盈天醫藥集團有限公司

WINTEAM PHARMACEUTICAL GROUP LIMITED

(Incorporated in Hong Kong with Limited Liability)

(Stock code: 00570)

INTERIM REPORT **2013**

Striking out for Sustainable Growth

CONTENTS

CORPORATE INFORMATION

Board of Directors	*Executive Directors* Mr. WU Xian *(Chairman)* Mr. YANG Bin *(Managing Director)* *Non-executive Director* Mr. SHE Lulin Mr. LIU Cunzhou Mr. DONG Zenghe Mr. ZHAO Dongji *Independent Non-executive Directors* Mr. ZHOU Bajun Mr. XIE Rong Mr. FANG Shuting
Company Secretary	Mr. HUEN Po Wah
Audit Committee	Mr. XIE Rong *(Chairman)* Mr. ZHOU Bajun Mr. FANG Shuting
Remuneration Committee	Mr. ZHOU Bajun *(Chairman)* Mr. LIU Cunzhou Mr. XIE Rong Mr. FANG Shuting
Nomination Committee	Mr. WU Xian *(Chairman)* Mr. YANG Bin Mr. ZHOU Bajun Mr. XIE Rong Mr. FANG Shuting
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 Wanchai 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) Guangdong 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 2013, together with the comparative figures for the corresponding periods in 2012 and the relevant explanatory notes. The consolidated results are unaudited, but have been reviewed by the Company's independent auditor, KPMG, and the audit committee of the Company.

BUSINESS PERFORMANCE

During the period under review, despite of the uncertainty of the macroeconomic environment in China, the Group still recorded growth in both turnover and profit. By raising product selling price, while pushing up sales volume via proactive promotion, the Group's turnover from continuing operations increased by 7.5% to HK$633,848,000 from HK$589,565,000 for the corresponding period last year.

The Group also endeavored to control operating cost and improve operating efficiency. However, given the one-off loss from the discontinued operations and the exceptional expenses due to merger and acquisition incurred in the period, net profit attributable to shareholders of the Company was HK$78,475,000, which was 0.7% higher than HK$77,967,000 for the corresponding period last year.

GROUP OVERVIEW

The Group is a generic drug manufacturing enterprise with well-known brands. It has 327 products, 28 of which are national exclusive products. The Group has 53 products being listed on the National Essential Drugs List, 2 of which are exclusive products, namely Yu Ping Feng Granule (玉屏風顆粒) and Bi Yan Kang Tablet (鼻炎康片). The Group has over 150 products being listed on National Drugs List for Basic Medical Insurance, among which Yu Ping Feng Granule (玉屏風顆粒), Bi Yan Kang Tablet (鼻炎康片), Gandakang Tablet (肝達康片), Bai Ling Tablet (白靈片) and Wuji Baifeng Granule (烏雞白鳳顆粒) are exclusive products on the National Drugs List for Basis Medical Insurance.

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), 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, and enhancement of quality.

The Group has established manufacturing facilities in Foshan City of Guangdong Province and Jining City of Shandong Province, with an annual production capacity of 5 billion tablets, 1 billion of capsules, 800 million of packs of granules, 14 million bottles of medical wine, and 100 million jabs of antibiotic and oncology powder for injection, as well as 20,000 tonnes of Chinese medicine preprocessing and extraction.

During the period of review, sales of TCM accounted for approximately 83.6% of the turnover of the Group, while sales of chemical drugs made up approximately 16.4% of the turnover. The Group's sustainable development in the future is closely related to the implementation of the National Essential Drugs system and the development Chinese medicine industry.

INDUSTRY OVERVIEW

National Essential Drugs List

On 15 March 2013, the Ministry of Health of China launched the new edition of National Essential Drugs List, which contains 317 chemical and bio-drugs and 203 TCM. Following the issue of the new edition of the National Essential Drugs List, more-detailed policies were released, such as further optimizing the tendering system of essential drugs, rules on the percentage of purchasing and using essential drugs for each category of healthcare institutions, etc.

In respect of optimizing the tendering system of essential drugs, the Ministry of Health emphasized the introduction of "two-envelops" mechanism with full assessment on the drug quality and the reputation of the manufacturers during the economic and technical standard assessment. Passing the new GMP certification is a vital benchmark for quality assessment. During the commercial standard assessment, comprehensive review will be made for drugs with obvious low tender price in order to avoid vicious competition. Priority will be given to the generic drugs reaching international standards to encourage drug manufacturers to improve the quality of their products. The Group has been making efforts to maintain and to improve the quality standard of its drugs. Foshan Dezhong Pharmaceutical Co., Ltd. ("Dezhong"), Gaoming branch company of Dezhong ("Dezhong Gaoming") and Shandong Luya Pharmaceutical Co., Ltd. ("Luya") have passed the new GMP certification, while Guangdong Medi-World Pharmaceutical Co., Ltd. ("Guangdong Medi-World") and Foshan Feng Liao Xing Pharmaceutical Co., Ltd. ("Feng Liao Xing") are expected to pass the new GMP certification in the second half of 2013, which placed the Group in a favourable position in essential drugs tenders and purchases.

In respect of rules on the percentage of purchasing and using essential drugs for each category of healthcare institutions, the Ministry of Health indicated that it is necessary to accelerate the formulation of administrative measures for the use of essential drugs by healthcare institutions in each level and category, revise and optimize the Guideline for the Clinical Application and Prescription Catalogue of National Essential Drugs and motivate healthcare institutions in each level and category to stock up and give priority in using essential drugs. It also stated that primary healthcare institutions run by local government should fully stock up and use essential drugs, while class 2 and class 3 hospitals shall prescribe essential drugs by a reasonable percentage of their total prescription. The healthcare institutions should enhance the promotion and training in using the Guideline for the Clinical Application and Prescription Catalogue of National Essential Drugs and promote the priority of using essential drugs at a reasonable degree. By implementing such policies, it is expected that the consumption volume of essential drugs in total and as a percentage of the entire consumption of drugs will increase, especially in class 2 and class 3 hospitals. Thus, the introduction of the New Edition of National Essential Drugs List would provide tremendous market opportunities to the Group in the future.

Chinese Medicine Industry of A Golden Age

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

On 9 July 2013, National Health and Family Planning Commission of China issued the "Notice regarding Fully Exploiting Advantage of the Characteristics of TCM in the Pilot Schemes of Comprehensive Reforms of Public Hospitals at County Level" (關於在縣級公立醫院綜合改革試點工作中充分發揮中醫藥特色優勢的通知), which encourages prescribing Chinese medicines to patients covered by medical insurance, extends the coverage of Basic Medical Insurance to qualified Chinese medical diagnosis and treatment and TCM products (including Chinese herbal slice, Chinese medicines and preparations) and raises the reimbursement level of TCM under the New Rural Cooperative Medical System. The Group generates the majority of its sales revenues from TCM products and will benefit from government policies of developing Chinese medicine industry.

Quality Consistency Evaluation for Generic Drugs

On 16 February 2013, China Food and Drug Administration issued the "Notice regarding Conducting Quality Consistency Evaluation for Generic Drugs", with the purpose of, by quality consistency evaluation, setting up a preliminary index of contrast preparations for and improving the quality evaluation system of generic drugs, in order to eliminate low quality and ineffective products and to raise the overall level of generic drug manufacturing in China up to or close to the international standard. By 2015, the method and the standard of quality consistency evaluation for all generic drugs on the National Essential Drugs List will be established. The Group has completed the research on the quality consistency evaluation between generic and novelty drugs for one of its core products, Nifedipine Sustained-release Tablet (Sheng Tong Ping) (硝苯地平緩釋片(聖通平)). It is expected that China Food and Drug Administration would approve and recognize that the quality and technology of the product is consistent with the novelty drug, which may facilitate the Group in promoting Sheng Tong Ping and winning larger market share.

BUSINESS REVIEW

From continuing operations

Sales of Products

During the period under review, the Group's turnover increased by 7.5% to HK$633,848,000, 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, particularly for Yu Ping Feng Granule (玉屏風顆粒). Focusing on markets means enhancing the market development by increasing the usage of our products at all healthcare institutions, especially by expanding the coverage of essential drugs among primary healthcare institutions, and co-operating with mainstream chain stores to increase coverage of end-market retailing for our products. Focusing on management means adopting a systematic KPI system to our sales team at all levels and enhancing the overall management ability of our regional managers.

As at 30 June 2013, the coverage of Yu Ping Feng Granule (玉屏風顆粒) in ranked hospitals was extended from around 1,800 hospitals in 2012 to around 2,000 hospitals, and from around 8,000 primary healthcare institutions to around 8,300 institutions.

Analysis by Types of Medicines:

	For the six months ended 30 June				
	2013 HK$'000	**Percentage to turnover**	2012 HK$'000	Percentage to turnover	Change
Respiratory system drugs and nasal preparations	**325,661**	**51.4%**	273,182	46.3%	19.2%
Cerebro-cardiovascular drugs	**75,949**	**12.0%**	74,927	12.7%	1.4%
Rheumatic diseases and bone injury drugs	**73,632**	**11.6%**	60,134	10.2%	22.4%
Antibiotics	**34,554**	**5.5%**	28,750	4.9%	20.2%
Oncology drugs	**10,301**	**1.6%**	7,749	1.3%	32.9%
Others	**113,751**	**17.9%**	144,823	24.6%	-21.5%
Total	**633,848**	**100.0%**	589,565	100.0%	7.5%

Analysis by TCM and Chemical Medicine:

	For the six months ended 30 June				
	2013 HK$'000	**Percentage to turnover**	2012 HK$'000	Percentage to turnover	Change
TCM	**529,793**	**83.6%**	491,482	83.4%	7.8%
Chemical medicine	**104,055**	**16.4%**	98,083	16.6%	6.1%
Total	**633,848**	**100.0%**	589,565	100.0%	7.5%

Sales Analysis of Core Products:

	For the six months ended 30 June				
	2013 HK$'000	**Percentage to turnover**	2012 HK$'000	Percentage to turnover	Change
Yu Ping Feng Granule	**138,280**	**21.8%**	91,330	15.5%	51.4%
Bi Yan Kang Tablet	**123,355**	**19.5%**	122,798	20.8%	0.5%
Feng Liao Xing Medicinal Wine	**53,073**	**8.4%**	36,725	6.2%	44.5%
Sheng Tong Ping	**50,159**	**7.9%**	49,059	8.3%	2.2%
Gaode	**33,339**	**5.2%**	28,352	4.8%	17.6%
Other products	**235,642**	**37.2%**	261,301	44.4%	-9.8%
Total	**633,848**	**100.0%**	589,565	100.0%	7.5%

Research and Development

Yu Ping Feng Granule (玉屏風顆粒) Re-evaluation

In April 2013, the Group initiated the project of "Yu Ping Feng Granule (玉屏風顆粒) Re-evaluation". The project will have several phases, including collection of typical cases of targeted diseases, analysis of the efficacy mechanism, clinical trials with reasonable sample size, etc. The purpose is to provide more solid medicinal theoretical foundation for prescribing Yu Ping Feng Granule (玉屏風顆粒) to the appropriate patients, so that it would be helpful to our academic promotion of the product to different categories of healthcare institutions. The project is expected to last for several years and may attract financial subsidy from relevant government institutions.

Innovative Sustained Release Technique Applied on New Sheng Tong Ping (新聖通平)

The Group possesses the know-how of controlling sustained release by multi-layers of films, and has applied such innovative technique on Nifedipine Sustained-release Tablet (30mg) (New Sheng Tong Ping). The New Sheng Tong Ping will have clear cost advantage over the same product in the market from the competitors, which will place the Group in a favourable position at tenders of essential drugs. It is expected the product would be launched in the second half of 2013.

Construction of Manufacturing Facilities

In December 2012, the Group received the GMP certificate for its Dezhong Gaoming TCM extraction base. The facilities will provide an annual capacity of processing 20,000 tonnes of TCM materials. With the approval of Guangdong Food and Drug Administration, Dezhong Gaoming facilities could be shared among all manufacturing companies of the Group, so that the Group may centralize its TCM preprocessing and extraction to save cost and to improve operating efficiency.

During the period under review, Guangdong Medi-World completed the construction of its new workshop of granule products. The new facilities will carry a capacity of producing 500 million packs of granules per annum, which provides the Group with the basis of expanding sales of its core product-Yu Ping Feng Granule (玉屏風顆粒). Another new workshop for multiple solid preparations has been planned for Guangdong Medi-World, which will support the development strategy of the Group in the future.

Acquisition of Tongjitang

On 23 May 2013, the Company entered into a conditional agreement with Mr. Wang Xiaochun, Hanmax Investment Limited ("Hanmax") and Fosun Industrial Co., Limited ("Fosun") pursuant to which the Company conditionally agreed to acquire, and Hanmax and Fosun conditionally agreed to sell the entire issued share capital of Tongjitang Chinese Medicines Company ("Tongjitang") at a consideration between HK$3,200 million and HK$3,400 million. The consideration consists of the way of allotment and issue of 334,000,000 new shares to Hanmax (or any nominee(s) as it may direct), settlement of the debt of Unisources Enterprises Limited and cash. The cash portion of the consideration is financed by the placing and subscription of new shares of the Company and a combination of the Company's internal resources and debt or equity financing transactions. The details of the acquisition are set out in the announcement of the Company dated 24 May 2013.

Tongjitang is a leading pharmaceutical enterprise in the PRC with an emphasis on orthopaedics traditional Chinese medicine. The Group expects that acquisition of Tongjitang will allow the Group to gain instant access to the orthopaedics traditional Chinese medicine in both the prescription and the over-counter markets and take advantage of the high growth potential of Tongjitang.

PROSPECTS

In the short run, as essential drugs tenders in all provinces tend to push down bid price, the pressure has become a general challenge faced by all pharmaceutical companies, especially for generic drugs manufacturers. Costs, such as purchase price of raw materials, salary, energy expenses and finance costs, keep rising. The introduction of the new Pharmacopoeia and the new GMP has increased the costs of reconstructing and maintaining production lines. Uncertainty in global economy, as well as the weakening consumption sentiment has affected the sales of drugs to certain extent. However, in the medium to long run, the change in population structure and spectrum of disease will inevitably drive up the rigid demand for drugs. With medical reform entering into a critical stage, government spending continues to expand the market. The number of hospitals of different levels is increasing steadily, while the growth of primary healthcare institutions, such as community health service centers, 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.

While making efforts on growing our existing businesses, the Group will identify merger and acquisition targets with unique products and established market share. Priority will be given to TCM companies possessing a product portfolio complementary to that of the Group. Our focus will be on cerebro-cardiovascular drugs, oncology drugs, orthopedic drugs, drugs targeting the problems of the aging population, etc.

FINANCIAL REVIEW

From continuing operations

Turnover

For the six months ended 30 June 2013, the Group's turnover increased by 7.5% to HK$633,848,000 from HK$589,565,000 for the corresponding period last year. The increase in sales was attributable to our implementation of new pricing policy on certain products based on a combination of factors resulting in price increase of relevant products while ensuring a stable sales volume. In addition, the successful expansion of our product coverage in primary health care institutions and the increase in varieties of essential drugs compared with last year has promoted the stable growth in turnover.

Cost of Sales and Gross Profit Margin

For the six months ended 30 June 2013, the Group's cost of sales was HK$265,601,000, representing a decrease of 3.4% as compared to HK$275,025,000 for the corresponding period last year. Direct raw materials, labor and production overhead accounted for approximately 71.0%, 12.3% and 16.7% of the total cost of sales respectively, as compared to 71.0%, 10.2% and 18.8% for the corresponding period last year. Gross profit for the period was HK$368,247,000, representing an increase of HK$53,707,000 as compared to HK$314,540,000 for the corresponding period last year. Gross profit margin increased to 58.1% from 53.4% for the corresponding period last year.

Other Revenue

For the six months ended 30 June 2013, the Group's other revenue was HK$8,012,000, representing a decrease of approximately 11.0% compared to HK$8,999,000 for the corresponding period last year. Of which, interest income was HK$4,137,000, government grants was HK$3,503,000 and rental income was HK$372,000.

Other Net Income

For the six months ended 30 June 2013, the Group's other net income was HK$696,000, representing an increase of HK$429,000 as compared to HK$267,000 for the corresponding period last year. Other net income increased, which was mainly due to exchange gains increased by approximately HK$633,000.

Sales and Distribution Costs

For the six months ended 30 June 2013, the Group's sales and distribution costs amounted to HK$172,562,000 (for the six months ended 30 June 2012: HK$145,125,000).

	For the six months ended 30 June		
	2013	2012	
	HK$'000	HK$'000	Change
Advertising, promotion and traveling expenses	**104,624**	84,723	23.5%
Salary expenses of sales and marketing staffs	**45,959**	37,034	24.1%
Distribution and logistics costs	**4,683**	7,536	-37.9%
Other sales and distribution costs	**17,296**	15,832	9.2%
Total	**172,562**	145,125	18.9%

Sales and distribution costs increased by 18.9% compared with last year, of which salary increased by HK$8,925,000 and advertising, promotion and traveling expenses increased by HK$19,901,000. The increase was mainly attributable to the adjustment of the Group's remuneration policy and the implementation of sales policy, which increased investment in certain key products such as the launch of nationwide "Qin Program" of Yu Ping Feng and invested in promotion and sales campaign while facing the outbreak of H7N9 avian influenza, while a change in the policy for the sales channel of Gaode products from the former wholesale price basis to retail price basis also resulted in the corresponding costs increase.

Administrative Expenses

For the six months ended 30 June 2013, the Group's administrative expenses amounted to HK$80,780,000 (for the six months ended 30 June 2012: HK$63,039,000).

	For the six months ended 30 June		
	2013	2012	
	HK$'000	HK$'000	Change
Staff salary	**21,650**	16,428	31.8%
Depreciation and amortization	**5,684**	6,173	-7.9%
Expenses for product research and development	**23,011**	20,419	12.7%
Office rental cost and other expenses	**30,435**	20,019	52.0%
Total	**80,780**	63,039	28.1%

Increase in administrative expenses was mainly due to the aggregate increase in the cost of research and development and executive salary expense of HK$7,814,000, decrease in depreciation and amortization of HK$489,000 and increase in office rental costs and other expenses of HK$10,416,000 (of which professional fees related to mergers and acquisitions increased by HK$6,901,000).

Profit from Continuing Operations

For the six months ended 30 June 2013, the Group's profit from operations was HK$123,613,000, representing an increase of 6.9% as compared to HK$115,642,000 for the corresponding period last year, while operating profit ratio (defined as profit from operations divided by total turnover) decreased to 19.5% from 19.6% for the corresponding period last year.

Finance Costs

For the six months ended 30 June 2013, the Group's finance costs amounted to HK$16,735,000 (for the six months ended 30 June 2012: HK$13,921,000), and the higher finance costs as compared with the corresponding period last year was attributable to the capitalisation of interest expense amounted to HK$3,554,000 into construction in progress in the corresponding period last year and the interest expense was no longer capitalised after the project commenced production during the period. The effective interest rate for the loans was 6.03% (31 December 2012: 6.75%).

Earnings per share

For the six months ended 30 June 2013, the basic earnings per share from continuing and discontinued operations was HK4.32 cents, representing a decrease of 1.1% as compared to HK4.37 cents for the corresponding period last year. The decrease in earnings per share was attributable to the loss for the period of discontinued operations and the effect of weighted number of shares increased to 1,815,910,000 shares from 1,783,411,000 shares of the corresponding period of last year due to the issuance of 225,000,000 new shares at the early of June. Profit attributable to equity shareholders increased by 0.7% to approximately HK$78,475,000 (for the six months ended 30 June 2012: HK$77,967,000). Excluding the discontinued operations, the basic earnings per share from continuing operations of the Group was HK4.64 cents, representing an increase of 6.2% as compared to HK4.37 cents for the corresponding period last year.

Liquidity and Financial Resources

As at 30 June 2013, the Group's current assets amounted to approximately HK$1,921,014,000 (31 December 2012: HK$1,004,512,000), which included cash, cash equivalents and deposits with banks of approximately HK$834,747,000 (31 December 2012: HK$165,118,000), as well as trade and other receivable of approximately HK$522,457,000 (31 December 2012: HK$546,088,000). Current liabilities amounted to approximately HK$889,972,000 (31 December 2012: HK$800,722,000). Net current assets aggregated to approximately HK$1,031,042,000 (31 December 2012: HK$203,790,000). The Group's current ratio was 2.2 (31 December 2012: 1.3). The gearing ratio (defined as bank loans divided by the equity attributable to equity shareholders of the Company) decreased to 26.5% from 50.0% as at 31 December 2012. Decrease in gearing ratio was attributable to the slight decrease in bank loans while issuance of additional shares led to the equity attributable to equity shareholders of the Company increased to HK$1,810,779,000 from HK$1,022,032,000 from the corresponding period of last year.

Bank Loans and Pledge of Assets

As at 30 June 2013, the balance of the Group's bank loans was approximately HK$480,057,000 (31 December 2012: HK$511,104,000), of which approximately HK$163,202,000 (31 December 2012: HK$313,776,000) was secured by the Group's assets with book value of HK$113,444,000 (31 December 2012: HK$233,545,000).

Contingent Liabilities

The Group did not have any contingent liabilities as at 30 June 2013 (31 December 2012: Nil).

Employee and Remuneration Policies

As at 30 June 2013, the Group employed a total of 3,275 (31 December 2012: 3,167) 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 1,532, 1,287 and 456 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$101,756,000 (for the six months ended 30 June 2012: HK$84,462,000).

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend (for the six months ended 30 June 2012: HK2.50 cents per share) in respect of the six months ended 30 June 2013.

CHANGES OF CONTROLLING SHAREHOLDERS

On 31 August 2012, Sinopharm Group Hongkong Co., Limited ("Sinopharm Hong Kong", or the Offeror"), an indirect wholly-owned subsidiary of China National Pharmaceutical Group Corporation ("CNPGC"), entered into the conditional sale and purchase agreement (the "S&P Agreement") with Mr. YANG Bin and Mr. XU Tiefeng, Extra Benefit Corp. ("Extra Benefit"), Profit Channel Development Limited ("Profit Channel") and Sureplan Limited ("Sureplan", together with Mr. YANG Bin, Mr. XU Tiefeng, Extra Benefit and Profit Channel, the "Vendors") as the vendors and Mr. YANG Bin and Mr. XU Tiefeng (the "Guarantors") as the guarantors, pursuant to which the Offeror has conditionally agreed to purchase and the Vendors have conditionally agreed to sell or procure the sale of 354,898,750 shares ("Sale Shares") for a minimum consideration of an aggregate of HK$496,858,250 (equivalent to HK$1.40 per Sale Share) and a maximum consideration of an aggregate of HK$603,327,875 (equivalent to HK$1.70 per Sale Share). The Sale Shares represent approximately 19.90% of the entire issued share capital of the Company. The sale and purchase of the Sale Shares contemplated under the S&P Agreement was completed on 29 January 2013 ("Completion").

Citigroup Global Markets Asia Limited, had, for and on behalf of the Offeror, made a voluntary conditional cash offer to acquire all of the issued shares of the Company (the "VGO"). The VGO became unconditional on 14 February 2013 and closed on 28 February 2013. After the Completion and the close of the VGO, the Offeror and parties acting in concert with it are interested in an aggregate of 1,016,023,044 shares, representing approximately 56.97% of the total issued share capital of the Company.

CNPGC hopes to expand its presence in the manufacturing and selling of TCM products through the acquisition of the Company as a result of the S&P Agreement and the VGO. CNPGC also hopes to increase the Company's sales through its expertise in financial management, operation management, strategy and human resources and information management.

For details of the VGO, please refer to the Composite Offer and Response Document and the announcement of the Company dated 5 February 2013 and 28 February 2013, respectively.

MATERIAL ACQUISITION AND CONNECTED TRANSACTIONS

Acquisition of the entire issued share capital of Tongjitang

On 23 May 2013, the Company entered into a conditional agreement (the "Acquisition Agreement") with Mr. Wang Xiaochun, Hanmax and Fosun pursuant to which the Company conditionally agreed to acquire, and Hanmax and Fosun conditionally agreed to sell the entire issued share capital of Tongjitang (the "Acquisition") at a consideration between HK$3,200 million and HK$3,400 million. The consideration consists of the way of allotment and issue of 334,000,000 new shares ("Consideration Shares") in the Company to Hanmax (or any nominee(s) as it may direct), settlement of the debt of Unisources Enterprises Limited and cash. The cash portion of the consideration will be financed by the placing and subscription of new shares of the Company and a combination of the Company's internal resources and debt or equity financing transactions.

Tongjitang is a leading pharmaceutical enterprise in the PRC with an emphasis on orthopedics traditional Chinese medicines. The Group expects that the Acquisition will allow the Group to gain instant access to both the prescription and over-counter markets for orthopedics traditional Chinese medicine and take advantage of the high growth of Tongjitang. Details of the Acquisition are set out in the announcement of the Company dated 24 May 2013. Completion of the Acquisition is subject to the fulfillment of a number of conditions and is expected to take place in the fourth quarter of 2013.

The Placing

On 23 May 2013, the Company entered into a placing agreement with three placing agents pursuant to which the placing agents agreed to procure not less than six independent placees to subscribe for an aggregate of 225,000,000 new shares in the Company (the "Placing"). The Placing was completed and 225,000,000 new shares were allotted and issued to the placees at a price of HK$3.1 each on 4 June 2013, raising gross proceeds of approximately HK$697.5 million for the Group. Details of the Placing are set out in the announcement of the Company dated 4 June 2013.

The Sinopharm Subscription

On 23 May 2013, the Company entered into a subscription agreement (the "Sinopharm Subscription Agreement") with 上海國藥股權投資基金合夥企業(有限合夥) (Shanghai Sinopharm Equity Investment Fund Partnership (Limited Partnership)) ("Sinopharm Fund") pursuant to which the Company conditionally agreed to allot and issue, and 華寶信託有限責任公司 (Hwabao Trust Co., Ltd.) ("Sinopharm Fund Trustee") conditionally agreed to subscribe for, 125,000,000 new shares ("Sinopharm Shares") in the Company at a price of HK$3.1 each (the "Sinopharm Subscription"). Sinopharm Fund Trustee acts as the trustee of Sinopharm Fund. Completion of the Sinopharm Subscription took place on 9 July 2013 and 125,000,000 new shares in the Company were allotted and issued to Sinopharm Fund Trustee. The gross proceeds raised from the Sinopharm Subscription amount to HK$387.5 million.

Sinopharm Fund is managed by its general partner which is owned as to 35% by CNPGC and 65% by an independent third party. As CNPGC is the controlling shareholder of the Company, the Sinopharm Subscription constituted a connected transaction of the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Details of the Sinopharm Subscription are set out in the announcement of the Company dated 24 May 2013 and the circular of the Company dated 14 June 2013.

The Yang Subscription

On 23 May 2013, the Company entered into a subscription agreement (the "Yang Subscription Agreement") with Mr. YANG Bin pursuant to which the Company conditionally agreed to allot and issue, and Mr. YANG Bin conditionally agreed to subscribe for, 66,488,379 new shares ("Yang Shares") in the Company at a price of HK$3.1 each (the "Yang Subscription").

By virtue of Mr. Yang Bin's directorship and substantial shareholding interest in the Company, the Yang Subscription constituted a connected transaction of the Company under the Listing Rules. Completion of the Yang Subscription is subject to the fulfillment of certain conditions and is expected to take place in the fourth quarter of 2013.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS

As at 30 June 2013, 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 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 30 June 2013:

Name of Directors	**Capacity**	**Number of Ordinary Shares**	**Approximate percentage of total interests to issued share capital** *(Note 3)*
YANG Bin	Interest of a controlled corporation	267,511,621 *(Note 1)*	13.32%
	Beneficial owner	66,488,379 *(Note 2)*	3.31%
Total		334,000,000	16.63%

Notes:

1. The 267,511,621 shares are held by Profit Channel, which is wholly owned by Mr. YANG Bin.

2. Pursuant to the Yang Subscription Agreement dated 23 May 2013, the Company conditionally agreed to allot and issue, and Mr. YANG Bin conditionally agreed to subscribe for, 66,488,379 Yang Shares. The Yang Subscription Agreement has not been completed and those shares have not been issued.

3. The percentage level in relation to interest in shares is calculated based on 2,008,410,807 shares in issue as at 30 June 2013 before the issue of 125,000,000 Sinopharm Shares, 66,488,379 Yang Shares and 334,000,000 Consideration Shares (see the notes below the table under the heading "Substantial Shareholders' Interests" below).

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 six months ended 30 June 2013.

As at the date of this report, after the allotment and issue of the 125,000,000 Sinopharm Shares on 9 July 2013, the interests or short positions of the directors and chief executives 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 352 of the SFO are 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**	**Approximate percentage of total interests to issued share capital** *(Note 3)*
YANG Bin	Interest of a controlled corporation	267,511,621 *(Note 1)*	12.54%
	Beneficial owner	66,488,379 *(Note 2)*	3.12%
Total		334,000,000	15.66%

Notes:

1. The 267,511,621 shares are held by Profit Channel, which is wholly owned by Mr. YANG Bin.

2. Pursuant to the Yang Subscription Agreement dated 23 May 2013, the Company conditionally agreed to allot and issue, and Mr. YANG Bin conditionally agreed to subscribe for, 66,488,379 Yang Shares. The Yang Subscription Agreement has not been completed and those shares have not been issued.

3. The percentage level in relation to interest in shares is calculated based on the 2,133,410,807 shares in issue as at the date of this report before the issue of the 66,488,379 Yang Shares and 334,000,000 Consideration Shares (see the notes below the table under the heading "Substantial Shareholders' Interests" below).

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2013, 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 in shares and underlying shares of the Company as at 30 June 2013:

Name of Substantial Shareholders	**Capacity**	**Number of Ordinary Shares**	**Approximate percentage of total interests to issued share capital** *(Note 6)*
Hwabao Trust Co. Ltd. (Sinopharm Fund Trustee)	Trustee	125,000,000 *(Note 1)*	6.22%
Shanghai Sinopharm Equity Investment Fund Partnership (Limited Partnership) (Sinopharm Fund)	Beneficiary of a trust	125,000,000 *(Note 1)*	6.22%
Sinopharm Hong Kong	Beneficial owner	1,016,023,044 *(Note 2)*	50.59%
CNPGC	Interest of controlled corporations	1,141,023,044 *(Notes 1 and 2)*	56.81%
Profit Channel	Beneficial owner	267,511,621 *(Note 3)*	13.32%
YANG Bin	Beneficial owner	66,488,379 *(Note 4)*	3.31%
Hanmax Investment Limited	Beneficial owner	334,000,000 *(Note 5)*	16.63%
WANG Xiaochun	Interest of a controlled corporation	334,000,000 *(Note 5)*	16.63%

Note:

1. Pursuant to the Sinopharm Subscription Agreement dated 23 May 2013, the Company conditionally agreed to allot and issue, and Sinopharm Fund Trustee, in its capacity as the trustee of Sinopharm Fund and for the benefit of Sinopharm Fund, conditionally agreed to subscribe for, 125,000,000 Sinopharm Shares. Sinopharm Fund is a limited partnership established under the PRC laws and managed by its general partner, which is deemed to be controlled by CNPGC under the SFO.

2. The 1,016,023,044 shares are held by Sinopharm Hong Kong, which is indirectly wholly owned by CNPGC.

3. The 267,511,621 shares are held by Profit Channel, which is wholly owned by Mr. YANG Bin.

4. Pursuant to the Yang Subscription Agreement dated 23 May 2013, the Company conditionally agreed to allot and issue, and Mr. YANG Bin conditionally agreed to subscribe for, 66,488,379 Yang Shares. The Yang Subscription Agreement has not been completed and those shares have not been issued.

5. Pursuant to the Acquisition Agreement dated 23 May 2013, the 334,000,000 shares represent the consideration shares, subject to certain conditions, will be allotted and issued to Hanmax, which is wholly owned by Mr. Wang Xiaochun. Mr. WANG Xiaochun is a director of Hanmax. The Acquisition Agreement has not been completed and those shares have not been issued.

6. The percentage level in relation to interest in shares is calculated based on the 2,008,410,807 shares in issue as at 30 June 2013 before the issue of the 125,000,000 Sinopharm Shares, 66,488,379 Yang Shares and 334,000,000 Consideration Shares.

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 2013.

As at the date of this report, after the allotment and issue of the 125,000,000 Sinopharm Shares on 9 July 2013, the interests or 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 in shares and underlying shares of the Company as at the date of this report:

Name of Substantial Shareholders	Capacity	Number of Ordinary Shares	Approximate percentage of total interests to issued share capital *(Note 6)*
Hwabao Trust Co. Ltd. (Sinopharm Fund Trustee)	Trustee	125,000,000 *(Note 1)*	5.86%
Shanghai Sinopharm Equity Investment Fund Partnership (Limited Partnership) (Sinopharm Fund)	Beneficiary of a trust	125,000,000 *(Note 1)*	5.86%
Sinopharm Hong Kong	Beneficial owner	1,016,023,044 *(Note 2)*	47.62%
CNPGC	Interest of controlled corporations	1,141,023,044 *(Notes 1 and 2)*	53.48%
Profit Channel	Beneficial owner	267,511,621 *(Note 3)*	12.54%
YANG Bin	Beneficial owner	66,488,379 *(Note 4)*	3.12%
Hanmax Investment Limited	Beneficial owner	334,000,000 *(Note 5)*	15.66%
WANG Xiaochun	Interest of a controlled corporation	334,000,000 *(Note 5)*	15.66%

Notes:

1. On 9 July 2013, 125,000,000 Sinopharm Shares were issued to Sinopharm Fund Trustee which acts as the trustee for the benefit of Sinopharm Fund. Sinopharm Fund is a limited partnership established under the PRC laws and managed by its general partner, which is deemed to be controlled by CNPGC under the SFO.

2. The 1,016,023,044 shares are held by Sinopharm Hong Kong, which is indirectly wholly owned by CNPGC.

3. The 267,511,621 shares are held by Profit Channel, which is wholly owned by Mr. YANG Bin.

4. Pursuant to the Yang Subscription Agreement dated 23 May 2013, the Company conditionally agreed to allot and issue, and Mr. YANG Bin conditionally agreed to subscribe for, 66,488,379 Yang Shares. The Yang Subscription Agreement has not been completed and those shares have not been issued.

5. Pursuant to Acquisition Agreement dated 23 May 2013, the 334,000,000 Shares, subject to certain conditions, will be allotted and issued to Hanmax, which is wholly owned by Mr. Wang Xiaochun. Mr. WANG Xiaochun is a director of Hanmax. The Acquisition Agreement has not been completed and those shares have not been issued.

6. The percentage level in relation to interest in shares is calculated based on 2,133,410,807 shares in issue as at the date of this report before the issue of the 66,488,379 Yang Shares and 334,000,000 Consideration Shares.

CONTINUING CONNECTED TRANSACTION

Entering into the Master Purchase Agreement and Master Supply Agreement with CNPGC

On 5 February 2013, the Company entered into the Master Purchase Agreement with CNPGC, pursuant to which the Group agreed to purchase and the CNPGC and its subsidiaries ("CNPGC Group") conditionally agreed to sell the materials during the period from the effective date of the Master Purchase Agreement to 31 December 2013.

On 5 February 2013, the Company entered into the Master Supply Agreement with CNPGC, pursuant to which the Group agreed to supply and the CNPGC Group conditionally agreed to purchase the products during the period from the effective date of the Master Supply Agreement to 31 December 2013.

Sinopharm Hong Kong and parties acting in concert with it were interested in an aggregate of 1,016,023,044 shares, representing approximately 56.97% of the total issued share capital of the Company after the VGO (closing the offer on 28 February 2013). Sinopharm Hong Kong is the controlling shareholder and a connected person of the Company under the Listing Rules. CNPGC, the ultimate holding company of Sinopharm Hong Kong, is therefore an associate of a connected person of the Company as defined in the Listing Rules. The sale and purchase of the products and the materials contemplated under the Master Supply Agreement and Master Purchase Agreement respectively, constituted continuing connected transaction of the Company under Listing Rules.

Pursuant to the Master Purchase Agreement, the value of the purchases shall not exceed the annual caps of RMB50.0 million for the financial year ending 31 December 2013. Pursuant to the Master Supply Agreement, the value of the sales shall not exceed the annual cap of RMB300.0 million for the financial year ending 31 December 2013.

For the details the continuing connected transactions, please refer to the announcement and the circular of the Company dated 5 February 2013 and 7 March 2013, respectively.

SUBSEQUENT EVENTS

Acquisition of Land

On 14 August 2013, 佛山盈天醫藥發展有限公司 (Foshan Winteam Pharmaceutical Development Company Limited), a wholly-owned subsidiary of the Group, acquired a land use right through auction at a consideration of RMB234.05 million (equivalent to approximately HK$294.9 million) (the "Land Acquisition"). The land has a net usable site area of 22,041.7 square metres and is located at Chancheng District, Foshan City, the PRC. The Group intends to develop the land as its future headquarters and staff quarters for senior management. As at the date hereof, the Group has not drawn up any concrete development and construction plan for the land.

The Land Acquisition constituted a discloseable transaction for the Company and is therefore subject to the reporting and announcement requirements under the Listing Rules. For details of the Land Acquisition, please refer to the announcement of the Company dated 14 August 2013.

Disposal of Guizhou Zhongtai

On 26 August 2013, Guangdong Medi-World, a wholly-owned subsidiary of the Group, entered into a disposal agreement with 佛山市順德區合峰投資有限公司 (Foshan Shunde Hefeng Investment Co. Ltd.) ("Shunde Hefeng") to dispose of its 51% interest in the registered capital of Guizhou Zhongtai Biological Technology Company Limited ("Guizhou Zhongtai") at a cash consideration of approximately RMB100.9 million (equivalent to approximately HK$127.1 million) (the "Disposal"). Shunde Hefeng will also take up the obligations of the Group to inject further investment into Guizhou Zhongtai according to the terms of the investment agreement dated 22 December 2011, including the outstanding investment amount of RMB60 million as at 26 August 2013.

Guizhou Zhongtai is engaged in the research and development, production and sales of plasma-based biopharmaceutical products in PRC. Guizhou Zhongtai is in its early stage of development, which requires further injection of substantial investment in order to bring its operation to a sizeable scale. In addition, the principal business activities of the Group are the manufacture and sale of traditional Chinese medicine and pharmaceutical products in the PRC. The products of Guizhou Zhongtai are not in line with those of the Group which are traditional Chinese medicine and pharmaceutical products. The Group will recover the investment cost and dedicate more resources to its core businesses. The Disposal is in the interests of the Group and its shareholders as a whole. Details of the Disposal are set out in the announcement of the Company dated 26 August 2013.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed in above section of "the Yang Subscription" 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 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

Corporate Governance Code

To the knowledge of the Board, the Company has complied throughout the six months ended 30 June 2013 with the Code Provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules.

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 inside 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 13.51(2)(c) of the Listing Rules were as follows:

- Mr. LU Jun resigned as an executive director with effect from 6 March 2013.
- Mr. Dong Zenghe was appointed as a non-executive director with effect from 6 March 2013.
- Mr. WU Xian, the chairman and executive director, will receive an annual remuneration of RMB950,000 with effect from 1 July 2013.
- Mr. LIU Cunzhou, a non-executive director will receive a director's fee of HK$200,000 per annum instead of director's allowance with effect from 1 July 2013.

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

WU Xian
Chairman

Hong Kong, 29 August 2013

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 24 to 58 which comprises the consolidated statement of financial position of Winteam Pharmaceutical Group Limited as of 30 June 2013 and the related consolidated statement of profit or loss and other 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 2013 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

29 August 2013

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2013 – Unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2013	2012
	Note	**$'000**	$'000
Continuing operations			
Turnover	*3*	**633,848**	589,565
Cost of sales		**(265,601)**	(275,025)
Gross profit		**368,247**	314,540
Other revenue	*5*	**8,012**	8,999
Other net income	*5*	**696**	267
Selling and distribution costs		**(172,562)**	(145,125)
Administrative expenses		**(80,780)**	(63,039)
Profit from operations		**123,613**	115,642
Finance costs	*6(a)*	**(16,735)**	(13,921)
Profit before taxation	*6*	**106,878**	101,721
Income tax	*7*	**(22,057)**	(22,165)
Profit from continuing operations for the period		**84,821**	79,556
Discontinued operations			
Loss from discontinued operations (net of tax)	*11(b)*	**(11,500)**	–
Profit for the period		**73,321**	79,556
Profit attributable to:			
Equity shareholders of the Company			
– Continuing operations		**84,340**	77,967
– Discontinued operation		**(5,865)**	–
		78,475	77,967
Non-controlling interests			
– Continuing operations		**481**	1,589
– Discontinued operations		**(5,635)**	–
		(5,154)	1,589
Profit for the period		**73,321**	79,556
Earnings per share	*9*		
Basic and diluted			
– Continuing operations		**4.64 cents**	4.37 cents
– Discontinued operation		**(0.32) cents**	–
		4.32 cents	4.37 cents

For the six months ended 30 June 2013 – Unaudited
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June **2013** **$'000**	2012 $'000
Other comprehensive income for the period, net of tax and reclassification adjustments			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong		**18,430**	(6,222)
Available-for-sale securities: net movement in fair value reserve	*8*	**1,387**	823
		19,817	(5,399)
Total comprehensive income for the period		**93,138**	74,157
Total comprehensive income attributable to:			
– Equity shareholders of the Company		**98,223**	72,637
– Non-controlling interests		**(5,085)**	1,520
Total comprehensive income for the period		**93,138**	74,157

The notes on pages 31 to 58 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 19(b).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013 – Unaudited
(Expressed in Hong Kong dollars)

	Note	**At 30 June 2013 $'000**	At 31 December 2012 $'000
Non-current assets			
Fixed assets	*10*		
– Investment properties		**3,617**	3,394
– Other property, plant and equipment		**449,768**	411,676
– Interests in leasehold land held for own use under operating leases		**102,612**	102,123
Construction in progress		**39,403**	42,569
Other receivables		**2,432**	17,768
		597,832	577,530
Intangible assets		**87,165**	90,885
Goodwill		**212,003**	208,637
Other financial assets	*12*	**12,474**	10,639
Deferred tax assets		**31,464**	24,617
		940,938	912,308
Current assets			
Other financial assets	*12*	**–**	94,692
Inventories	*13*	**256,236**	198,614
Trade and other receivables	*14*	**522,457**	546,088
Deposits with banks	*15*	**35,422**	108,068
Cash and cash equivalents	*16*	**799,325**	57,050
Assets held for sale	*11(b)*	**307,574**	–
		1,921,014	1,004,512
Current liabilities			
Trade and other payables	*17*	**255,367**	253,828
Bank loans	*18*	**480,057**	511,104
Current taxation		**19,944**	31,993
Current portion of deferred government grants		**2,801**	3,797
Liabilities held for sale	*11(b)*	**131,803**	–
		889,972	800,722
Net current assets		**1,031,042**	203,790
Total assets less current liabilities		**1,971,980**	1,116,098

At 30 June 2013 – Unaudited
(Expressed in Hong Kong dollars)

	Note	**At 30 June 2013 $'000**	At 31 December 2012 $'000
Non-current liabilities			
Deferred tax liabilities		**58,491**	55,269
Deferred government grants		**16,809**	17,738
		75,300	73,007
NET ASSETS		**1,896,680**	1,043,091
CAPITAL AND RESERVES	*19*		
Share capital		**200,841**	178,341
Reserves		**1,609,938**	843,691
Total equity attributable to equity shareholders of the Company		**1,810,779**	1,022,032
Non-controlling interests		**85,901**	21,059
TOTAL EQUITY		**1,896,680**	1,043,091

The notes on pages 31 to 58 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013 – unaudited
(Expressed in Hong Kong dollars)

		Interest attributable to equity shareholders of the Company										
	Note	Share capital $'000	Share premium $'000	Capital redemption reserve $'000	Exchange reserve $'000	Reserve fund $'000	Fair value reserve $'000	Other reserve (note 19(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
At 1 July 2012		178,341	529,514	297	154,920	60,448	5,576	(139,583)	142,691	932,204	17,097	949,301
Changes in equity for the six months ended 31 December 2012												
Profit for the period		–	–	–	–	–	–	–	129,167	129,167	3,931	133,098
Other comprehensive income for the period		–	–	–	4,342	–	904	–	–	5,246	31	5,277
Total comprehensive income for the period		–	–	–	4,342	–	904	–	129,167	134,413	3,962	138,375
Dividend declared in respect of the previous year		–	–	–	–	–	–	–	(44,585)	(44,585)	–	(44,585)
Transfer to reserve fund		–	–	–	–	28,385	–	–	(28,385)	–	–	–
At 31 December 2012		178,341	529,514	297	159,262	88,833	6,480	(139,583)	198,888	1,022,032	21,059	1,043,091

For the six months ended 30 June 2013 – unaudited
(Expressed in Hong Kong dollars)

		Interest attributable to equity shareholders of the Company										
	Note	Share capital $'000	Share premium $'000	Capital redemption reserve $'000	Exchange reserve $'000	Reserve fund $'000	Fair value reserve $'000	Other reserve (note 19(c)) $'000	Retained profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
At 1 January 2013		178,341	529,514	297	159,262	88,833	6,480	(139,583)	198,888	1,022,032	21,059	1,043,091
Changes in equity for the six months ended 30 June 2013												
Profit for the period		–	–	–	–	–	–	–	78,475	78,475	(5,154)	73,321
Other comprehensive income for the period		–	–	–	18,361	–	1,387	–	–	19,748	69	19,817
Total comprehensive income for the period		–	–	–	18,361	–	1,387	–	78,475	98,223	(5,085)	93,138
New shares issued during the period	*19(a)*	22,500	668,024	–	–	–	–	–	–	690,524	–	690,524
Acquisition of a subsidiary	*11*	–	–	–	–	–	–	–	–	–	69,927	69,927
At 30 June 2013		200,841	1,197,538	297	177,623	88,833	7,867	(139,583)	277,363	1,810,779	85,901	1,896,680

The notes on pages 31 to 58 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2013 – Unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2013	2012
	Note	**$'000**	$'000
Cash generated from operations		**96,583**	181,536
PRC income tax paid		**(36,758)**	(20,494)
Net cash generated from operating activities		**59,825**	161,042
Net cash generated from/(used in) investing activities		**38,262**	(180,322)
Net cash generated from financing activities		**642,858**	46,850
Net increase in cash and cash equivalents		**740,945**	27,570
Cash and cash equivalents at 1 January		**57,050**	42,354
Effect of foreign exchange rate changes		**1,330**	(292)
Cash and cash equivalents at 30 June	*16*	**799,325**	69,632
Analysis of balance of cash and cash equivalents			
Cash at bank and in hand		**799,325**	69,632

The notes on pages 31 to 58 form part of this interim financial report.

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 29 August 2013.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2012 annual financial statements, except for the newly adopted accounting policies and the accounting policy changes that are expected to be reflected in the 2013 annual financial statements. Details of the newly adopted accounting policies and the 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 2012 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 23.

The financial information relating to the financial year ended 31 December 2012 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 2012 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 2013.

2 NEWLY ADOPTED ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES

(a) Newly adopted accounting policies

(i) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the above criteria for classification as held for sale are met, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets, or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

(ii) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale (see (i) above), if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the income statement, which comprises:

– the post-tax profit or loss of the discontinued operation; and

– the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

2 NEWLY ADOPTED ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES (Continued)

(b) Changes in accounting policies

The HKICPA has issued a number of new HKFRSs and 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 financial statements:

- Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*
- HKFRS 10, *Consolidated financial statements*
- HKFRS 12, *Disclosure of interests in other entities*
- HKFRS 13, *Fair value measurement*
- *Annual Improvements to HKFRSs 2009-2011 Cycle*
- Amendments to HKFRS 7 – *Disclosures – Offsetting financial assets and financial liabilities*

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

Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*

The amendments to HKAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in this interim financial report has been modified accordingly.

HKFRS 10*, Consolidated financial statements*

HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and HK-SIC 12 *Consolidation – Special purpose entities.* It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

2 NEWLY ADOPTED ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES (Continued)

(b) Changes in accounting policies (Continued)

HKFRS 12, *Disclosure of interests in other entities*

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. Since those disclosure requirements only apply to a full set of financial statements, the Group has not made additional disclosures in this interim financial report as a result of adopting HKFRS 12.

HKFRS 13, *Fair value measurement*

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in the interim financial reports. The Group has provided those disclosures in note 20.

Annual Improvements to HKFRSs 2009-2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, HKAS 34 has been amended to clarify that total assets for a particular reportable segment are required to be disclosed only if the amounts are regularly provided to the chief operating decision maker (CODM) and only if there has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements. The amendment also requires the disclosure of segment liabilities if the amounts are regularly provided to the CODM and there has been a material change in the amounts compared with the last annual financial statements. In respect of this amendment, the Group has continued to disclose segment assets and segment liabilities in note 3.

Amendments to HKFRS 7 – *Disclosures – Offsetting financial assets and financial liabilities*

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32, *Financial instruments: Presentation* and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The adoption of the amendments does not have an impact on the Group's interim financial report because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of HKFRS 7.

3 TURNOVER AND SEGMENT REPORTING

(a) Turnover

Continuing operations

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	
	2013	2012
	$'000	$'000
Sale of pharmaceutical products		
– Pills and tablets	**309,667**	307,086
– Medicine wine	**53,073**	36,725
– Injections	**44,108**	37,926
– Granules	**156,265**	106,605
– Others	**70,735**	101,223
	633,848	589,565

(b) 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 reportable segments. No operating segments have been aggregated to form the following reportable segments.

For the six months ended 30 June 2013

- Foshan Dezhong Pharmaceutical Co., Ltd. ("Dezhong")
- Foshan Feng Liao Xing Pharmaceutical Co., Ltd. ("Feng Liao Xing")
- Guangdong Medi-World Pharmaceutical Co., Ltd. ("Guangdong Medi-World")
- Shandong Luya Pharmaceutical Co., Ltd. ("Luya")
- Foshan Feng Liao Xing Medicinal Material & Slices Co., Ltd ("Feng Liao Xing Material & Slices")
- Foshan Winteam Pharmaceutical Sales Company Limited ("Winteam Sales")
- Guizhou Zhongtai Biological Technology Company Limited ("Guizhou Zhongtai") and its subsidiaries (discontinued operations)

3 TURNOVER AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

For the six months ended 30 June 2012

- Dezhong
- Feng Liao Xing
- Guangdong Medi-World
- Luya
- Feng Liao Xing Material & Slices
- Winteam Sales

(i) Information about profit or loss, 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 period is set out below.

	Six months ended 30 June 2013								
	Continuing operations							Discontinued operations	
	Dezhong	Feng Liao Xing	Guangdong Medi-World	Luya	Feng Liao Xing Material & Slices	Winteam Sales	Subtotal	Guizhou Zhongtai and its subsidiaries	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue from external customers	16,179	11,293	12,632	26,279	18,965	548,500	633,848	9,796	643,644
Inter-segment revenue	166,315	126,566	169,144	12,753	82,532	–	557,310	–	557,310
Reportable segment revenue	**182,494**	**137,859**	**181,776**	**39,032**	**101,497**	**548,500**	**1,191,158**	**9,796**	**1,200,954**
Reportable segment profit/(loss) (adjusted EBITDA)	**77,840**	**33,731**	**59,898**	**12,323**	**4,031**	**(29,833)**	**157,990**	**(4,273)**	**153,717**
Interest income from bank deposit	24	10	4,091	6	6	–	4,137	136	4,273
Interest expenses	6,469	2,776	6,754	–	265	471	16,735	606	17,341
Depreciation and amortisation for the period	12,317	4,126	8,366	4,549	169	172	29,699	7,510	37,209
Reportable segment assets	1,265,615	458,941	689,443	185,666	254,441	346,168	3,200,274	391,784	3,592,058
Reportable segment liabilities	666,841	160,166	776,612	19,389	224,849	375,162	2,223,019	141,682	2,364,701

3 TURNOVER AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(i) Information about profit or loss, assets and liabilities (Continued)

	Six months ended 30 June 2012						
	Continuing operations						
	Dezhong $'000	Feng Liao Xing $'000	Guangdong Medi-World $'000	Luya $'000	Feng Liao Xing Material & Slices $'000	Winteam Sales $'000	Total $'000
Revenue from external customers	157,000	80,990	126,941	35,507	15,001	174,126	589,565
Inter-segment revenue	35,294	36,579	51,615	1,014	66,807	–	191,309
Reportable segment revenue	192,294	117,569	178,556	36,521	81,808	174,126	780,874
Reportable segment profit (adjusted EBITDA)	69,147	8,750	37,051	9,195	2,903	6,748	133,794
Interest income from bank deposit	230	41	4,381	8	–	10	4,670
Interest expenses	3,942	2,339	4,769	–	2,871	–	13,921
Depreciation and amortisation for the period	8,643	3,930	8,242	3,744	155	309	25,023
Reportable segment assets	885,339	351,601	581,755	172,912	236,613	131,866	2,360,086
Reportable segment liabilities	338,406	105,951	609,333	19,657	213,802	108,003	1,395,152

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' remuneration, other head office or corporate administration costs, other revenue and other net income.

3 TURNOVER AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(ii) Reconciliations of reportable segment profit or loss

	Six months ended 30 June			
	2013			2012
	Continuing operations $'000	**Discontinued operations $'000 (note 11(b))**	**Total $'000**	**$'000**
Reportable segment profit/(loss)	**157,990**	**(4,273)**	**153,717**	133,794
Elimination of inter-segment profits	**1,703**	**–**	**1,703**	1,016
Reportable segment profit/(loss) derived from the Group's external customers	**159,693**	**(4,273)**	**155,420**	134,810
Other revenue and net income	**8,708**	**336**	**9,044**	9,266
Depreciation and amortisation	**(29,699)**	**(7,510)**	**(37,209)**	(25,023)
Finance costs	**(16,735)**	**(606)**	**(17,341)**	(13,921)
Unallocated head office and corporate expenses	**(15,089)**	**–**	**(15,089)**	(3,411)
Consolidated profit/(loss) before taxation	**106,878**	**(12,053)**	**94,825**	101,721

4 SEASONALITY OF OPERATIONS

Continuing operations

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.

For the twelve months ended 30 June 2013, the Group reported revenue of $1,312,426,000 (twelve months ended 30 June 2012: $1,097,103,000), and gross profit of $746,935,000 (twelve months ended 30 June 2012: $582,580,000).

5 OTHER REVENUE AND NET INCOME

Continuing operations

	Six months ended 30 June	
	2013	2012
	$'000	$'000
Other revenue		
Rental income	**372**	566
Government grants	**3,503**	3,763
Interest income	**4,137**	4,670
	8,012	8,999
Other net income		
(Loss)/gain on disposal of fixed assets	**(128)**	72
Exchange gain/(loss)	**627**	(6)
Others	**197**	201
	696	267

6 PROFIT BEFORE TAXATION

Continuing operations

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

(a) Finance costs

	Six months ended 30 June	
	2013	2012
	$'000	$'000
Interest on bank advances and other borrowings wholly repayable within five years	**16,735**	17,475
Less: interest expense capitalised into construction in progress*	**–**	(3,554)
	16,735	13,921

* The borrowing cost have been capitalised at a rate of 5.679% - 8.528% per annum during the six months ended 30 June 2012.

(b) Other items

	Six months ended 30 June	
	2013	2012
	$'000	$'000
(Reversals of)/write down of inventories (note 13)	**(2,168)**	214
Depreciation		
– investment properties	**118**	98
– interests in leasehold land held for own use under operating leases	**1,328**	1,303
– other property, plant and equipment	**22,903**	18,113
Amortisation		
– intangible assets	**5,350**	5,509
Impairment losses recognised		
– trade and other receivables	**3,588**	1,014
Operating lease charges on buildings	**2,695**	2,834
Research and development costs	**23,011**	20,419

7 INCOME TAX

	Six months ended 30 June	
	2013	2012
	$'000	$'000
Current tax		
PRC income tax for the period	**24,757**	18,329
Under-provision in respect of prior year	**51**	909
	24,808	19,238
Deferred tax		
(Reversal)/origination of temporary differences	**(3,304)**	2,927
Income tax expenses	**21,504**	22,165
Representing:		
Income tax expense from continuing operations	**22,057**	22,165
Income tax benefit from discontinued operations (note 11)	**(553)**	–
Income tax expenses	**21,504**	22,165

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 2013 and 2012.

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 Feng Liao Xing, Dezhong and Guangdong Medi-World, which were recognised as High and New Technology Enterprises to enjoy a preferential corporate income tax rate of 15% in 2013 (2012: 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.

8 OTHER COMPREHENSIVE INCOME

Continuing operations

Available-for-sale securities

	Six months ended 30 June	
	2013	2012
	$'000	$'000
Changes in fair value recognised during the period	**1,632**	968
Income tax effect on the change in fair value recognised during the period	**(245)**	(145)
	1,387	823

9 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 $78,475,000 (six months ended 30 June 2012: $77,967,000) and the weighted average of 1,815,910,000 ordinary shares (six months ended 30 June 2012: 1,783,411,000) 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.

10 FIXED ASSETS

(a) Acquisitions and disposals

During the six months ended 30 June 2013, the Group acquired items of plant and machinery (including payments for construction in progress) with a cost of $50,191,000 (six months ended 30 June 2012: $16,038,000).

Items of buildings, plant and machinery with a net book value of $410,000 were disposed of during the six months ended 30 June 2013 (six months ended 30 June 2012: $428,000), resulting in a loss of $128,000 (six months ended 30 June 2012: gain of $72,000).

(b) Pledged assets

Certain interests in leasehold land held for own use under operating leases and buildings with carrying value of $88,022,000 were pledged as securities of bank loans of the Group as at 30 June 2013 (31 December 2012: $73,520,000) (see note 18(i)).

11 INVESTMENT IN A SUBSIDIARY

(a) Acquisition of a subsidiary

On 12 January 2013, the Group acquired 51% of the equity interests in Guizhou Zhongtai and its subsidiaries for a consideration of RMB153,000,000, equivalent to $188,695,000.

The management considers this as the acquisition of a business. The principal activity of Guizhou Zhongtai and its subsidiaries is manufacturing and sales of plasma-based biopharmaceutical products. The following summaries the nature of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

Identified assets acquired and liabilities assumed of Guizhou Zhongtai and its subsidiaries at the acquisition date:

	Pre-acquisition carrying amount HK$'000	**Fair value adjustments HK$'000**	**Recognised values on acquisition HK$'000**
Fixed assets			
– Property, plant and equipment	95,363	(556)	94,807
– Interests in leasehold land for own use under operating leases	5,769	6,280	12,049
	101,132	5,724	106,856
Construction in progress	3,670	–	3,670
Intangible assets	1,939	36,080	38,019
Inventories	27,864	–	27,864
Trade and other receivables	195,396	–	195,396
Cash and cash equivalents	7,361	–	7,361
Trade and other payables	(207,508)	–	(207,508)
Bank loans	(18,500)	–	(18,500)
Deferred tax liabilities	–	(10,451)	(10,451)
Net identifiable assets	111,354	31,353	142,707
Share of net identifiable assets			51%
Total consideration			188,695
Goodwill			115,914

11 INVESTMENT IN A SUBSIDIARY (Continued)

(b) Disposal of a subsidiary

On 16 May 2013, the board of directors of the Group approved to dispose of its entire interest in Guizhou Zhongtai and its subsidiaries. On 28 June 2013, the Group agreed with an independent third party that the Group shall conditionally sell its entire interest in Guizhou Zhongtai and its subsidiaries. The Directors expected that the transaction will be completed within next twelve months.

Accordingly, the operating results of Guizhou Zhongtai and its subsidiaries for the six months ended 30 June 2013 are presented as discontinued operations in the interim financial report.

All the assets and liabilities of Guizhou Zhongtai and its subsidiaries are classified as held for sale under the accounting policy set out in note 2(a)(i).

(i) Result of the discontinued operations:

	For the six months ended 30 June 2013 HK$'000
Revenue (note 3(b)(i))	**9,796**
Expenses	**(21,849)**
Loss before taxation	**(12,053)**
Income tax benefit (note 7)	**553**
Loss for the year	**(11,500)**

11 INVESTMENT IN A SUBSIDIARY (Continued)

(b) Disposal of a subsidiary (Continued)

(ii) Result of the discontinued operations is arrived at after charging:

		For the six months ended 30 June 2013 HK$'000
i)	Other revenue:	
	Interest income	**136**
ii)	Other net income:	
	Gain on disposal of fixed assets	**200**
iii)	Finance costs:	
	Interest expense	**606**
iv)	Staff costs:	
	Salaries, wages and other benefits	**8,006**
	Contributions to defined contribution retirement plan	**1,069**
		9,075
v)	Other items:	
	Depreciation	
	– interests in leasehold land held for own use under operating leases	**153**
	– other property, plant and equipment	**5,076**
	Amortisation	
	– intangible assets	**2,281**

11 INVESTMENT IN A SUBSIDIARY (Continued)

(b) Disposal of a subsidiary (Continued)

(iii) Cash flows of the discontinued operations:

	For the six months ended 30 June 2013 HK$'000
Net cash used in operating activities	**(29,182)**
Net cash used in investing activities	**(6,178)**
Net cash generated from financing activities	**36,742**
Effect of foreign exchange rate changes	**144**
Net cash inflows for the period	**1,526**

(iv) Assets of disposal group held for sale:

	Six months ended 30 June 2013 $'000
Fixed assets (notes)	
– Property, plant and equipment	**97,554**
– Interests in leasehold land held for own use under operating leases	**12,116**
Construction in progress	**3,907**
Intangible assets	**36,424**
Goodwill	**117,991**
Inventories	**31,761**
Trade and other receivables	**7,821**
	307,574

Notes:

i) Certain interests in leasehold land held for own use under operating leases and buildings with carrying value of $44,358,000 were pledged as securities of bank loans as at 30 June 2013 (see note 11(b)(v)).

ii) Guizhou Zhongtai and its subsidiaries were in the process of applying for the title certificate of certain of its interests in leasehold land held for own use under operating leases with an aggregate carrying amount of $2,338,000 as at 30 June 2013.

11 INVESTMENT IN A SUBSIDIARY (Continued)

(b) Disposal of a subsidiary (Continued)

(v) Liabilities of disposal group held for sale:

	Six months ended 30 June 2013 $'000
Trade and other payables	**96,615**
Bank loans	**18,831**
Deferred tax liabilities	**10,080**
Deferred government grants	**6,277**
	131,803

12 OTHER FINANCIAL ASSETS

	At 30 June 2013 $'000	At 31 December 2012 $'000
Non-current		
Available-for-sale equity securities		
– Listed in the PRC, at fair value	**11,206**	9,393
– Unlisted equity securities, at cost	**1,268**	1,246
	12,474	10,639
Market value of listed securities	**11,206**	9,393
Current		
Loans to a third party	**–**	94,692

12 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.

Guangdong Medi-World and Guizhou Zhongtai entered into a Loan Agreement on 22 December 2011 pursuant to which Guangdong Medi-World agreed to advance a loan in the amount of RMB70 million (approximately $88 million) to Guizhou Zhongtai. The loan was interest 8.53% at annum, and shall be utilised by Guizhou Zhongtai for repayment of the loan owned by Guizhou Zhongtai to Henan Xintai Medicine Company Limited ("Henan Xintai", the prior controlling shareholder of Guizhou Zhongtai). The balance as at 31 December 2012 represented the principal amount of $86,331,000 and related interest receivable of $8,361,000.

13 INVENTORIES

The analysis of the amount of inventories recognised as an expense from continuing operations and included in profit or loss is as followed:

	Six months ended 30 June	
	2013	2012
	$'000	$'000
Carrying amount of inventories sold	**265,601**	275,025
(Reversal of)/write down of inventories	**(2,168)**	214
	263,433	275,239

The reversal of write-down of inventories during the six months ended 30 June 2013 arose as a result of the subsequent sales of long-aged finished goods for which a write-down was made in prior years.

14 TRADE AND OTHER RECEIVABLES

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

	At 30 June 2013 $'000	At 31 December 2012 $'000
Within 3 months after invoice date	**231,183**	298,889
3 to 6 months after invoice date	**117,316**	87,852
More than 6 months less than 12 months after invoice date	**24,160**	17,672
Trade debtors and bills receivable, net of allowance for doubtful debts	**372,659**	404,413
Other receivables	**149,798**	141,675
	522,457	546,088

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

During the six months ended 30 June 2013, none of the bills receivable was pledged as securities (31 December 2012: $52,816,000). (see note 18(i))

15 DEPOSITS WITH BANKS

(i) Bank deposits of $25,422,000 were pledged as securities for bank loans of the Group as at 30 June 2013 (31 December 2012: $107,209,000) (see note 18(i)).

(ii) Bank deposits of $10,000,000 were pledged for issuance of letter of credits of the Group as at 30 June 2013 (31 December 2012: Nil).

16 CASH AND CASH EQUIVALENTS

	At 30 June 2013 $'000	At 31 December 2012 $'000
Cash at bank and in hand	**799,325**	57,050

17 TRADE AND OTHER PAYABLES

	At 30 June 2013 $'000	At 31 December 2012 $'000
Trade creditors	**117,220**	101,377
Other creditors and accrued charges	**118,751**	138,235
Advances received from customers	**19,396**	14,216
	255,367	253,828

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

18 BANK LOANS

At 30 June 2013, the Group's bank loans are repayable as follows:

	At 30 June 2013 $'000	At 31 December 2012 $'000
Within 1 year or on demand	**480,057**	511,104

18 BANK LOANS (Continued)

At 30 June 2013, the Group's bank loans are secured as follows:

	At 30 June 2013 $'000	At 31 December 2012 $'000
Bank loans		
Secured	**163,202**	313,776
Unsecured	**316,855**	197,328
	480,057	511,104

Notes:

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

	Carrying Value	
	At 30 June 2013 $'000	At 31 December 2012 $'000
Interests in leasehold land and buildings (note 10(b))	**88,022**	73,520
Deposits with banks (note 15)	**25,422**	107,209
Bills receivable (note 14)	**–**	52,816
	113,444	233,545

As at 31 December 2012, 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 22(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 $25,108,000 were guaranteed by Mr. Yang Bin as at 30 June 2013 (31 December 2012: $39,466,000).

(iii) Banking facilities of $687,627,000 (31 December 2012: $560,435,000) were utilised to the extent of $480,057,000 (31 December 2012: $511,104,000). The bank loans drawn were secured by assets as set out in note 18(i).

Parts of the Group's bank loans, amounted to $175,756,000 (31 December 2012: $165,583,000) 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 2013, none of the covenants relating to drawn down facilities had been breached (31 December 2012: Nil).

19 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

	At 30 June 2013		At 31 December 2012	
	Number of shares '000	**Nominal value $'000**	Number of shares '000	Nominal value $'000
Authorised:				
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	**1,783,411**	**178,341**	1,783,411	178,341
Issuance of new shares (note)	**225,000**	**22,500**	–	–
At 30 June/31 December	**2,008,411**	**200,841**	1,783,411	178,341

Note: The Company allotted and issued 225,000,000 and 125,000,000 ordinary shares of $0.10 each at the issue price of $3.1 per share on 4 June 2013 and 9 July 2013 respectively. The net proceeds will be used to settle the consideration for a proposed acquisition of the 100% equity interest in Tongjitang Chinese Medicines Company and its subsidiaries. Details of the acquisition are set out in note 21.

(b) Dividends

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

	Six months ended 30 June	
	2013 $'000	2012 $'000
Interim dividend proposed after the interim period (six months ended 30 June 2012: 2.5 cents)	**–**	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.

19 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Dividends (Continued)

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

	Six months ended 30 June	
	2013	2012
	$'000	$'000
Final dividend proposed in respect of the previous financial period (six months ended 30 June 2012: 5 cents)	**–**	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.

20 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

		Fair value measurements as at 30 June 2013 using		
	Fair value at 30 June 2013	**Quoted prices in active market for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
	$'000	**$'000**	**$'000**	**$'000**
Recurring fair value measurement				
Financial assets:				
Available-for-sale equity securities:				
– Listed in the PRC	**11,206**	**11,206**	**–**	**–**

20 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

		Fair value measurements as at 31 December 2012 using		
	Fair value at 31 December 2012	Quoted prices in active market for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	$'000	$'000	$'000	$'000
Recurring fair value measurement				
Financial assets:				
Available-for-sale equity securities:				
– Listed	9,393	9,393	–	–

During the six months ended 30 June 2013, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2012: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

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

	At 30 June 2013	At 31 December 2012
	$'000	$'000
Contracted for (note)	**3,344,527**	224,520

Note: On 23 May 2013, the Company entered into the equity transfer agreement with the third-party vendors in which it was agreed that the vendors shall sell and the Company shall purchase the 100% of equity interest in Tongjitang Chinese Medicine Company and its subsidiaries (the "TCM Group") with the consideration of RMB2,640,000,000 (approximately equivalent to $3,314,256,000). The transaction is expected to be completed upon the fulfilment of certain conditions. The Group is in the process of making an assessment of fair value of the identifiable assets and liabilities of TCM Group, and of the financial impact of such transaction.

The TCM Group is principally engaged in development, manufacturing and marketing of modernised traditional Chinese medicines with emphasis on orthopaedics.

(Expressed in Hong Kong dollars)

22 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

During the six months ended 30 June 2013 and 2012, transactions with the following parties are considered to be related party transactions:

Name of related party	Relationship as at 31 December 2012	Relationship as at 30 June 2013
Mr. Yang Bin	Executive director and controlling shareholder of the Company	Executive director and a shareholder of the Company
Mr. Wu Xian	Nil	Executive director of the Company with effect from 28 February 2013
Mr. Xu Tiefeng	Executive director and controlling shareholder of the Company	Executive director and controlling shareholder of the Company till 28 February 2013
Hanyu Pharmaceutical	Effectively 45.32% owned by Mr. Yang Bin and 27.34% owned by Mr. Xu Tiefeng, directors of the Company	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	Nil
Sino Famous Trading Limited ("Sino")	Effectively 50% owned by Mr. Xu Tiefeng	Nil
Kimlong Technology Limited ("Kimlong")	Effectively 100% owned by Mr. Yang Bin	Effectively 100% owned by Mr. Yang Bin
China National Pharmaceutical Group Corporation ("CNPGC")	Nil	Ultimate controlling shareholder
CNPGC's subsidiaries	Nil	Fellow subsidiaries of the Group

(Expressed in Hong Kong dollars)

22 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:

(i) Sales of finished goods to:

	Six months ended 30 June	
	2013	2012
	$'000	$'000
CNPGC's subsidiaries		
– Continuing operations	**59,848**	–
– Discontinued operations	**1,196**	–
	61,044	–

(ii) Purchase of raw materials from:

	Six months ended 30 June	
	2013	2012
	$'000	$'000
Continuing operations		
CNPGC's subsidiaries	**11,904**	–

22 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with related parties (Continued)

(iii) Loan from related party:

	Six months ended 30 June	
	2013	2012
	$'000	$'000
Discontinued operations		
Hanyu Pharmaceutical *	**31,385**	–

* The loan from related party is unsecured, interest free and has no fixed repayment terms.

(iv) Trade and other receivable balances due from related parties:

	At 30 June 2013	At 31 December 2012
	$'000	$'000
CNPGC's subsidiaries	**37,176**	–

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

(v) Trade and other payable balances due to related parties:

	At 30 June 2013	At 31 December 2012
	$'000	$'000
Hanyu Pharmaceutical	**8,788**	–
CNPGC's subsidiaries	**3,982**	–
	12,770	–

As at 30 June 2013, none of the bank loans were secured by interests in leasehold land held by Hanyu Pharmaceutical (31 December 2012: $110,997,000).

22 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Key management personnel remuneration

Remuneration for key management personnel is as follows:

	Six months ended 30 June	
	2013	2012
	$'000	$'000
Short-term employee benefits	**2,583**	2,758
Post-employment benefits	**61**	73
	2,644	2,831

23 OTHER SUBSEQUENT EVENT

On 14 August 2013, Foshan Winteam Pharmaceutical Development Company Limited, a wholly-owned subsidiary of the Company, acquired a land use right in Foshan City, Guangdong Province of the PRC from a PRC government authority through a public auction at a consideration of RMB234.05 million (equivalent to approximately HK$294.9 million).