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

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

Shaping Future
growth

INTERIM REPORT **2012**

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CORPORATE INFORMATION

Board of Directors	*Executive Directors* XU Tiefeng *(Chairman)* YANG Bin *(Managing Director)* SITU Min *(Chief Financial Officer)* *Non-executive Director* DU Richeng *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
Nomination Committee	XU Tiefeng *(Chairman)* YANG Bin LO Wing Yat PANG Fu Keung WANG Bo ZHANG Jianhui
Registered Office	Rooms 2801-2805, China Insurance Group Building 141 Des Voeux Road Central Hong Kong
Auditors	KPMG Certified Public Accountants Hong Kong
Share Registrar and Transfer Office	Computershare Hong Kong Investor Services Limited Shop 1712-16, 17th Floor, Hopewell Centre 183 Queen's Road East Wan Chai Hong Kong
Principal Bankers	Bank of China (Hong Kong) Limited Industrial and Commercial Bank of China Limited (Foshan Branch) China Merchants Bank Co., Limited (Foshan Branch) Foshan Shunde Rural Commercial Bank Co., Ltd
Stock Code	00570
Website	http://www.winteamgroup.com

INTRODUCTION

The board of directors ("Directors" or the "Board") of Winteam Pharmaceutical Group Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") prepared under Hong Kong Financial Reporting Standards for the six months ended 30 June 2012, together with the comparative figures for the corresponding period in 2011 and the relevant explanatory notes. The consolidated results are unaudited, but have been reviewed by the Company's independent auditors, KPMG, and the audit committee of the Company.

BUSINESS PERFORMANCE AND DIVIDEND

During the period under review, despite the uncertainty of the macroeconomic environment in China, the Group still achieved encouraging results. Through optimizing product mix, pushing up sales volume of competitive products and expanding our market share, the Group's turnover increased by 16.0% to HK$589,565,000 from HK$508,397,000 for the corresponding period last year.

In addition to accelerating our sales growth, the Group also endeavored to control operating cost as well as improve operational efficiency through products and technologies innovation, and to achieve optimal resource allocation. Net profit attributable to shareholders of the Company was HK$77,967,000, representing a significant increase of 113.7% as compared to HK$36,480,000 for the corresponding period last year.

The Board of directors recommended the payment of an interim dividend of HK2.50 cents per share.

GROUP OVERVIEW

The Group is a generic drugs manufacturing enterprise with excellent brands. It has a total of 475 products and product specifications, 32 of which are national exclusive products, while 3 are State's protected Traditional Chinese Medicine (TCM). The Group has 69 products and product specifications being listed on the National Essential Drugs List, 2 of which are exclusive products, namely Bi Yan Kang Tablet (鼻炎康片) and Yu Ping Feng Granule (玉屏風顆粒). The Group has 96 products being listed on the National Drugs List (Category A) for Basic Medical Insurance, and another 60 products being listed on the National Drugs List (Category B) for Basic Medical Insurance, among which Bi Yan Kang Tablet (鼻炎康片), Yu Ping Feng Granule (玉屏風顆粒), Gandakang Tablet (肝達康片), Bai Ling Tablet (白靈片) and Wuji Bai Feng Granule (烏雞白鳳顆粒) are the exclusive products on the National Drugs List for Basic Medical Insurance. Furthermore, the Group has been advocated for TCM manufacturing for over 400 years, and is in possession of a range of TCM secret formulas, many of them are national famous products, such as Po Chai Pills (保濟丸), Da Huo Luo pills (大活絡丸), Shaolin Dieda Herbal Plaster (少林跌打止痛膏), Yuanjilin Herbal Tea (源吉林甘和茶), etc. The Group has accumulated extensive technical experience in the extraction of Chinese medicine, preparation of modern Chinese medicine, sustained or controlled release preparation, manufacturing of traditional Big Candid Pills (大蜜丸) and enhancement of quality.

The Group has established manufacturing bases in Foshan city of Guangdong Province and Jining city of Shandong Province, with an annual production capacity of 3 billion tablets, 200 million capsules, 200 million packs of granule, 14 million bottles of medical wine, and 100 million jabs of antibiotics and oncology powder for injection.

During the period under review, sales of essential drugs accounted for approximately 52.4% of the turnover of the Group, while the sales of TCM made up approximately 83.4% of our turnover. The Group's sustainable development in the future is closely related to the implementation of the National Essential Drugs system and the development of Chinese medicine industry.

INDUSTRY OVERVIEW

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

On 19 January 2012, the Ministry of Industry and Information Technology promulgated the "12th Five-Year Development Plan for Pharmaceutical Industry (《醫藥工業"十二五"發展規劃》)" while the State Council promulgated the "12th Five-Year Plan for National Drugs Safety (《國家藥品安全"十二五"規劃》)" on 20 January 2012. These two plans were set to create a more favorable environment for the pharmaceutical industry of China by implementing supportive policy during the period from 2011 to 2015 ("12th Five-Year"). The core idea of these plans is to require pharmaceutical enterprises to enhance the overall quality and technical standard of drugs; while government policy towards the pharmaceutical industry will focus on supporting those enterprises with quality advantage and scalable sales, with an aim to helping China's pharmaceutical industry go international. In order to become the first pharmaceutical enterprise in the industry in accomplishing consistency evaluation, the Group has also made relevant arrangements, including speeding up the research on the consistency evaluation for generic drugs of Nifedipine Sustained-release Tablet (Sheng Tong Ping)(硝苯地平緩釋片 (聖通平)) and Cefodizime Sodium for injection (Gaode) (注射用頭孢地嗪鈉(高德)), aiming to expand the market share of these two core products through enhancing their technology standard.

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

Chinese Medicine Industry of A Golden Age

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

National Essential Drugs Policy

The Ministry of Health issued the Key Health Task for 2012 on 2 February 2012, which emphasized that the task for this year is to further expand the scope of the National Essential Drugs System, and to formulate administrative measures for the use of essential drugs by health care institutions. It is also stated that the "Guideline for the Clinical Application of National Essential Drugs (國家基本藥物臨床應用指南)" and "National Essential Drugs Prescription Catalogue (國家基本藥物處方集)" will be revised. The ministry also considered formulating incentive policy to promote the use of essential drugs, so as to motivate other health care institutions to gradually stock up and give priority in using essential drugs. As China is in the process of improving the national essential drugs policy mechanism, it is expected that the model of "lowest price win the bid" for essential drugs tender will be rectified. We anticipated that the expanded essential drugs list will be issued in 2012, which will increase the use of essential drugs for prescriptions in ranked hospitals.

On 21 June 2012, Guangdong Province has completed its first tender procurement after the issuance of No. 56 Document for Tender Procurement of Essential Drugs (關於基本藥物招標採購的56號文件) by the State Council. Essential drugs tenders conducted in Guangdong Province continued to adopt the "Anhui Model", which has committed to use "two-envelope" tendering system, purchase based on agreed price and volume, as well as sourcing from single supplier, while it has emphasized more on adjusting the balance between price and quality. This compromise solution was generally accepted by all parties. In order to avoid vicious competition for low price drugs, the Terms of Tender for Essential Drugs Tender in Guangdong Province (廣東基藥招標方案) provided that drugs listed on the Inexpensive Drugs List will not adopt the "two-envelope" system and tender will be decided by quality. Since the implementation of the Essential Drugs System, Guangdong Province is the first and the only province that proposes the use of an Inexpensive Essential Drugs List in the tender. It is expected that such Inexpensive Essential Drugs List will be encouraged to be adopted in the tender procedures of other provinces.

Guangdong province is the biggest sales region for the Group's pharmaceutical products. 25 products and product specifications of the Group won tender in the recent Essential Drugs Tender in Guangdong Province, which is expected to expand our market shares in the hospitals in Guangdong Province, especially for Nifedipine Sustained-release Tablet (聖通平), a cerebro-cardiovascular drugs being listed on the Inexpensive Drugs List. The implementation of inexpensive drugs policy has created a favorable condition for the Group to explore the market and expand the market share for generic drugs.

Downside Trend of Price of TCM Materials

The comprehensive rectification to the pharmaceutical market carried out by relevant government departments this year has weakened the market demand for TCM materials. Meanwhile, the global financial crisis has caused a substantial decrease in the export of TCM materials. As supply increased, together with the influence from the control measures implemented by the country, the price of TCM materials has returned to normal levels. In July 2012, the 200 TCM Materials Composite Index declined by approximately 16% as compared to the corresponding period last year. The decrease in the prices of TCM materials will reduce our procurement costs.

Administrative Measures on the Clinical Use of Antibiotic

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

BUSINESS REVIEW

Sales of Products

During the period under review, the Group's turnover increased by 16.0% to HK$589,565,000, which was mainly attributable to the focus strategies in terms of specific products, markets and management. Focusing on specific products means the Group emphasized on expanding the market for its core products, including Yu Ping Feng Granule (玉屏風顆粒), Nifedipine Sustained-release Tablet (Sheng Tong Ping) (硝苯地平緩釋片（聖通平）), Bi Yan Kang Tablet (鼻炎康片), Feng Liao Xing Medicinal Wine (馮了性藥酒) and Nicotinic Acid Sustained Release Capsules (Luoweiding) (煙酸緩釋膠囊（洛唯定）). Focusing on markets means enhancing the market development work and increasing the usage of our core products at ranked health care institutions; expanding the coverage of essential drugs among primary health care institutions, and co-operating with mainstream chain stores to increase coverage of end-market retailing for our core and essential products. Focusing on management means the implementation of a comprehensive performance evaluation on our sales team at all levels and enhancing the integrated management ability of our provincial managers.

The Group had increased coverage of two exclusive essential drugs, namely Yu Ping Feng Granule (玉屏風顆粒) and Bi Yan Kang Tablet (鼻炎康片), in ranked hospitals and primary health care institutions. As at 30 June 2012, the coverage of Yu Ping Feng Granule (玉屏風顆粒) in ranked hospitals was extended from around 1,300 hospitals in 2011 to around 1,800 hospitals, and from around 5,000 primary health care institutions to around 8,000 institutions. Meanwhile, coverage of Bi Yan Kang Tablet in ranked hospitals was extended from around 300 hospitals to around 500 hospitals, and from around 12,000 primary health care institutions to around 18,000 institutions.

Analysis by National Essential Drugs:

	For the six months ended 30 June				
	2012	**Percentage**	2011	Percentage	
	HK$'000	**to turnover**	HK$'000	to turnover	Change
Essential drugs	**309,171**	**52.4%**	225,167	44.3%	37.3%
Non-essential drugs	**280,394**	**47.6%**	283,230	55.7%	-1.0%
Total	**589,565**	**100.0%**	508,397	100.0%	16.0%

Analysis by Types of Medicines:

	For the six months ended 30 June				
	2012	**Percentage**	2011	Percentage	
	HK$'000	**to turnover**	HK$'000	to turnover	Change
Respiratory system drugs and nasal preparations	**273,182**	**46.3%**	229,822	45.2%	18.9%
Cerebro-cardiovascular drugs	**74,927**	**12.7%**	75,993	15.0%	-1.4%
Rheumatic diseases and bone injury drugs	**60,134**	**10.2%**	64,564	12.7%	-6.9%
Antibiotics	**28,750**	**4.9%**	36,100	7.1%	-20.4%
Oncology drugs	**7,749**	**1.3%**	8,805	1.7%	-12.0%
Others	**144,823**	**24.6%**	93,113	18.3%	55.5%
Total	**589,565**	**100.0%**	508,397	100.0%	16.0%

Analysis by TCM and Western Medicine:

	For the six months ended 30 June				
	2012	**Percentage**	2011	Percentage	
	HK$'000	**to turnover**	HK$'000	to turnover	Change
TCM	**491,482**	**83.4%**	407,754	80.2%	20.5%
Western medicine	**98,083**	**16.6%**	100,643	19.8%	-2.5%
Total	**589,565**	**100.0%**	508,397	100.0%	16.0%

Sales Analysis of Core Products:

	For the six months ended 30 June				
	2012 HK$'000	**Percentage to turnover**	2011 HK$'000	Percentage to turnover	Change
Bi Yan Kang Tablet	**122,798**	**20.8%**	131,926	25.9%	-6.9%
Yu Ping Feng	**91,330**	**15.5%**	55,185	10.9%	65.5%
Sheng Tong Ping	**49,059**	**8.3%**	46,550	9.2%	5.4%
Feng Liao Xing Medicinal Wine	**36,725**	**6.2%**	41,862	8.2%	-12.3%
Gaode	**28,352**	**4.8%**	36,100	7.1%	-21.5%
VC Yinqiao Tablet	**21,723**	**3.7%**	12,017	2.4%	80.8%
Total	**349,987**	**59.3%**	323,640	63.7%	8.1%

Cost control

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

Research and development

The Group's research and development on new products will be focused on Cerebro-cardiovascular drugs, which mainly include: Nicotinic Acid Sustained Release Capsules (Luoweiding) (煙酸緩釋膠囊 (洛唯定)), Rosuvastatin Tablet (瑞舒伐他汀片), Indapamide Release Tablet (吲噠帕胺緩釋片), Nifedipine Sustained-release Tablet (30mg) (New Sheng Tong Ping) (硝苯地平緩釋片(新聖通平)). These products are expected to commence production and launch for sales next year, which will greatly enrich our Cerebro-cardiovascular product lines and will serve as the catalyst for the sustainable sales growth in the future.

In addition, the Group has achieved remarkable progress in some major R&D projects, such as obtaining approval for Aspirin Paracetamol and Caffeine Tablet (阿咖酚片) (use for curing migraine) for a term of 2 years and completing the revision on its quality standard; completing the reporting procedure for enhancing the standard of Cefodizime Sodium for injection (Gaode) (注射用頭孢地嗪（高德）); and rolling out Phase IV clinical trial of Sha Pei Lin used for curing bladder cancer in full.

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

Investment in TCM decoction pieces

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

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

Investment in Guizhou Zhongtai

Pursuant to a conditional investment agreement dated 22 December 2011 entered into among a wholly-owned subsidiary of the Group, Guangdong Medi-World and Henan Xintai Medicine Company Limited ("Henan Xintai")and Guizhou Zhongtai Biological Technology Company Limited ("Guizhou Zhongtai", a wholly-owned subsidiary of Henan Xintai) ("the Investment Agreement"), Henan Xintai has agreed that Guizhou Zhongtai will increase its registered capital ("Increased Capital") and Guangdong Medi-World has agreed to invest in the Increased Capital of Guizhou Zhongtai for a cash consideration of RMB153 million (approximately $183.6 million). The Increased Capital represented 51% of the entire registered capital of Guizhou Zhongtai. The consideration will be payable by Guangdong Medi-World by installments. The Group is in the proceeding with the necessary legal procedures for completion of the transaction. Upon completion of the transaction, Guizhou Zhongtai will become a subsidiary of the Group.

Expansion of production capacity

Gaoming Base

The construction work of Gaoming's TCM extraction project has commenced in October 2010. The main structure of the TCM extraction workshop and medicinal materials pre-processing workshop will soon be completed and the interior furnishing is currently underway. The Gaoming project is expected to provide a production capacity of processing 20,000 tonnes TCM materials and 80 million packets of TCM decoction pieces upon completion annually. The center will greatly increase the production capacity of the Group's TCM products.

Solid Preparations Workshop

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

PROSPECTS

In the short run, as essential drugs tenders in all provinces tend to be won by the lowest bid, pricing pressure will become the general challenge faced by pharmaceutical enterprises, especially for generic drugs manufacturers. We expect costs in general will rise, such as costs of raw material, salary, energy expenses and finance costs. The implementation of the new Pharmacopoeia and new GMP has increased the costs for reconstructing and managing our production lines. Uncertainty in global economy prospects, as well as weakening consumption sentiment has affected the sales of drugs to certain extend. However, in the medium to long run, the change in population structure and spectrum of disease will inevitably drive up the demand for drugs. With medical reform entering into a critical stage, government involvement continues to expand the market. The number of hospitals of different levels is increasing steadily, while the increase in community health service centers (such as primary health care institutions) is more apparent. With the improvement of infrastructure, as well as higher affordability brought by medical insurance, it is expected that the demand for diagnosis and treatment will be driven up.

Besides, the standardization of Chinese medicine has laid down an important foundation for establishing the protection system for the country's Chinese medicine industry. We can foresee that the modernization of Chinese medicine will further enhance the market recognition of TCM, which will become the key driver for market growth in the future. The gradual implementation of the standardization work will boost the prosperous development of Chinese medicine industry, which will cause a wave of revolutionary change in Chinese medicine industry that covers the plantation of medicinal materials, preparation, TCM decoction pieces, reformation of modern preparations as well as clinic application, and will become the main driver for the rapid growth of Chinese medicine industry.

FINANCIAL REVIEW

Turnover

For the six months ended 30 June 2012, the Group's turnover increased by 16.0% to HK$589,565,000 from HK$508,397,000 for the corresponding period last year. The increase in sales was attributable to the successful expansion of our product coverage in primary health care institutions, as well as the partnerships established with major chain pharmacy which has increased its coverage in OTC retail market, resulting in the substantial growth for our core products (such as Yu Ping Feng Granule). In addition, the business of Foshan Winteam Pharmaceutical Sales Company Limited (previously named as Foshan Nanhai Yikang Pharmaceutical Co., Ltd), which was acquired by the Group at the end of last year, also contributed to the increase in the turnover of the Group directly.

Cost of Sales and Gross Profit Margin

For the six months ended 30 June 2012, the Group's cost of sales was HK$275,025,000, representing an increase of 20.6% as compared to HK$228,031,000 for the corresponding period last year. Direct raw materials, direct labor and production overhead accounted for approximately 71.0%, 10.2% and 18.8% of the total cost of sales respectively, as compared to 70.9%, 8.1% and 21.0% for the corresponding period last year. As the TCM materials consumed during the year was purchased at a higher price during the previous period, the price hike in raw materials was still affecting the cost of sales for the period, and has exerted pressure on our cost of sales, reducing the Group's gross profit margin to 53.4% from 55.1% for the corresponding period last year. However, for six months ended 30 June 2012, the Group has basically consumed all the medicinal materials purchased in 2011, therefore the benefit of the decline in medicinal materials price will be gradually reflected in the cost of sales for products manufactured in the second half of the year.

Other Revenue

For the six months ended 30 June 2012, the Group's other revenue was HK$8,999,000, representing an increase of approximately 29.9% compared to HK$6,930,000 for the corresponding period last year. Such increase was mainly attributable to the increase in interest income of HK$3,802,000 while government grants decreased by HK$1,702,000, as well as the rental income and other income decreased by HK$31,000 as compared to the corresponding period of last year.

Other Net Income

For the six months ended 30 June 2012, the Group's other net income was HK$267,000, representing a decrease of 71.9% as compared to HK$949,000 for the corresponding period last year.

Sales and Distribution Costs

For the six months ended 30 June 2012, the Group's sales and distribution costs amounted to HK$145,125,000 (for the six months ended 30 June 2011: HK$181,536,000), which mainly consisted of advertising, promotion and traveling expenses of HK$84,723,000, salary expenses of sales and marketing staffs of HK$37,034,000, distribution and logistics costs of HK$7,536,000 and other sales and distribution costs of HK$15,832,000. The effective reduction in expenses was a result of the Group's effort in optimizing its resources allocation, streamlining sales team and implementing more stringent control over costs, especially the advertising expenses, thus enabling us to reduce sales and distribution costs by 20.1% as compared to last year.

Administrative Expenses

For the six months ended 30 June 2012, the Group's administrative expenses amounted to HK$63,039,000 (for the six months ended 30 June 2011: HK$58,143,000). Such expenses mainly comprised staff salary of HK$16,428,000, depreciation and amortization of HK$6,173,000, expenses for product research and development of approximately HK$20,419,000, office rental cost and other expenses of approximately HK$20,019,000. The increase in administrative expenses was mainly attributable to the increase in research and development costs and salary expenses of administrative staffs by HK$2,675,000.

Profit from Operations

For the six months ended 30 June 2012, the Group's profit from operations was HK$115,642,000, representing an increase of 138.1% as compared to HK$48,566,000 for the corresponding period last year, while operating profit ratio (defined as profit from operations divided by total turnover) increased to approximately 19.6% from 9.6% for the corresponding period last year.

Finance Costs

For the six months ended 30 June 2012, the Group's finance costs amounted to HK$13,921,000 (for the six months ended 30 June 2011: HK$5,005,000), and the higher finance costs as compared with the corresponding period last year was attributable to the increase in the Group's bank borrowings to approximately HK$496,582,000 (31 December 2011: HK$340,570,000). The effective interest rate for the loans was 7.62% (31 December 2011: 6.23%).

Earnings per share

For the six months ended 30 June 2012, the basic earnings per share was HK4.37 cents, representing an increase of 113.2% as compared to HK2.05 cents for the corresponding period last year. The increase in basic earnings per share was due to the profit attributable to equity shareholders increased by 113.7% to approximately HK$77,967,000 (for the six months ended 30 June 2011: HK$36,480,000).

Liquidity and Financial Resources

As at 30 June 2012, the Group's current assets amounted to approximately HK$830,657,000 (31 December 2011: HK$709,510,000), which included cash, cash equivalents and deposits with banks of approximately HK$174,218,000 (31 December 2011: HK$47,273,000), as well as trade and other receivable of approximately HK$326,289,000 (31 December 2011: HK$346,891,000). Current liabilities amounted to approximately HK$755,561,000 (31 December 2011: HK$596,849,000). Net current assets aggregated to approximately HK$75,096,000 (31 December 2011: HK$112,661,000). The Group's current ratio was 1.1 (31 December 2011: 1.2). The gearing ratio (defined as bank loans divided by the interests attributable to equity shareholders of the Company) increased to 53.3% from 35.9% as at 31 December 2011. Such increase was due to the increase in bank loans to fund the Group's business expansion and production capacity expansion.

Bank Loans and Pledge of Assets

As at 30 June 2012, the balance of the Group's bank loans was approximately HK$496,582,000 (31 December 2011: HK$340,570,000), of which approximately HK$281,910,000 (31 December 2011: HK$161,711,000) was secured by the Group's assets with book value of HK$208,449,000 (31 December 2011: HK$80,627,000). The additional bank loans were mainly used as the expenditure on financial planning and the construction cost of Gaoming Base.

Contingent Liabilities

The Group did not have any contingent liabilities as at 30 June 2012 (31 December 2011: Nil).

Employee and Remuneration Policies

As at 30 June 2012, the Group employed a total of 3,332 (31 December 2011: 3,510) staff members, including directors of the Company, of which the number of sales staff, production staff and those engaged in research and development, operation and administration and senior management were 1,562, 1,390 and 380 respectively. Remuneration packages principally comprised salary and discretionary performance bonus based on individual merits. The Group's total remuneration for the period was approximately HK$84,462,000 (for the six months ended 30 June 2011: HK$70,957,000).

INTERIM DIVIDEND

The Board recommended an interim dividend of HK2.50 cents per share for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil). The interim dividend will be payable on 15 October 2012 to the shareholders on the register of members of the Company on 24 September 2012.

CLOSURE OF REGISTER OF MEMBERS

To ascertain the shareholders' entitlement to the interim dividend, the register of members of the Company will be closed from Thursday, 20 September 2012 to Monday, 24 September 2012, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the share registrars of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Wednesday, 19 September 2012.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS

As at 30 June 2012, 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 of Hong Kong Limited ("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 Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") as adopted by the Company, to be notified to the Company and the Stock Exchange, were as follows:

Long positions and short positions in shares and underlying shares of the Company as at 30 June 2012:

Name of Directors	Capacity	Number of Ordinary Shares	Total Interests	Approximate Percentage of Total Interests to Issued Share Capital
XU Tiefeng	Interest of controlled corporations	803,293,891 (long position) *(Notes 1, 2 & 4)*	804,763,891 (long position)	45.12%
	Beneficial owner	1,470,000 (long position)		
	Interest of a controlled corporation	36,363,636 (short position) *(Note 5)*	36,363,636 (short position)	2.03%
YANG Bin	Interest of controlled corporations	803,293,891 (long position) *(Notes 1, 3 & 4)*	803,293,891 (long position)	45.04%
	Interest of a controlled corporation	36,363,636 (short position) *(Note 5)*	36,363,636 (short position)	2.03%

Note:

1. Of the 803,293,891, 423,076,922 shares are held by Sureplan Limited ("Sureplan"), which is 33% owned indirectly by Mr. XU Tiefeng and 67% owned indirectly by Mr. YANG Bin. Both Mr. XU Tiefeng and Mr. YANG Bin are deemed to be interested in Sureplan's interest in the Company under SFO. Mr. XU Tiefeng and Mr. YANG Bin both are directors of Sureplan.

2. Of the 803,293,891 shares, 380,145,443 shares are held by Extra Benefit Corp. ("Extra Benefit"), which is wholly owned by Mr. XU Tiefeng.

3. Of the 803,293,891 shares, 380,145,443 shares are held by Profit Channel Development Limited ("Profit Channel"), which is wholly owned by Mr. YANG Bin.

4. Of the 803,293,891 shares, 71,526 shares are held by Profit United Investments Limited ("Profit United"), which is 50% owned directly by each of Mr. XU Tiefeng and Mr. YANG Bin.

5. A note and warrant purchase agreement dated 14 October 2011 was entered into, amongst others, Total Champ Investments Limited ("Total Champ"), Extra Benefit, Profit Channel, Mr. XU Tiefeng and Mr. YANG Bin, pursuant to which each of Extra Benefit and Profit Channel shall be obliged, at the option of Total Champ sell to Total Champ 36,363,636 shares at HK$1.2375 per share, or pay Total Champ a cash settlement amount at the expiration of the warrant.

Other than as disclosed above, none of the directors and chief executives of the Company had 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2012, 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 the SFO were as follows:

Long positions and short positions in shares and underlying shares of the Company as at 30 June 2012:

Name of Substantial Shareholders	Capacity	Number of Ordinary Shares	Total Interests	Approximate Percentage of Issued Share Capital
Sureplan	Beneficial owner	423,076,922 (long position) *(Note 1)*	423,076,922 (long position)	23.72%
Extra Benefit	Interest of a controlled corporation	423,076,922 (long position) *(Note 1)*	803,222,365 (long position)	45.04%
Extra Benefit	Beneficial owner	380,145,443 (long position) *(Note 2)*		
Extra Benefit	Beneficial owner	36,363,636 (short position) *(Note 4)*		2.03%
Profit Channel	Interest of a controlled corporation	423,076,922 (long position) *(Note 1)*	803,222,365 (long position)	45.04%
Profit Channel	Beneficial owner	380,145,443 (long position) *(Note 3)*		
Profit Channel	Beneficial owner	36,363,636 (short position) *(Note 4)*		2.03%

Note:

1. The 423,076,922 shares are held by Sureplan, which is owned directly as to 67% by Profit Channel and 33% by Extra Benefit. Profit Channel and Extra Benefit are deemed to be interested in Sureplan's interest in the Company under SFO.

2. The 380,145,443 shares are held by Extra Benefit, which is wholly owned by Mr. XU Tiefeng.

3. The 380,145,443 shares are held by Profit Channel, which is wholly owned by Mr. YANG Bin.

4. A note and warrant purchase agreement dated 14 October 2011 was entered into, amongst others, Total Champ, Extra Benefit, Profit Channel, Mr. XU Tiefeng and Mr. YANG Bin, pursuant to which each of Extra Benefit and Profit Channel shall be obliged, at the option of Total Champ sell to Total Champ 36,363,636 shares at HK$1.2375 per share, or pay Total Champ a cash settlement amount at the expiration of the warrant.

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 30 June 2012.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") for any eligible employee or director of any member of the Group. The Scheme was approved by the Company's shareholders at an Extraordinary General Meeting of the Company held on 22 May 2002 and amended by the Company's shareholders at an Annual General Meeting on 29 May 2006. The refreshment of the scheme mandate limit of the Scheme was approved by the Company's shareholders at an Extraordinary General Meeting of the Company held on 28 August 2009. The Scheme was expired on 21 May 2012.

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

As at 30 June 2012, none of the directors and chief executives had any personal interests in the share options to subscribe for the shares of the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed in above section headed "Share Option Scheme" of this report, at no time during the period 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.

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

During the six months ended 30 June 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

For the six months ended 30 June 2012, there was no material acquisition or disposal of subsidiaries by the Company.

CORPORATE GOVERNANCE

Code on Corporate Governance Practices and Corporate Governance Code

To the knowledge of the Board, the Company has complied throughout the six months ended 30 June 2012 with the Code Provisions set out in the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (newly effective from 1 April 2012) contained in Appendix 14 of the Listing Rules except for the deviation from the new code provision thereof as described below during the period:-

Code provision A.6.7 requires independent non-executive directors and other non-executive directors to attend general meetings and develop a balanced understanding of the views of shareholders. However, Mr. ZHANG Jianhui, the independent non-executive director, was unable to attend the annual general meeting held on 10 May 2012 due to family matters.

The Model Code for Securities Transactions

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as its own code of conduct regarding directors' securities transactions. Specific enquiry has been made with all directors and the directors have confirmed that they have complied with the required standard set out in the Model Code throughout the period. Furthermore, senior management who are likely to be possession of unpublished price sensitive information, have been required to comply with the provisions of the Model Code.

CHANGE IN DIRECTORS' INFORMATION

Change in information of the directors of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules were as follows:

– Mr. XU Tiefeng, the existing executive director, resigned as the Executive Deputy Chairman and has been appointed as the new Chairman with effect from 28 March 2012;

– Mr. XU Tiefeng has been appointed as the chairman of the nomination committee of the Company and Mr. YANG Bin, Mr. LO Wing Yat, Mr. PANG Fu Keung, Mr. WANG Bo and Mr. ZHANG Jianhui have been appointed as members with effect from 1 April 2012;

– Mr. DU Richeng resigned as the Chairman with effect from 28 March 2012 but remain as a non-executive director;

– Mr. LI Songquan resigned as an executive director and the Deputy Managing Director with effect from 28 March 2012;

– Mr. WANG Bo, an independent non-executive director, has served as an independent director of Hainan Shuangcheng Pharmaceuticals Co., Ltd. since January 2011 and whose shares are listed on the SME Board of the Shenzhen Stock Exchange (stock code: 002693) in August 2012; and

– Mr. WANG Bo resigned as independent director of Beijing Double Crane Pharmaceutical Co. Ltd. in May 2012 and whose shares are listed on the Shanghai Stock Exchange (stock code: 600062).

REVIEW OF INTERIM REPORT

The interim report for the period has been reviewed by the audit committee of the Company.

By Order of the Board
XU Tiefeng
Chairman

Hong Kong, 30 August 2012

Review Report to the Board of Directors of Winteam Pharmaceutical Group Limited
(Incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 19 to 42 which comprises the consolidated statement of financial position of Winteam Pharmaceutical Group Limited as of 30 June 2012 and the related consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim Financial Reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2012 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim Financial Reporting*.

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

30 August 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012 – Unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2012	2011
	Note	**$'000**	$'000
Turnover	*3*	**589,565**	508,397
Cost of sales		**(275,025)**	(228,031)
Gross profit		**314,540**	280,366
Other revenue	*4*	**8,999**	6,930
Other net income	*4*	**267**	949
Selling and distribution costs		**(145,125)**	(181,536)
Administrative expenses		**(63,039)**	(58,143)
Profit from operations		**115,642**	48,566
Finance costs	*5(a)*	**(13,921)**	(5,005)
Profit before taxation	*5*	**101,721**	43,561
Income tax	*6*	**(22,165)**	(6,418)
Profit for the period		**79,556**	37,143
Other comprehensive income for the period, net of tax			
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong		**(6,222)**	20,385
Available-for-sale securities: net movement in fair value reserve	*7*	**823**	(2,264)
		(5,399)	18,121
Total comprehensive income for the period		**74,157**	55,264
Profit attributable to:			
– Equity shareholders of the Company		**77,967**	36,480
– Non-controlling interests		**1,589**	663
Profit for the period		**79,556**	37,143
Total comprehensive income attributable to:			
– Equity shareholders of the Company		**72,637**	54,019
– Non-controlling interests		**1,520**	1,245
Total comprehensive income for the period		**74,157**	55,264
Earnings per share	*8*		
Basic and diluted		**4.37 cents**	2.05 cents

The notes on pages 25 to 42 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 18(b).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012 – Unaudited
(Expressed in Hong Kong dollars)

	Note	**At 30 June 2012 $'000**	At 31 December 2011 $'000
Non-current assets			
Fixed assets	*10*		
– Investment properties		**3,310**	3,426
– Other property, plant and equipment		**262,896**	253,093
– Interests in leasehold land held for own use under operating leases		**197,117**	199,516
– Construction in progress		**77,360**	87,861
Prepayments for fixed assets		**75,145**	37,707
		615,828	581,603
Intangible assets		**95,594**	101,646
Goodwill		**207,509**	208,644
Other financial assets	*11*	**9,538**	8,601
Deferred tax assets		**12,515**	12,744
		940,984	913,238
Current assets			
Other financial assets	*11*	**109,115**	81,411
Inventories	*12*	**221,035**	233,935
Trade and other receivables	*13*	**326,289**	346,891
Deposits with banks	*14*	**104,586**	4,919
Cash and cash equivalents	*15*	**69,632**	42,354
		830,657	709,510
Current liabilities			
Trade and other payables	*16*	**246,333**	240,798
Bank loans	*17*	**496,582**	340,570
Current taxation		**10,995**	12,251
Current portion of deferred government grants		**1,651**	3,230
		755,561	596,849
Net current assets		**75,096**	112,661
Total assets less current liabilities		**1,016,080**	1,025,899

At 30 June 2012 – Unaudited
(Expressed in Hong Kong dollars)

	Note	**At 30 June 2012 $'000**	At 31 December 2011 $'000
Non-current liabilities			
Deferred tax liabilities		**54,786**	52,097
Deferred government grants		**11,993**	9,487
		66,779	61,584
NET ASSETS		**949,301**	964,315
CAPITAL AND RESERVES	*18*		
Share capital		**178,341**	178,341
Reserves		**753,863**	770,397
Total equity attributable to equity shareholders of the Company		**932,204**	948,738
Non-controlling interests		**17,097**	15,577
TOTAL EQUITY		**949,301**	964,315

The notes on pages 25 to 42 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012 – unaudited
(Expressed in Hong Kong dollars)

	Interest attributable to equity shareholders of the Company										
	Share capital $'000	Share premium $'000	Capital redemption reserve $'000	Exchange reserve $'000	Reserve fund $'000	Fair value reserve $'000	Other reserve (note18(c)) $'000	Retained profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
At 1 January 2011	178,341	529,514	297	118,142	50,761	6,568	(139,273)	91,309	835,659	13,525	849,184
Changes in equity for the six months ended 30 June 2011											
Profit for the period	–	–	–	–	–	–	–	36,480	36,480	663	37,143
Other comprehensive income for the period	–	–	–	19,803	–	(2,264)	–	–	17,539	582	18,121
Total comprehensive income for the period	–	–	–	19,803	–	(2,264)	–	36,480	54,019	1,245	55,264
Transfer to reserve fund	–	–	–	–	4,347	–	–	(4,347)	–	–	–
At 30 June 2011	178,341	529,514	297	137,945	55,108	4,304	(139,273)	123,442	889,678	14,770	904,448
At 1 July 2011	178,341	529,514	297	137,945	55,108	4,304	(139,273)	123,442	889,678	14,770	904,448
Changes in equity for the six months ended 31 December 2011											
Profit for the period	–	–	–	–	–	–	–	35,592	35,592	973	36,565
Other comprehensive income for the period	–	–	–	22,581	–	435	–	–	23,016	286	23,302
Total comprehensive income for the period	–	–	–	22,581	–	435	–	35,592	58,608	1,259	59,867
Acquisition of non-controlling interest without a change in control	–	–	–	547	201	14	(310)	–	452	(452)	–
Transfer to reserve fund	–	–	–	–	5,139	–	–	(5,139)	–	–	–
At 31 December 2011	178,341	529,514	297	161,073	60,448	4,753	(139,583)	153,895	948,738	15,577	964,315

For the six months ended 30 June 2012 – unaudited
(Expressed in Hong Kong dollars)

	Interest attributable to equity shareholders of the Company										
	Share capital $'000	Share premium $'000	Capital redemption reserve $'000	Exchange reserve $'000	Reserve fund $'000	Fair value reserve $'000	Other reserve (note18(c)) $'000	Retained profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
At 1 January 2012	**178,341**	**529,514**	**297**	**161,073**	**60,448**	**4,753**	**(139,583)**	**153,895**	**948,738**	**15,577**	**964,315**
Changes in equity for the six months ended 30 June 2012											
Profit for the period	–	–	–	–	–	–	–	77,967	77,967	1,589	79,556
Other comprehensive income for the period	–	–	–	(6,153)	–	823	–	–	(5,330)	(69)	(5,399)
Total comprehensive income for the period	–	–	–	(6,153)	–	823	–	77,967	72,637	1,520	74,157
Dividend declared in respect of the previous year	–	–	–	–	–	–	–	(89,171)	(89,171)	–	(89,171)
At 30 June 2012	**178,341**	**529,514**	**297**	**154,920**	**60,448**	**5,576**	**(139,583)**	**142,691**	**932,204**	**17,097**	**949,301**

The notes on pages 25 to 42 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2012 – Unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2012	2011
	Note	**$'000**	$'000
Cash generated from/(used in) operations		**181,536**	(31,689)
PRC income tax paid		**(20,494)**	(19,981)
Net cash generated from/(used in) operating activities		**161,042**	(51,670)
Net cash used in investing activities		**(180,322)**	(97,626)
Net cash generated from financing activities		**46,850**	123,891
Net increase/(decrease) in cash and cash equivalents		**27,570**	(25,405)
Cash and cash equivalents at 1 January		**42,354**	120,012
Effect of foreign exchange rate changes		**(292)**	3,467
Cash and cash equivalents at 30 June	*15*	**69,632**	98,074
Analysis of balance of cash and cash equivalents			
Bank deposits with maturity within three months		**–**	–
Cash at bank and in hand		**69,632**	98,074
		69,632	98,074

The notes on pages 25 to 42 form part of this interim financial report.

(Expressed in Hong Kong dollars)

1 BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), including compliance with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 30 August 2012.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2011 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2012 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of Winteam Pharmaceutical Group Limited (the "Company") and its subsidiaries (the "Group") since the 2011 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by the Audit Committee of the Company. It has also been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on page 18.

The financial information relating to the financial year ended 31 December 2011 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2011 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 23 March 2012.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a few amendments to HKFRSs 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 interim financial statements:

- Amendments to HKFRS 7, Financial instruments: Disclosures – Transfers of financial assets
- Amendments to HKAS 12, Income taxes – Deferred tax: Recovery of underlying assets

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Amendments to HKFRS 7 Financial instruments: disclosures

The amendments to HKFRS 7 require certain disclosures to be included in the annual financial statements in respect of all transferred financial assets that are not derecognised and for any continuing involvement in a transferred asset existing at the reporting date, irrespective of when the related transfer transaction occurred. However, an entity need not provide the disclosures for the comparative period in the first year of adoption. The Group did not have any significant transfers of financial assets in previous periods or the current period which require disclosure in the current accounting period under the amendments.

Amendments to HKAS 12 Income taxes

Under HKAS 12 deferred tax is required to be measured with reference to the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of the asset(s) in question. In this regard, the amendments to HKAS 12 introduced a rebuttable presumption that the carrying amount of investment property carried at fair value under HKAS 40, Investment property, will be recovered through sale. This presumption is rebutted on a property-by-property basis if the investment property in question is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

The amendments to HKAS 12 has not yet had a material impact on the Group's financial statements as the changes will first be effective as and when the Group enters a relevant transaction (for example, deferred tax arising from the investment property carried at fair value under HKAS 40).

3 TURNOVER

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

	Six months ended 30 June	
	2012	2011
	$'000	$'000
Sale of pharmaceutical products		
– Pills and tablets	**307,086**	299,773
– Medicine wine	**36,725**	41,862
– Injections	**37,926**	45,395
– Granules	**106,605**	65,353
– Others	**101,223**	56,014
	589,565	508,397

The Group experience on average 10-15% higher sales in the second half year, compared to first half year, due to the increased retail demand for its products during autumn and winter. The Group anticipates this demand by increasing its production to build up inventories during summer. As a result, the Group typically reports lower revenues for the first half of the year than the second half.

4 OTHER REVENUE AND NET INCOME

	Six months ended 30 June	
	2012	2011
	$'000	$'000
Other revenue		
Rental income	**566**	597
Government grants	**3,763**	5,465
Interest income	**4,670**	868
	8,999	6,930
Other net income		
Available-for-sale securities:		
– gain on disposal reclassified from equity (Note 7)	**–**	841
Gain/(loss) on disposal of fixed assets	**72**	(84)
Others	**195**	192
	267	949

5 PROFIT BEFORE TAXATION

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

(a) Finance costs

	Six months ended 30 June	
	2012	2011
	$'000	$'000
Interest on bank advances and other borrowings wholly repayable within five years	**17,475**	5,005
Less: interest expense capitalised into construction in progress*	**(3,554)**	–
	13,921	5,005

* The borrowing cost have been capitalised at a rate of 5.679% – 8.528% per annum (2011: 5.355%-7.095%).

(b) Other items

	Six months ended 30 June	
	2012	2011
	$'000	$'000
Inventory write-down and losses net of reversals (Note 12)	**214**	266
Depreciation		
– investment properties	**98**	104
– interests in leasehold land under operating leases	**1,303**	2,178
– property, plant and equipment	**18,113**	16,062
Amortisation		
– intangible assets	**5,509**	12,860
Net provision/(reversals) for impairment losses for trade and other receivables	**1,014**	(3,427)
Operating lease charges on buildings	**2,834**	2,000
Research and development costs	**20,419**	17,475

6 INCOME TAX

	Six months ended 30 June	
	2012	2011
	$'000	$'000
Current tax		
PRC income tax for the period	**18,329**	12,462
Under-provision in respect of prior years	**909**	478
	19,238	12,940
Deferred tax		
Origination and reversal of temporary differences	**2,927**	(6,522)
	22,165	6,418

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 six months ended 30 June 2012 and 2011.

Pursuant to the Corporate Income Tax Law of the Peoples' Republic of China, the statutory tax rate applicable to the Group's PRC subsidiaries is 25%, except for Foshan Feng Liao Xing Pharmaceutical Company Limited ("Feng Liao Xing"), Foshan Dezhong Pharmaceutical Company Limited ("Dezhong") and Guangdong Medi-World Pharmaceutical Co., Ltd. ("Guangdong Medi-World"), which were recognized as Advanced and New Technology Enterprises to enjoy a preferential corporate income tax rate of 15% in 2012 (2011: 15%) pursuant to documents issued jointly by Guangdong Science and Technology Department, Guangdong Provincial Finance Bureau, Guangdong Provincial Office of the State Administration of Taxation and Guangdong Provincial Local Taxation Bureau.

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

7 OTHER COMPREHENSIVE INCOME

Available-for-sale securities

	Six months ended 30 June	
	2012	2011
	$'000	$'000
Changes in fair value recognised during the period	**968**	(3,504)
Gain on disposals transferred to profit or losses (Note 4)	**–**	841
Income tax effect on the change in fair value recognised during the period	**(145)**	399
	823	(2,264)

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of $77,967,000 (six months ended 30 June 2011: $36,480,000) and the weighted average of 1,783,410,000 ordinary shares (six months ended 30 June 2011: 1,783,410,000) in issue during the interim period.

(b) Diluted earnings per share

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

9 SEGMENT REPORTING

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

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

9 SEGMENT REPORTING (Continued)

- Foshan Feng Liao Xing Medicinal Material & Slices Co., Ltd ("Material & Slices", previously known as Foshan Nanhai Pharmaceutical Group Medicinal Material Co., Ltd.)
- Foshan Winteam Pharmaceutical Sales Company Limited ("Winteam Sales")

(a) Segment results, assets and liabilities

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

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

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

The measure used for reporting segment profit is "adjusted EBITDA" i.e. "adjusted earnings before interest, taxes, depreciation and amortisation", where "interest" is regarded as including investment income. To arrive at adjusted EBITDA, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as directors' and auditors' remuneration, other head office or corporate administration costs, other revenue and other net income.

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2012 and 2011 is set out below.

9 SEGMENT REPORTING (Continued)

(a) Segment results, assets and liabilities (Continued)

	Dezhong Six months ended 30 June		Feng Liao Xing Six months ended 30 June		Guangdong Medi-World Six months ended 30 June		Luya Six months ended 30 June		Material & Slices Six months ended 30 June		Winteam Sales Six months ended 30 June		Total Six months ended 30 June	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000	**2012 $'000**	2011 $'000	**2012 $'000**	2011 $'000	**2012 $'000**	2011 $'000	**2012 $'000**	2011 $'000	**2012 $'000**	2011 $'000
Revenue from external customers	**157,000**	187,353	**80,990**	123,436	**126,941**	140,211	**35,507**	44,904	**15,001**	12,493	**174,126**	–	**589,565**	508,397
Inter-segment revenue	**35,294**	–	**36,579**	–	**51,615**	–	**1,014**	–	**66,807**	102,580	**–**	–	**191,309**	102,580
Reportable segment revenue	**192,294**	187,353	**117,569**	123,436	**178,556**	140,211	**36,521**	44,904	**81,808**	115,073	**174,126**	–	**780,874**	610,977
Reportable segment profit (adjusted EBITDA)	**69,147**	23,597	**8,750**	22,599	**37,051**	16,622	**9,195**	15,472	**2,903**	5,599	**6,748**	–	**133,794**	83,889
Interest income from bank deposit	**230**	157	**41**	30	**4,381**	671	**8**	10	**–**	–	**10**	–	**4,670**	868
Interest expenses	**3,942**	880	**2,339**	59	**4,769**	2,654	**–**	2	**2,871**	1,410	**–**	–	**13,921**	5,005
Depreciation and amortisation for the period	**8,643**	12,610	**3,930**	6,739	**8,242**	8,130	**3,744**	3,613	**155**	112	**309**	–	**25,023**	31,204

	Dezhong		Feng Liao Xing		Guangdong Medi-World		Luya		Material & Slices		Winteam Sales		Total	
	At 30 June 2012 $'000	At 31 December 2011 $'000	**At 30 June 2012 $'000**	At 31 December 2011 $'000	**At 30 June 2012 $'000**	At 31 December 2011 $'000	**At 30 June 2012 $'000**	At 31 December 2011 $'000	**At 30 June 2012 $'000**	At 31 December 2011 $'000	**At 30 June 2012 $'000**	At 31 December 2011 $'000	**At 30 June 2012 $'000**	At 31 December 2011 $'000
Reportable segment assets	**885,339**	812,932	**351,601**	354,174	**581,755**	476,924	**172,912**	174,627	**236,613**	252,546	**131,866**	42,301	**2,360,086**	2,113,504
Additions to non-current segment assets during the period/year	**50,296**	85,212	**3,257**	8,867	**3,599**	13,880	**752**	2,095	**16**	527	**33**	8,188	**57,953**	118,769
Reportable segment liabilities	**338,406**	312,554	**105,951**	117,379	**609,333**	482,646	**19,657**	11,864	**213,802**	228,793	**108,003**	32,459	**1,395,152**	1,185,695

9 SEGMENT REPORTING (Continued)

(b) Reconciliations of reportable segment revenues and profit

	Six months ended 30 June	
	2012	2011
	$'000	$'000
Revenue		
Reportable segment revenue	**780,874**	610,977
Elimination of inter-segment revenue	**(191,309)**	(102,580)
Consolidated turnover	**589,565**	508,397
Profit		
Reportable segment profit	**133,794**	83,889
Elimination of inter-segment profits	**1,016**	(3,167)
Reportable segment profit derived from the Group's external customers	**134,810**	80,722
Other revenue and net income	**9,266**	7,879
Depreciation and amortisation	**(25,023)**	(31,204)
Finance costs	**(13,921)**	(5,005)
Unallocated head office and corporate expenses	**(3,411)**	(8,831)
Consolidated profit before taxation	**101,721**	43,561

9 SEGMENT REPORTING (Continued)

(b) Reconciliations of reportable segment revenues and profit (Continued)

	At 30 June 2012 $'000	At 31 December 2011 $'000
Assets		
Reportable segment assets	**2,360,086**	2,113,504
Elimination of inter-segment receivables	**(730,433)**	(601,081)
	1,629,653	1,512,423
Non-current financial assets	**9,538**	8,601
Current financial assets	**113,075**	81,411
Deferred tax assets	**12,515**	12,744
Unallocated head office and corporate assets	**6,860**	7,569
Consolidated total assets	**1,771,641**	1,622,748
Liabilities		
Reportable segment liabilities	**1,395,152**	1,185,695
Elimination of inter-segment payables	**(730,433)**	(601,081)
	664,719	584,614
Current tax liabilities	**10,995**	12,251
Deferred tax liabilities	**54,786**	52,097
Unallocated head office and corporate liabilities	**91,840**	9,471
Consolidated total liabilities	**822,340**	658,433

(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 operation and assets are located in the PRC.

10 FIXED ASSETS

(a) Acquisitions and disposals

During the six months ended 30 June 2012, the Group acquired items of plant and machinery (including payments for construction in progress) with a cost of $16,038,000 (six months ended 30 June 2011: $37,674,000).

The Group was in the process of applying for the title certificate of its interest in leasehold land with an aggregate carrying amount of $94,530,000 as of 30 June 2012 (31 December 2011: $95,053,000).

Items of buildings, plant and machinery with a net book value of $428,000 were disposed of during the six months ended 30 June 2012 (six months ended 30 June 2011: $902,000), resulting in a gain on disposal of $72,000 (six months ended 30 June 2011: loss of $84,000).

(b) Pledged assets

Certain interests in leasehold land held for own use under operating leases and buildings with aggregate carrying value of $83,438,000 were pledged as securities of bank loans of the Group as at 30 June 2012 (31 December 2011: $69,278,000) (see note 17(i)).

11 OTHER FINANCIAL ASSETS

	At 30 June 2012 $'000	At 31 December 2011 $'000
Non-current		
Available-for-sale equity securities		
– Listed in the PRC, at fair value	**8,298**	7,355
– Unlisted equity securities, at cost	**1,240**	1,246
	9,538	8,601
Market value of listed securities	**8,298**	7,355
Current		
Loans to a third party	**109,115**	81,411

11 OTHER FINANCIAL ASSETS (Continued)

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.

The Group advanced loans of RMB89,000,000 (approximately $109,115,000) (31 December 2011: $81,411,000) to Guizhou Zhongtai Biological Technology Co., Ltd. ("Guizhou Zhongtai"), an independent company. The loan of RMB70,000,000 (approximately $86,000,000) (31 December 2011: $81,411,000) is secured by a charge over the existing shareholding in Guizhou Zhongtai, and the annual interest rate is 8.53%. Save as disclosed above, the loans of RMB19,000,000 (approximately $23,115,000) (31 December 2011: $Nil) are unsecured with the annual interest rate of 9.84%. Neither the available-for-sale equity securities nor the loans to a third party are past due or impaired.

12 INVENTORIES

During the six months ended 30 June 2012, $214,000 (six months ended 30 June 2011: $266,000) has been recognised as a reduction in the amount of inventories recognised as an expense in profit or loss, being the amount of recognition of a write-down of inventories to estimated net realisable value and net of reversals.

13 TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade debtors and bills receivable with the following ageing analysis:

	At 30 June 2012 $'000	At 31 December 2011 $'000
Within 3 months after invoice date	**266,118**	298,882
3 to 6 months after invoice date	**11,176**	15,022
More than 6 months less than 12 months after invoice date	**12,689**	6,966
Trade debtors and bills receivable, net of allowance for doubtful debts	**289,983**	320,870
Other receivables	**36,306**	26,021
	326,289	346,891

Trade receivables are due within 30 to 90 days from the date of billing.

Bills receivables with carrying value of $20,425,000 (31 December 2011: $11,349,000) (see note 17(i)) were pledged as securities of bank loan of the Group as at 30 June 2012.

14 DEPOSITS WITH BANKS

Deposits with banks represent bank deposits with maturity beyond three months. Bank deposits of $104,586,000 were pledged as securities for bank loans of the Group as at 30 June 2012 (31 December 2011: Nil) (see note 17(i)).

15 CASH AND CASH EQUIVALENTS

	At 30 June 2012 $'000	At 31 December 2011 $'000
Cash at bank and in hand	**69,632**	42,354

16 TRADE AND OTHER PAYABLES

	At 30 June 2012 $'000	At 31 December 2011 $'000
Trade creditors	**121,227**	97,621
Other creditors and accrued charges	**111,359**	134,693
Advances received from customers	**13,747**	8,484
	246,333	240,798

Trade creditors are due within 1 month or on demand from the date of billing.

17 BANK LOANS

At 30 June 2012, the Group's bank loans are repayable as follows:

	At 30 June 2012 $'000	At 31 December 2011 $'000
Within 1 year or on demand	**496,582**	340,570

17 BANK LOANS (Continued)

At 30 June 2012, the Group's bank loans are secured as follows:

	At 30 June 2012 $'000	At 31 December 2011 $'000
Bank loans		
Secured	**281,910**	161,711
Unsecured	**214,672**	178,859
	496,582	340,570

Notes:

(i) The following assets were pledged as securities for bank loans:

	Carrying Value	
	At 30 June 2012 $'000	At 31 December 2011 $'000
Interests in leasehold land and buildings (Note 10(b))	**83,438**	69,278
Deposits with banks (Note 14)	**104,586**	–
Bills receivable (Note 13)	**20,425**	11,349
	208,449	80,627

Apart from the above secured assets, interest in leasehold land held by Foshan Hanyu Pharmaceutical Co., Ltd. ("Hanyu Pharmaceutical"), a company in which Mr. Yang Bin and Mr. Xu Tiefeng (Note 20(a)) jointly hold 72.7% equity interest, was pledged as security for bank loans at the end of each reporting period.

(ii) Secured bank loans of $39,254,000 (31 December 2011: Nil) were guaranteed by Mr. Xu Tiefeng and Mr. Yang Bin.

(iii) Banking facilities of $882,899,000 (31 December 2011: $225,484,000) were utilised to the extent of $496,582,000 (31 December 2011: $185,025,000). The bank loan drawn were secured by assets as set out in note 17(i).

Parts of the Group's banking facilities, amounted to $122,670,000 (31 December 2011: $111,015,000) are subject to the fulfilment of covenants relating to certain of the balance sheet ratios of the subsidiaries of the Group, 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. As at 30 June 2012, none of the covenants relating to drawn down facilities had been breached (31 December 2011: Nil).

18 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

There were no movements in share capital during the six months ended 30 June 2012.

(b) Dividends

(i) Dividends payable to equity shareholders attributable to the interim period

	Six months ended 30 June	
	2012	2011
	$'000	$'000
Interim dividend declared after the interim period of 2.5 cents per ordinary share (six months ended 30 June 2011: Nil)	**44,585**	–

The interim dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period

	Six months ended 30 June	
	2012	2011
	$'000	$'000
Final dividend in respect of the previous financial year, approved and paid during the six months ended 30 June 2012 of 5 cents per ordinary share (six months ended 30 June 2011: Nil)	**89,171**	–

(c) Other reserve

Other reserve amounted to $139,583,000 represents premium paid for acquisition of non-controlling interests in Dezhong and Feng Liao Xing and related reserves.

19 CAPITAL COMMITMENTS OUTSTANDING NOT PROVIDED FOR IN THE INTERIM FINANCIAL REPORT

	At 30 June 2012 $'000	At 31 December 2011 $'000
Contracted for	**255,167**	263,071

20 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

During the six months ended 30 June 2012 and 2011, transactions with the following parties are considered to be related party transactions:

Name of related party	**Relationship**
Mr. Yang Bin and Mr. Xu Tiefeng	Executive directors and controlling shareholders of the Company
Hanyu Pharmaceutical	Effectively 45.32% owned by Mr. Yang Bin and 27.34% owned by Mr. Xu Tiefeng
Zhejiang Dongying Pharmaceutical Co., Ltd. ("Zhejiang Dongying")	Effectively 20% owned by Mr. Yang Bin and 20% owned by Mr. Xu Tiefeng
Sino Famous Trading Limited ("Sino")	Effectively 50% owned by Mr. Xu Tiefeng and 50% owned by Mr. Wu Chiu Kong
Kimlong Technology Limited ("Kimlong")	Effectively 100% owned by Mr. Yang Bin

20 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with related parties (continued)

Particulars of significant transactions between the Group and the related parties are as follows:

	Six months ended 30 June	
	2012	2011
	$'000	$'000
Purchase of raw materials from:		
Zhejiang Dongying	**–**	3,926

The Group's trade and other receivable balances due from related parties are as below:

	At 30 June 2012	At 31 December 2011
	$'000	$'000
Zhejiang Dongying	**–**	4,071
Sino	**2,284**	2,297
Kimlong	**1,867**	1,877

As at 30 June 2012, bank loans of $110,403,000 were secured by interests in leasehold land held by Hanyu Pharmaceutical. (31 December 2011: $111,015,000)

As at 30 June 2012, bank loans of $39,254,000 were guaranteed by Mr. Xu Tiefeng and Mr. Yang Bin. (31 December 2011: Nil)

(b) Key management personnel remuneration

Remuneration for key management personnel is as follows:

	Six months ended 30 June	
	2012	2011
	$'000	$'000
Short-term employee benefits	**2,758**	3,112
Post-employment benefits	**73**	61
	2,831	3,173

21 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

Pursuant to a conditional investment agreement dated 22 December 2011 entered into among the Group, Henan Xintai Medicine Company Limited ("Henan Xintai") and Guizhou Zhongtai Biological Technology Company Limited ("Guizhou Zhongtai", a wholly-owned subsidiary of Henan Xintai) ("the Investment Agreement"), Henan Xintai has agreed that Guizhou Zhongtai will increase its registered capital ("Increased Capital") and the Group has agreed to invest in the Increased Capital of Guizhou Zhongtai for a cash consideration of RMB153 million (approximately $184 million). The Increased Capital represented 51% of the entire registered capital of Guizhou Zhongtai. The consideration will be payable by the Group by instalments. The Group is in the proceeding with the necessary legal procedures for completion of the transaction. Upon completion of the transaction, Guizhou Zhongtai will become a subsidiary of the Group.

The Investment Agreement states that it will be invalid if it is not approved by the local government within three months of its signing unless the Group, Guizhou Zhongtai, and Henan Xintai have agreed in writing to extend the validity period. The Group, Guizhou Zhongtai and Henan Xintai have agreed in writing to extend the validity period of the Investment Agreement to 31 December 2012.

22 COMPARATIVE FIGURE

Certain comparative figures have been adjusted to conform to current year's presentation.