The United Laboratories International Holdings Limited
聯邦制藥國際控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 3933)

2010 ANNUAL RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

	2010 *HK$'000*	2009 *HK$'000*	**Increase %**
Turnover	**6,502,817**	4,643,177	**40.1%**
EBITDA	**1,674,224**	1,120,378	**49.4%**
Profit before taxation	**1,163,280**	693,370	**67.8%**
Profit for the year attributable to owners of the Company	**974,157**	541,443	**79.9%**
Basic earnings per share (HK cents)	**HK78.2cents**	HK45.1cents	**73.4%**

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board") of The United Laboratories International Holdings Limited (the "Company"), I am pleased to present to all shareholders the annual results of the Company and its subsidiaries (collectively the "Group" or "United Laboratories") for the year ended 31 December 2010.

2010 was a fruitful year for the Group. Returns were seen from the investments made for the Inner Mongolian plant and sales team. There was a remarkable increase in our sales volume while other operating figures continued to scale new heights. During the period under review, the Group's turnover amounted to approximately HK$6,500 million, an increase of 40.1% over that of last year. EBITDA and profit before taxation were approximately HK$1,670 million and HK$1,160 million respectively, representing a growth of 49.4% and 67.8% over last year, respectively which broke the historical highs again. The Group's net profit for the year amounted to HK$970 million, nearly a 79.9% growth on a year-on-year basis.

With the production line of intermediate products in the Inner Mongolian plant coming to a full operation and product prices being stabilized, the sales of intermediate products made a greater contribution to the Group. During the year, the sales of bulk medicine also marked satisfactory growth. Two products achieved record-high turnovers. For the segment of finished products, although some products were affected by price-cut policies during the year, there were no significant impacts on the Group whose turnover and profits, conversely, continued to score new highs. During the year, the training for the sales team of finished products was completed, harvesting 3,000 professional salespersons with rich experience and extensive networks. With the improvement of our sales networks and outlets, there was an increase in the market share and coverage of a number of our major products, thereby injecting momentum for our future performance.

The effects of the financial tsunami and the tightening of the national environmental regulatory requirements for the industry fueled the integration in the industry. As the leading enterprise of the industry, the Group benefited from the integration and strengthened its leading market position. Cost control has always been a focus of the Group. With the cost reduced significantly during the year, the gross profit margins of intermediate products improved, thus enhancing the Group's competitiveness to further seize the market shares. The management has learnt from market changes and matured its skills. This has solidified the foundation of the Group, and helped it handle future objective changes in the market environment. Meanwhile, the Group's results were boosted as the government gradually implemented the RMB850 billion investment in the national medical reform and promulgated The Essential Drugs List (for the Fundamental Medical and Health Institutions). The promotion of medical insurance projects stimulated market demand, giving the Group a business opportunity to fully enhance its market promotion.

The Group has the advantages of the vertically integrated production model with five major production bases complementing each other. This helped to keep our costs down and our efficiency high. Following the full operation of the vertically integrated plant in Inner Mongolia, and the expansion of our plants in Hong Kong, Zhongshan and Zhuhai, our production capacity was increased, fully reflecting the cost effectiveness and creating a synergy effect. During the period under review, the Group's leading position in the industry was evidently strengthened. The vertically integrated model will continue to be the Group's cutting edge. All our plants have passed national GMP certification, while some received the ISO9001 and ISO14001 certification. Some of the major products were also granted the certifications or acceptance of FDA from the US, COS from Europe, GMP from Japan. The achievements not only facilitated the internationalization of the customer base, and consolidated the industry leading status of the Group as well. At the end of the year, the approvals for five recombinant human insulin products was good news for the Group and boosted the morale for our staff members.

For 2011, the Group is well prepared to strive for another year of excellence. 2011 will see accelerated market integration where the weak will be eliminated while the strong remains. Therefore, the Group believes that the market shares of intermediate products and bulk medicine will further increase. It is expected that our sales volume will reach a new high in sync with price rise, thereby providing a steady profit base for the Group. Our finished products will continue to benefit from the three national policies, namely, medical reform, medical insurance and agricultural assistance. Coupled with the improvement of the sales team and network as well as the support of marketing activities, it is believed that our profit will rise to a new level. Looking ahead, the Group will adopt the following practical measures to develop and improve its business operations.

The Group will focus on development in the global market. After a number of years' observations and trials, the Group decided to set up offices in countries such as Brazil, India and Dubai as its stepping stones to tap into the global market. In recent years, the Group's products have been granted certifications by many different countries around the world, and continuously received orders and enquiries from foreign clients. Hence the Group decides to promote its products worldwide. There has been an increasing demand and thus higher prices for intermediate products and bulk medicine in such developing countries and in the Middle East market. Building on the success of our existing domestic sales and exports, the Group plans to promote its export growth. With the establishment of new offices, the Group will develop better relationships with its local clients and attract new ones as well. The Group strong production bases and years of export experience are not only its strengths but a drive for business growth. The Group will expand its production capacity to meet demands.

The Group will make more investment in the Inner Mongolian plant. As evident by the statistics over the past two years, its Inner Mongolian plant contributed greatly to the Group. The area is abundant of inexpensive raw materials, energy and labour resources, all of which helped the Group to get the advantage of low cost. Hence the Group plans to inject more funds into the development of new vertically integrated plants there. Economies of scale will bring about further business growth for the Group. Also, approval was obtained from the Government to use the enzyme production process developed by the Group to produce bulk Amoxicillin. This will help the Group to lower its cost and increase production efficiency. Such production technology is the most advanced in the world. It involves no water pollution and impurities and requires less energy which leads to a cost reduction. Therefore, the new production plants will operate based on the new method. It can effectively keep up with the development of our export and domestic sales.

As the Group continues to further the brand building and develop the sales channels, networks and personnel, the management level believes that its products will harvest excellent results for the long run. The sales team now comprises approximately 3,000 members, reaching out to various parts of China. Earlier on, the Group nominated three members from the managerial level of the sales team into the Board, demonstrating the Board's attachment of significance in the area. The joining of the three sales directors will help the Group to formulate and support the sales strategy of finished products as part of its long-term development plan. The Group also plans to expand into rural and community markets. It is expected that the expansion will drive up the Group's operating results significantly.

Following the approvals for manufacturing recombinant human insulin products, the Group will invest more resources to develop the concerned markets. The Group will continue to hold expert seminars in various regions to promote relevant products in addition to previous presentations which achieved desired results. The Group will also strengthen the development and approval application of the third generation of insulin finished products in order to increase product diversification and enhance product competitiveness to gain the best proportion of market share in this market worth of billions of Renminbi. The Group will continue to expand production lines. It is believed that there will be a significant increase in the sales amount during the year. Over the past year, the first recombinant human insulin product was launched. Given that the product has good efficacy equivalent to that of imported insulin and was priced competitively, it was well received in the market and achieved good tender results beyond expectation. Some data show that the number of current diabetics in China is over 100 million and continues to increase. The market for recombinant human insulin is RMB50 billion with a rapid annual growth of 20-30%. As such, the product will become a major drive for the Group's future growth.

Looking ahead, the Group will catalyze its process of internationalization in order to become a leading pharmaceutical company in the world. We will capitalize on our product vertical integration model, economies of scale and the TUL brand to seize the domestic and overseas opportunities proactively with a view to scoring another high. The Group believes that, with its solid foundation, the recognition and support of analysts and investors coupled with the vision and efforts from the management and all employees, we will continue to yield remarkable results to thank our shareholders for their support.

2010 ANNUAL RESULTS

The Board of the Company is pleased to announce the consolidated results of the Group for the year ended 31 December 2010 and the comparative figures for the year 2009 as follows:

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2010

	Notes	**2010** *HK$'000*	2009 *HK$'000*
Turnover	3	**6,502,817**	4,643,177
Cost of sales		**(3,934,763)**	(2,829,159)
Gross profit		**2,568,054**	1,814,018
Other income	4	**40,216**	22,573
Other gains and losses	5	**16,449**	(274)
Selling and distribution expenses		**(939,082)**	(718,022)
Administrative expenses		**(359,927)**	(291,582)
Other expenses		**(70,612)**	(44,853)
Finance costs	6	**(91,818)**	(88,490)
Profit before taxation		**1,163,280**	693,370
Taxation	7	**(189,123)**	(151,927)
Profit for the year attributable to owners of the Company	8	**974,157**	541,443
Other comprehensive income			
Exchange differences arising on translation to presentation currency		**139,083**	15,089
Total comprehensive income for the year attributable to owners of the Company		**1,113,240**	556,532
Basic earnings per share (HK cents)	10	**78.2**	45.1

Consolidated Statement of Financial Position
At 31 December 2010

	Notes	**31.12.2010** **HK$'000**	31.12.2009 *HK$'000* (Restated)	1.1.2009 *HK$'000* (Restated)
Non-current assets				
Property, plant and equipment	11	**4,651,121**	4,009,768	3,488,981
Prepaid lease payments		**108,523**	106,687	109,911
Goodwill		**3,588**	3,437	3,428
Intangible assets		**3,270**	5,450	3,935
Deposit for leasehold land		**3,551**	3,409	-
Deposits for acquisition of property, plant and machinery		**136,185**	92,541	128,319
Available-for-sale investment		**-**	-	-
Deferred tax asset		**35,659**	18,580	6,249
		4,941,897	4,239,872	3,740,823
Current assets				
Inventories		**1,248,199**	884,723	773,991
Trade and bills receivables, deposits and prepayments	12	**2,567,263**	1,851,785	1,198,190
Derivative financial instruments		**2,268**	-	3,240
Prepaid lease payments		**2,588**	2,482	2,495
Pledged bank deposits		**381,624**	288,645	286,045
Bank balances and cash		**464,055**	192,489	165,474
		4,665,997	3,220,124	2,429,435
Current liabilities				
Trade and bills payables and accrued charges	13	**1,968,439**	1,924,104	1,509,928
Tax payables		**83,704**	68,697	32,836
Borrowings		**2,350,074**	2,205,284	1,775,542
		4,402,217	4,198,085	3,318,306
Net current assets (liabilities)		**263,780**	(977,961)	(888,871)
Total assets less current liabilities		**5,205,677**	3,261,911	2,851,952
Non-current liabilities				
Deferred tax liabilities		**95,735**	68,884	35,457
		5,109,942	3,193,027	2,816,495
Capital and reserves				
Share Capital	14	**13,015**	12,000	12,000
Reserves		**5,096,927**	3,181,027	2,804,495
Equity attributable to owners of the Company		**5,109,942**	3,193,027	2,816,495

Notes:

1. General

The Company is a limited company incorporated in the Cayman Islands. The Company's parent company is Heren Far East Limited, a company incorporated in the British Virgin Islands and its ultimate holding company is Gesell Holdings Limited, a company incorporated in the British Virgin Islands. The Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its place of business is located at 6 Fuk Wang Street, Yuen Long Industrial Estate, Yuen Long, New Territories, Hong Kong.

The functional currency of the Group in the People's Republic of China (the "PRC") is Renminbi ("RMB"). The consolidated financial statements of the Group are presented in Hong Kong dollars because the Company is a public company with the shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and a majority of its investors are based in Hong Kong and therefore, the directors consider that Hong Kong dollars is a preferred currency to be used in presenting the operating results and financial position of the Group.

2. Application of new and revised Hong Kong Financial Reporting Standards

In the current year, the Group has applied, the following Hong Kong Accounting Standards ("HKAS(s)"), Hong Kong Financial Reporting Standards ("HKFRS(s)"), amendments and interpretations ("HK(IFRIC) - Int") (hereinafter collectively referred to as the "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"):

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKAS 27 (Revised 2008)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised 2008)	Business Combinations
HK(IFRIC) - Int 17	Distributions of Non-cash Assets to Owners
HK - Int 5	Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as described below, the adoption of these new and revised HKFRSs in the current year has had no material effect on the consolidated financial statements.

HKAS 27 (Revised 2008) and HKFRS 3 (Revised 2008)

The Group applies HKFRS 3 (Revised 2008) "Business Combinations" prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised 2008) "Consolidated and Separate Financial Statements" in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there were no significant transactions during the year to which the changes under HKFRS 3 (Revised 2008) and HKAS 27 (Revised 2008) are applicable, the application of HKFRS 3 (Revised 2008), HKAS 27 (Revised 2008) and the consequential amendments to other HKFRSs had no effect on the consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised 2008), HKAS 27 (Revised 2008) and the consequential amendments to the other HKFRSs are applicable.

Improvements to HKFRSs issued in 2009 relating to HKAS 17

As part of Improvements to HKFRSs issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and present them as prepaid lease payments in the consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provision set out in the amendments to HKAS 17, the Group reassessed the classification of land elements of unexpired leases at 1 January 2010 based on information which existed at the inception of these leases. Leasehold land which qualifies for finance lease classification has been reclassified from prepaid lease payments to property, plant and equipment retrospectively.

This resulted in a reclassification of prepaid lease payments as property, plant and equipment measured using the cost model. The adoption of the amendments to HKAS 17 has no impact on the results and earnings per share for the current or prior accounting periods.

Hong Kong Interpretation 5 Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Hong Kong Interpretation 5 "Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause" ("HK - Int 5") clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ("repayment on demand clause") should be classified by the borrower as current liabilities. The Group has applied HK - Int 5 for the first time in the current year. HK - Int 5 requires retrospective application.

In order to comply with the requirements set out in HK - Int 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK - Int 5, term loans with a repayment on demand clause are classified as current liabilities.

As a result, bank loans that contain a repayment on demand clause with the aggregate carrying amounts of HK$857,919,000 and HK$424,692,000 have been reclassified from non-current liabilities to current liabilities as at 31 December 2009 and 1 January 2009 respectively. As at 31 December 2010, bank loans (that are repayable more than one year after the end of the reporting period but contain a repayment on demand clause) with the aggregate carrying amount of HK$580,651,000 have been classified as current liabilities. The application of HK - Int 5 has had no impact on the reported profit or loss or earnings per share for the current and prior years.

Such term loans have been presented in the earliest time band in the maturity analysis for financial liabilities.

The effect of adoption of amendments to HKAS 17 and Hong Kong Interpretation 5 on the financial position of the Group is as follows:

	As at 31.12.2009 *HK$'000* (Originally stated)	Adjustments *HK$'000*	As at 31.12.2009 *HK$'000* (Restated)
Property, plant and equipment	3,988,044	21,724	4,009,768
Prepaid lease payments – non-current	127,833	(21,146)	106,687
Prepaid lease payments – current	3,060	(578)	2,482
Borrowing – non-current	857,919	(857,919)	-
Borrowing – current	1,347,365	857,919	2,205,284

	As at 1.1.2009 *HK$'000* (Originally stated)	Adjustments *HK$'000*	As at 1.1.2009 *HK$'000* (Restated)
Property, plant and equipment	3,466,393	22,588	3,488,981
Prepaid lease payments – non-current	131,921	(22,010)	109,911
Prepaid lease payments – current	3,073	(578)	2,495
Borrowing – non-current	424,692	(424,692)	-
Borrowing – current	1,350,850	424,692	1,775,542

The adoption of the other new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[6]
HKAS 24 (Revised 2009)	Related Party Disclosures[4]
HKAS 32 (Amendments)	Classification of Rights Issues[2]
HKFRS 7 (Amendments)	Disclosures - Transfers of Financial Assets[5]
HKFRS 9	Financial Instruments[7]
HK(IFRIC) - Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[4]
HK(IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments[3]

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 February 2010.
3 Effective for annual periods beginning on or after 1 July 2010.
4 Effective for annual periods beginning on or after 1 January 2011.
5 Effective for annual periods beginning on or after 1 July 2011.
6 Effective for annual periods beginning on or after 1 January 2012.
7 Effective for annual periods beginning on or after 1 January 2013.

HKFRS 9 "Financial Instruments" (issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 (revised in November 2010) adds requirements for financial liabilities and for derecognition that are designated as at fair value through profit or loss.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The directors anticipate that the application of HKFRS 9 will affect the classification and measurement of the Group's available-for-sale investment and may affect the classification and measurement of other financial assets.

The directors of the Company anticipate that the application of other new or revised standards, amendments or interpretations will not have material impact on the consolidated financial statements of the Group.

3. Turnover and Segment information

Turnover

Turnover represents the net amounts received and receivable for goods sold by the Group to outside customers, less discounts and sales related taxes.

	2010	2009
	HK$'000	*HK$'000*
Sales of pharmaceutical products	**6,502,817**	4,643,177

Segment information

HKFRS 8 "Operating Segments" requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (i.e. executive directors of the Company) for the purpose of allocating resources to segments and assessing their performance.

The Group is currently organised into three revenue streams - (i) sale of intermediate products ("Intermediate products"); (ii) sale of bulk medicine ("Bulk medicine"); and (iii) sale of antibiotics finished products, non-antibiotics finished products and capsule casings (together "Finished products"). These three revenue streams are the operating and reportable segments of the Group on which the Group reports its primary segment information.

(a) Segment turnover and results:

Year ended 31 December 2010

	Intermediate products *HK$'000*	**Bulk medicine** *HK$'000*	**Finished products** *HK$'000*	**Segment total** *HK$'000*	**Elimination** *HK$'000*	**Consolidated** *HK$'000*
TURNOVER						
External sales	**1,710,429**	**2,875,592**	**1,916,796**	**6,502,817**	**-**	**6,502,817**
Inter-segment sales	**1,281,911**	**241,968**	**-**	**1,523,879**	**(1,523,879)**	**-**
	2,992,340	**3,117,560**	**1,916,796**	**8,026,696**	**(1,523,879)**	**6,502,817**
Segment profit	**575,280**	**276,440**	**436,139**			**1,287,859**
Unrealised profit elimination	**(4,790)**	**(2,807)**	**10,809**			**3,212**
	570,490	**273,633**	**446,948**			**1,291,071**
Unallocated other income						**9,532**
Unallocated corporate expenses						**(61,954)**
Other gains and losses						**16,449**
Finance costs						**(91,818)**
Profit before taxation						**1,163,280**

Year ended 31 December 2009

	Intermediate products *HK$'000*	Bulk medicine *HK$'000*	Finished products *HK$'000*	Segment total *HK$'000*	Elimination *HK$'000*	Consolidated *HK$'000*
TURNOVER						
External sales	808,086	2,248,934	1,586,157	4,643,177	-	4,643,177
Inter-segment sales	1,210,948	189,549	-	1,400,497	(1,400,497)	-
	2,019,034	2,438,483	1,586,157	6,043,674	(1,400,497)	4,643,177
Segment profit	189,982	305,402	424,645			920,029
Unrealised profit elimination	(53,696)	(984)	(14,750)			(69,430)
	136,286	304,418	409,895			850,599
Unallocated other income						5,641
Unallocated corporate expenses						(74,106)
Other gains and losses						(274)
Finance costs						(88,490)
Profit before taxation						693,370

Measurement

The accounting policies of the reportable segments are the same as the Group's accounting policies described in the annual report. Performance is measured based on segment profit that is used by the chief operating decision maker for the purposes of resource allocation and assessment of segment performance. Taxation is not allocated to reportable segments.

The turnover, profit or loss, assets and liabilities of the Group are allocated based on the operations of the segments.

Intersegment turnover is charged at prevailing market rates.

Reportable segment profit represents the profit earned by each segment without allocation of bank interest income, sundry income, fair value changes on derivative financial instruments, corporate expenses and staff costs, and finance costs.

(b) Segment assets and liabilities and other segment information:

	31.12.2010	31.12.2009	1.1.2009
	HK$'000	*HK$'000*	*HK$'000*
Reportable segment assets			
Intermediate products	**4,802,246**	3,630,580	3,320,394
Bulk medicine	**2,775,106**	2,430,137	1,583,824
Finished products	**1,146,936**	899,565	805,032
Total segment assets	**8,724,288**	6,960,282	5,709,250
Reportable segment liabilities			
Intermediate products	**958,160**	961,567	785,826
Bulk medicine	**927,533**	796,018	522,336
Finished products	**82,746**	166,519	201,766
Total segment liabilities	**1,968,439**	1,924,104	1,509,928

Measurement

Reportable segment assets exclude the deferred tax asset, derivative financial instruments, pledged bank deposits, bank balances and cash.

Reportable segment liabilities exclude tax payables, borrowings and deferred tax liabilities.

(c) Reconciliation of reportable segment assets and liabilities

Reconciliation segment assets and liabilities are reconciled to results and total assets and total liabilities of the Group as follows:

	31.12.2010	31.12.2009	1.1.2009
	HK$'000	*HK$'000*	*HK$'000*
Assets			
Reportable segment assets	**8,724,288**	6,960,282	5,709,250
Unallocated assets:			
- Deferred tax asset	**35,659**	18,580	6,249
- Derivative financial instruments	**2,268**	-	3,240
- Pledged bank deposits	**381,624**	288,645	286,045
- Bank balances and cash	**464,055**	192,489	165,474
Total assets per consolidated statement of financial position	**9,607,894**	7,459,996	6,170,258
Liabilities			
Reportable segment liabilities	**1,968,439**	1,924,104	1,509,928
Unallocated liabilities:			
- Tax payables	**83,704**	68,697	32,836
- Borrowings	**2,350,074**	2,205,284	1,775,542
- Deferred tax liabilities	**95,735**	68,884	35,457
Total liabilities per consolidated statement of financial position	**4,497,952**	4,266,969	3,353,763

(d) Other segment information

For the year ended 31 December 2010

	Intermediate products	**Bulk medicine**	**Finished goods**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Amounts included in the measure of segment profit or loss or segment assets:				
Amortisation of prepaid lease payments	**1,753**	**562**	**354**	**2,669**
Amortisation of intangible assets	**-**	**-**	**2,347**	**2,347**
Depreciation of property, plant and equipment	**327,264**	**47,152**	**39,694**	**414,110**
Reversal of allowance for inventories	**-**	**-**	**(295)**	**(295)**
Gain on disposal of property, plant and equipment	**-**	**2**	**-**	**2**
Additions to prepaid lease payments during the year	**104**	**-**	**-**	**104**
Additions to property, plant and equipment during the year	**535,808**	**258,192**	**95,706**	**889,706**

For the year ended 31 December 2009

	Intermediate products	Bulk medicine	Finished goods	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000
Amounts included in the measure of segment profit or loss or segment assets:				
Amortisation of prepaid lease payments	1,656	553	348	2,557
Amortisation of intangible assets	-	-	1,859	1,859
Depreciation of property, plant and equipment	264,900	37,750	31,452	334,102
Allowance for inventories	-	940	1,489	2,429
Gain on disposal of property, plant and equipment	-	-	576	576
Additions to intangible assets during the year	-	-	3,354	3,354
Additions to property, plant and equipment during the year	647,190	44,729	147,319	839,238

(e) Geographical information

The turnover by geographical market, irrespective of the origin of the goods and the non-current assets by location of assets are presented below:

	Turnover from external customers		Non-current assets	
	2010	2009	**31.12.2010**	31.12.2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
PRC (Country of domicile)	**4,544,686**	3,626,392	**4,776,369**	4,078,483
Europe	**437,571**	261,507	-	-
India	**936,256**	383,999	-	-
Hong Kong	**30,873**	43,217	**129,869**	142,809
Middle East	**91,922**	30,910	-	-
South America	**90,385**	56,589	-	-
Other Asian regions	**273,921**	189,312	-	-
Other regions	**97,203**	51,251	-	-
	6,502,817	4,643,177	**4,906,238**	4,221,292

Notes:

(1) Analysis on turnover from external customers attributed to individual countries in Europe, other Asian regions and other regions is not presented as the cost to develop such necessary information would be excessive.

(2) Non-current assets excludes deferred tax assets.

(f) Information about major customers

There is no customer who represents more than 10% of the total sales of the Group.

4. Other income

	2010	2009
	HK$'000	*HK$'000*
Bank interest income	**5,763**	3,588
Sales of raw materials	**15,232**	9,565
Subsidy income	**17,720**	7,367
Sundry income	**1,501**	2,053
	40,216	22,573

5. Other gains and losses

	2010	2009
	HK$'000	*HK$'000*
Net foreign exchange gain (loss)	**14,179**	(850)
Net gain on disposal of property, plant and equipment	**2**	576
Fair value change on derivative financial instruments	**2,268**	-
	16,449	(274)

6. Finance costs

	2010	2009
	HK$'000	*HK$'000*
Interest on borrowings wholly repayable within five years	**114,818**	105,770
Less : amounts capitalised in property, plant and equipment	**(23,000)**	(17,280)
	91,818	88,490

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 5.31% (2009: 6.88%) per annum to expenditure on qualifying assets.

7. Taxation

	2010	2009
	HK$'000	*HK$'000*
The charge comprises:		
Current tax		
Hong Kong Profits Tax	**10,953**	19,040
PRC enterprise income tax	**159,057**	98,628
PRC withholding tax	**11,960**	-
Overprovision in prior years		
Hong Kong	**(606)**	(526)
PRC	**(2,734)**	(1,638)
Change of applicable tax rate of a subsidiary (note)	**-**	15,327
	178,630	130,831
Deferred tax		
Current year	**10,493**	21,096
	189,123	151,927

Note: The Company's subsidiary, 珠海市萬邦藥業有限公司 ("萬邦藥業"), had previously applied the concessionary tax rate of 18% according to the circular on the Implementation of Transitional Preferential Policies for Enterprise Income Tax by Guo Shui Fa [2007] No. 39. 萬邦藥業 received a tax notification in April 2009 from the State of Administration of Taxation for withdrawing 萬邦藥業 from applying the concessionary tax rate and required to apply the standard rate of 25% with effect from 1 January 2008. The tax expense undercharged for prior year of HK$15,327,000 was charged to profit or loss in 2009.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

PRC Enterprise Income Taxes are calculated at the applicable rates of tax prevailing in the areas in which the Group operates, based on the existing legislation, interpretations and practices.

Pursuant to the Income Tax Law Concerning Foreign Investment Enterprises and Foreign Enterprises (《外商投资企業和外國企業所得稅法》) and Detailed Rules for the Implementation of the Income Tax Law for Enterprises with Foreign Investment and Foreign Enterprises (《外商投资企業和外國企業所得稅法實施細則》), both of which came into force on 1 July 1999, certain subsidiaries in the PRC are entitled to exemption from the PRC Enterprise Income Tax for the first two years commencing from their first profit-making year of operations, after offsetting all unexpired tax losses carried forward from previous years, and thereafter will be entitled to a 50% relief from the PRC Enterprise Income Tax for the following three years. Such tax benefit for respective subsidiaries will expire from 1 January 2010 to 1 January 2013. In addition, certain subsidiaries are entitled to a preferential tax rate as these subsidiaries are regarded as high-technology companies.

Pursuant to the PRC Enterprise Income Tax law and its detailed implementation rules promulgated on 16 March 2007 and 6 December 2007 respectively, for those subsidiaries without preferential tax rates, the new tax rate for domestic and foreign enterprises is unified at 25% and is effective from 1 January 2008 and for those subsidiaries enjoying a preferential tax rate, the new tax rate is increased from 18% over 5 years to 25% as a result of the grandfathering provisions. Besides, with effect from 1 January 2008, if the subsidiaries are qualified as high-technology companies (under the new PRC Enterprise Income Tax Law), the subsidiaries will be entitled a rate of 15%.

According to a joint circular of Ministry of Finance and State Administration of Taxation, Cai Shui 2008 No.1, dividend distributed out of the profits generated since 1 January 2008 held by the PRC entity shall be subject to PRC Enterprise Income Tax pursuant to Articles 3 and 27 of the Income Tax Law Concerning Foreign Investment Enterprises and Foreign Enterprises and Article 91 of the Detailed Rules for the Implementation of the Income Tax Law for Enterprises with Foreign Investment and Foreign Enterprises. Deferred tax of HK$50,631,000 (2009: HK$34,632,000) on the undistributed earnings has been charged to the consolidated statement of comprehensive income for the year ended 31 December 2010.

8. Profit for the year

	2010 *HK$'000*	2009 *HK$'000* (Restated)
Profit for the year has been arrived at after charging (crediting):		
(Reversal of) Provision of allowances for inventories	**(295)**	2,429
Provision of allowances for doubtful debts, net	**1,583**	1,264
Auditor's remuneration		
- Current year	**3,450**	3,300
- Under provision in prior years	**-**	300
	3,450	3,600
Amortisation of prepaid lease payments	**2,669**	2,557
Depreciation and amortisation		
Depreciation of property, plant and equipment	**414,110**	334,102
Amortisation of intangible assets (included in administrative expenses)	**2,347**	1,859
	416,457	335,961
Less: amount included in research and development expenditures	**(471)**	(481)
	415,986	335,480
Operating lease payments in respect of rented premises	**1,860**	1,381
Staff costs, including directors' emoluments		
Salaries and other benefits costs	**552,724**	356,461
Retirement benefit costs	**41,723**	24,637
	594,447	381,098
Less: amount included in research and development expenditures	**(4,772)**	(3,122)
	589,675	377,976
Loss on production suspension (included in other expenses)	**1,510**	23,078
Research and development expenditures (included in other expenses)	**52,372**	13,831

9. Dividend

	2010 *HK$'000*	2009 *HK$'000*
Final dividend paid for 2009 of HK19 cents (2008: HK15 cents) per share	**237,500**	180,000
Interim dividend paid for 2010 of HK12 cents (2009: Nil)	**150,000**	-
	387,500	180,000

A final dividend for the year ended 31 December 2010 of HK18 cents (2009:HK19 cents) per share has been proposed by the directors and is subject to the approval by the shareholders in the forthcoming annual general meeting.

10. Earnings per share

The calculation of the basic earnings per share for the year ended 31 December 2010 is based on the profit attributable to the equity holders of the Company and the weighted average number of 1,246,144,000 (2009: 1,200,000,000) shares.

11. Movements in property, plant and equipment

During the year, the Group spent approximately HK$889,706,000 (2009: HK$839,238,000) on the acquisition of factory premises and manufacturing plant, in order to upgrade its manufacturing capabilities.

12. Trade and bills receivables, deposits and prepayments

	31.12.2010	31.12.2009	1.1.2009
	HK$'000	*HK$'000*	*HK$'000*
Trade and bills receivables	**2,287,506**	1,690,997	1,112,043
Less : allowance for doubtful receivables	**(24,981)**	(22,214)	(20,851)
	2,262,525	1,668,783	1,091,192
Deposits and prepayments	**304,738**	183,002	106,998
	2,567,263	1,851,785	1,198,190

The Group normally allows a credit period of 30 - 120 days to its trade customers, and may be extended to selected customers depending on their trade volume and settlement with the Group. The bills receivables have a maturity period of 90 - 180 days.

The following is an analysis of trade and bills receivables by age, presented based on the invoice date at the end of the reporting period:

	2010	2009
	HK$'000	*HK$'000*
Trade receivables		
0 to 30 days	**638,200**	420,350
31 to 60 days	**345,011**	261,758
61 to 90 days	**69,956**	17,054
91 to 120 days	**9,113**	439
121 to 180 days	**7**	1,219
Over 180 days	**1,581**	470
	1,063,868	701,290
Bills receivables		
0 to 30 days	**119,024**	101,866
31 to 60 days	**208,601**	114,198
61 to 90 days	**179,965**	145,990
91 to 120 days	**250,037**	266,189
121 to 180 days	**440,427**	335,154
Over 180 days	**603**	4,096
	1,198,657	967,493

13. Trade and bills payables and accrued charges

The Group normally receives credit terms of up to 120 days from its suppliers. The following is an analysis of the trade and bills payables by age, presented based on the invoice date at the end of the reporting period:

	31.12.2010	31.12.2009	1.1.2009
	HK$'000	*HK$'000*	*HK$'000*
Trade payables			
0 to 90 days	**750,506**	824,096	475,476
91 to 180 days	**242,167**	328,748	256,842
Over 180 days	**4,436**	40,101	17,210
	997,109	1,192,945	749,528
Bills payables			
0 to 90 days	**301,815**	41,656	145,466
91 to 180 days	**235,360**	184,305	159,551
	537,175	225,961	305,017
Other payables and accruals	**434,155**	505,198	455,383
	1,968,439	1,924,104	1,509,928

The average credit period on purchases of goods is 60 days. The Group has a financial risk management policy in place to ensure that all payables are settled within the credit timeframe.

Included in the trade payables and other payables above are HK$498,642,000 and HK$31,223,000 (31.12.2009: HK$710,089,000 and HK$102,719,000) respectively that has been paid by endorsed bills for which the maturity date has not yet fallen due as at the end of the reporting period.

Included in the Group's other payables and accruals are other payables with a carrying amount of HK$1,212,000 (31.12.2009: nil) which are denominated in Euro, being a foreign currency of the respective group entities.

14. Share capital

	Number of shares	Amount
	'000	*HK$'000*
Ordinary shares of HK$0.01 each:		
Authorised:		
At 1 January 2009, 31 December 2009 and 31 December 2010	3,800,000	38,000
Issued and fully paid:		
At 1 January 2009 and 31 December 2009	1,200,000	12,000
Issue of shares	101,500	1,015
At 31 December 2010	**1,301,500**	**13,015**

Pursuant to the Placing and Subscription Agreements entered into between the Company, its parent company and the placing agent dated 29 April 2010 and 15 September 2010, the parent company of the Company agreed to sell 100,000,000 shares and 51,500,000 shares respectively in the Company by placing to independent placees. At the same time, the parent company of the Company agreed to subscribe 50,000,000 new ordinary shares of HK$0.01 each in the Company at HK$8.50 and 51,500,000 new ordinary shares of HK$0.01 each in the Company at HK$15.22 respectively.

The net proceeds to be received by the Company from the subscriptions amounting to approximately HK$416 million and HK$775 million respectively will be applied for the expansion of the Group's existing production facilities and other capital expenditures. Details of the placing and subscriptions are set out in the Company's announcements dated 29 April 2010 and 15 September 2010 respectively.

15. Capital commitments

At 31 December 2010, the Group had commitments for capital expenditure of HK$333,584,000 (2009: HK$122,222,000) in respect of the acquisition of plant and equipment contracted for but not provided in the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Financial Results

For the year ended 31 December 2010, the Group achieved excellent results and recorded a turnover of approximately HK$6,502.8 million, an increase of 40.1% as compared to last year. The profit attributable to shareholders was approximately HK$974.2 million, representing an increase of 79.9% as compared to last year. Segmental turnover (including inter-segment sales) of intermediate products, bulk medicine and finished products increased 48.2%, 27.8% and 20.8% respectively as compared with last year. Segmental profit of intermediate products and finished products increased by 318.6% and 9.0% respectively and segmental profit of bulk medicine products decreased by 10.1% as compared with last year.

Reviewing 2010, both the Group's turnover and net profits scaled new heights, which was an achievement made through all the staff's concerted effort. Undoubtedly, teamwork spirit is the key to our success. The Group had long ago formulated forward-looking strategies on environmental protection, cost control, capacity expansion, product diversification, strengthened promotion and market penetration in order to further enhance its leading market position and expand its operation scale. The implementation of these strategies relied upon the management to make proper forecast and effective measures.

The full operation of intermediate production line of Inner Mongolia plant and strong sales team have been a driving force for the remarkable success of the Group. During the year, owing to the further medical reform in China, the whole pharmaceutical industry suffered hardships. By using the aforesaid strategies, the Group not only overcame the difficulties, but also created new opportunities. The Group's outstanding performance was due to the following factors:

Production advantage of Inner Mongolia plant
During the year, the intermediate production line in the Inner Mongolia plant of the Group was fully put into production and operated smoothly, which much boosted our production capacity and the production cost of intermediate products under proper control. The selling price of intermediate products for the year was stable as compared with last year. With the lowering of our production cost the gross profit margins of intermediate products increased during the year. In the year, the whole China had great demand for antibiotics finished products, which indirectly boosted manufacturers for intermediate products and, in turn, increased our turnover of such products for the year by 111.7% over the previous year.

Growing sales and export volume of bulk medicine
During the year, the Group's export rose 92.6% due to higher demand from overseas drug manufacturers for our intermediate and bulk medicine products, especially from India and Middle East. In this year, the Group put more resources to boost the sales volume for overseas markets, including expanding its sales team of intermediate and bulk medicine products so as to mitigate the risk of business concentration in the domestic sales in China.

In addition, the enzyme production process, the most advanced production technology, will be adopted by the Group to manufacture its bulk Amoxicillin, which has a high quality, high purity and low contamination, and is of higher environmental protection that leads to lower cost. This was a critical breakthrough in our production technology. Currently, the Group is the only manufacturer of bulk Amoxicillin who employing enzyme production process in its production.

Development of new products and effective penetration into China's rural market
During the year, our sales team continued to accelerate its PRC rural market development and achieved good results gradually. Higher turnover of our finished products was recorded due to an increase market share in the rural areas.

During the year, we were informed by the State Food and Drug Administration of China (the "SFDA") that approvals were granted for four insulin finished product of the Group in respect of their applications, which will constitute a driving force for the growth of turnover.

Liquidity and Financial Resources

As at 31 December 2010, the Group had pledged bank deposits, cash and bank balances amounted to HK$845.7 million (2009: HK$481.1 million).

As at 31 December 2010, the Group had interest-bearing bank borrowings of approximately HK$2,350.1 million (2009: HK$2,205.3 million), which were denominated in Hong Kong dollars and Reminbi with maturity within five years. Bank borrowings of approximately HK$512.6 million are fixed rate loans while the remaining balance of approximately HK$1,837.5 million is at floating rate. The Directors expect that all such bank borrowings will either be repaid by internally generated funds or rolled over upon maturity and will continue to provide funding to the Group's operations.

As at 31 December 2010, the Group had pledged the following assets to banks as securities against banking facilities granted to the Group:

	2010 ***HK$'000***	2009 *HK$'000* (Restated)
Property, plant and equipment	**1,373,311**	1,384,294
Prepaid lease payments	**111,111**	109,169
Bills receivables	**230,576**	58,371
Pledged bank deposits	**381,624**	288,645
	2,096,622	1,840,479

As at 31 December 2010, current assets of the Group amounted to approximately HK$4,666.0 million (2009: HK$3,220.1 million). The Group's current ratio was approximately 1.06 as at 31 December 2010, as compared with 0.77 as at 31 December 2009. As at 31 December 2010, the Group had total assets of approximately HK$9,607.9 million (2009: HK$7,460.0 million) and total liabilities of approximately HK$4,498.0 million (2009: HK$4,267.0 million), representing a net gearing ratio (calculated as total borrowings less pledged deposits and cash and bank balances to total equity) of 29.4% as at 31 December 2010, as compared with 54.0% as at 31 December 2009.

Use of Proceeds from Issue of New Shares

The Company issued 50,000,000 new shares at HK$8.50 and 51,500,000 new shares at HK$15.22 respectively, the net proceeds to be received by the Company amounting to approximately HK$416 million and HK$775 million respectively.

For the year ended 31 December 2010, all proceeds has been applied for the purposes in accordance with the plans disclosed in the Company's announcements dated 29 April 2010 and 15 September 2010 respectively.

Currency Exchange Exposures

The Group’s purchases and sales are mainly denominated in Renminbi, United States dollars and Hong Kong dollars. The operating expenses of the Group are mainly in Renminbi and Hong Kong dollars. The Group’s treasury policy is in place to monitor and manage its exposure to fluctuation in interest rates. Besides, the Group will conduct periodic review of its exposure to foreign exchange risk and may use financial instrument for hedging purpose when considered appropriate.

Contingent Liabilities

As at 31 December 2009 and 2010, the Group had no material contingent liabilities.

Outlook for 2011

2011 will see intense market competition in the China’s pharmaceutical industry where only the strongest can survive. The Group believes that some small- and medium-sized manufacturers will have to transform or leave the market due to its inability to lower their production costs. We will maintain our leading market position and increase our market share while seeking opportunities to expand our market presence. To strive for greater achievement, the Group will take the following measures:

Development of international market

The Group will establish regional offices in countries and areas, like Brazil, India and Dubai, as its stepping stones to enter the global market. The quality of the Group’s products has attained world-class level and met international safety standard, receiving certifications and sales approval around the world. This will help our products to tap into the international market and, in turn, boost our business growth and diversify risks in the regional sales. The new offices planned will be located in developing countries or regions, where there is an increasing demand for intermediate products and bulk medicine as well as a higher price for these products, all helping the Group’s successful expansion into the markets.

Application of advanced production technology and Increase in the effectiveness of the production base in Inner Mongolia

The Group will continue to develop a better production technology to reduce costs, and fully apply its self-developed enzyme production process to the production base in Inner Mongolia with a view to further lowering the production cost and increasing the gross profit margins. Reduction in production costs means greater competitive edges for our products, and thus higher market shares. The Group will therefore invest more capital in the Inner Mongolia production base to establish a new vertically integrated plant in order to further benefit from the economies of scale and strive for better business performance.

A potential impetus for growth from recombinant human insulin products

The SFDA's approval for our five insulin products will be a driving force for the growth of our sales. Given that the Group's insulin products are more economical than the imported products and have strong competitiveness in the PRC market, we believe that such products will certainly seize a significant market share there. In 2011, the Group will strengthen the development in the insulin market as soon as possible to obtain a leading market position. While expanding into the insulin market, the Group will speed up the building of an insulin production line to enhance its production capacity to satisfy the demand in the market. We expect that our insulin products will serve as a significant impetus for the Group's growth.

Employees and Remuneration

As at 31 December 2010, the Group had approximately 11,500 (2009: 9,100) employees in Hong Kong and the PRC. The employees are remunerated with basic salary, bonus and other benefits in kind with reference to industry practice and their individual performance. The Group also operates a share option scheme of which the Directors may, at its discretion, grant options to employees of the Group. No option has been granted since the adoption of the share option scheme.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Save for issue of 50,000,000 new shares at HK$8.5 and 51,500,000 new shares at HK$15.22, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2010.

DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

During the year, the Company declared an interim dividend of HK12 cents (2009: Nil) per share and paid to the shareholders of the Company in September 2010. The Board proposed a final dividend of HK18 cents per share (2009: HK19 cents) to be payable to shareholders whose names appear in the register of members of the Company on 30 May 2011 and is subject to the approval by the shareholders in the forthcoming annual general meeting.

The register of members will be closed from 26 May 2011 to 30 May 2011 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 25 May 2011.

The dividend warrants are expected to be dispatched to shareholders on about 10 June 2011.

CORPORATE GOVERNANCE

The Company is committed to a high standard of corporate governance in the interest of its shareholders.

Except for part of the following deviations, the Company has adopted and complied with the code provisions as set out in the Code on Corporate Governance Practices as stated in Appendix 14 to the Listing Rules for the year ended 31 December 2010.

Code Provision B.1.3

Code provisions B.1.3 of the Code of Corporate Governance Practices stipulate that the terms of reference of the Remuneration Committee should include, as a minimum, those specific duties as set out in the respective code previsions.

The terms of reference of the Remuneration Committee adopted by the Company are in compliance with the code provision B.1.3, except that the Remuneration Committee should determine and make recommendations to the Board on the remuneration packages of the executive directors only and not senior management (as opposed to executive directors and senior management under the code provision).

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct for dealings in securities of the Company by the Directors. Following a specific enquiry, all directors confirmed that they have complied with the required standards set out in the Model Code throughout the year covered by this announcement.

AUDIT COMMITTEE REVIEW

The Audit Committee comprises of three independent non-executive directors, namely Messrs. Chong Peng Oon, Huang Bao Guang and Song Ming. The Audit Committee has reviewed and discussed matters relating to internal controls and financial statement, including a review of the audited financial statement for the year ended 31 December 2010.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises (1) Mr. Choy Kam Lok, Ms. Peng Wei, Mr. Leung Wing Hon, Mr. Tsoi Hoi Shan, Ms. Zou Xian Hong, Ms. Zhu Su Yan and Mr. Fang Yu Ping as executive directors; (2) Ms. Choy Siu Chit as a non-executive director; and (3) Mr. Huang Bao Guang, Mr. Song Ming and Mr. Chong Peng Oon as independent non-executive directors.

On behalf of the Board
Choy Kam Lok
Chairman

Hong Kong, 22 March 2011