476)	–	–	**–**
	(18,555)	(21,834)	(1,258)	(1,378)	**(5,321)**
Profit/(loss) before taxation					
Pharmaceutical business	(5,892)	(5,881)	32,906	53,405	**90,465**
Electricity business	(819,466)	(474,554)	–	–	**–**
	(825,358)	(480,435)	32,906	53,405	**90,465**
Income tax					
Pharmaceutical business	–	(510)	(7,871)	(4,938)	**(22,239)**
Electricity business	18,195	49,251	–	–	**–**
	18,195	48,741	(7,871)	(4,938)	**(22,239)**
Profit/(loss) for the year					
Pharmaceutical business	(5,892)	(6,391)	25,035	48,467	**68,226**
Electricity business	(801,271)	(425,303)	–	–	**–**
	(807,163)	(431,694)	25,035	48,467	**68,226**
Attributable to:					
– Equity shareholders of the Company	(762,579)	(337,401)	8,396	20,330	**44,054**
– Minority interests	(44,584)	(94,293)	16,639	28,137	**24,172**
	(807,163)	(431,694)	25,035	48,467	**68,226**
Earnings/(loss) per share					
Basic	(91.86) cents	(40.64) cents	1.01 cents	2.45 cents	**2.82 cents**
Diluted	N/A	N/A	N/A	N/A	**N/A**

FIVE YEAR FINANCIAL SUMMARY

(Expressed in Hong Kong dollars)

	2005 $'000	2006 $'000	2007 $'000	2008 $'000	**2009** **$'000**
Assets and liabilities					
Property, plant and equipment	1,041,826	146,858	141,817	135,763	**247,352**
Investment properties	–	7,663	7,963	8,165	**7,305**
Interests in leasehold land held for own use under operating leases	31,821	24,127	25,349	26,305	**92,438**
Construction in progress	–	–	144	1,364	**14,396**
Prepayment for planned maintenance	6,485	–	–	–	**–**
Intangible assets	–	98,224	90,701	78,706	**135,127**
Goodwill	–	123,437	132,738	141,037	**186,197**
Other financial assets	–	1,103	3,953	2,743	**5,828**
Deferred tax assets	31,725	–	–	–	**6,045**
Net current assets	94,786	87,067	128,568	189,109	**240,062**
Total assets less current liabilities	1,206,643	488,479	531,233	583,192	**934,750**
Bank loans	(100,000)	–	–	–	**–**
Other loans	(296,984)	–	–	–	**–**
Deferred tax liabilities	–	(37,709)	(33,805)	(28,078)	**(55,261)**
Deferred income on government grants	–	–	–	–	**(7,625)**
Net assets	809,659	450,770	497,428	555,114	**871,864**
Capital and reserves					
Share capital	83,015	83,015	83,097	83,097	**162,841**
Reserves	567,670	210,243	241,068	276,207	**523,273**
Total equity attributable to equity shareholders of the Company	650,685	293,258	324,165	359,304	**686,114**
Minority interests	158,974	157,512	173,263	195,810	**185,750**
Total equity	809,659	450,770	497,428	555,114	**871,864**