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)

2013 ANNUAL RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

	2013 *HK$'000*	2012 *HK$'000*	**Increase / (decrease) %**
Turnover	**7,648,443**	7,021,624	**8.9%**
EBITDA	**1,677,049**	1,003,207	**67.2%**
Profit before taxation	**901,348**	248,313	**263.0%**
Profit for the year attributable to owners of the Company	**48,037**	161,977	**(70.3%)**
Earnings per share			
Basic	**HK2.95cents**	HK10.7cents	**(72.4%)**
Diluted	**HK2.95cents**	HK10.7cents	**(72.4%)**

CHAIRMAN’S STATEMENT

On behalf of the board of directors (the “Board”) of The United Laboratories International Holdings Limited (the “Company”), I hereby 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 2013.

In 2013, global financial markets were unstable. The US Federal Reserve’s announcement to withdraw from the market triggered repercussions in global stock markets as the Eurozone sovereign debt crisis reemerged and economic growth in China slowed, bringing uncertainty to the global environment. However, the PRC government’s medical expenditure for the year increased by 14% as compared to 2012, reaching RMB 820.9billion with a slightly higher growth rate than 2012. With the steady development of medical policies in China, overall inventory decreased. Anti-corruption measures implemented by the government in the second half of the year impacted a proportion of pharmaceutical companies which relied on hospital channels. Due to limited choices in antibiotic products available to various levels of hospitals and clinics, the demand for antibiotics remained stable. In addition, a proportion of obsolete production capacities ceased production, leading to stable supply and demand in the market and improvement in the overall business environment of the Group.

During the year under review, United Laboratories capitalized on its leading position in the industry and earnestly improved its core capacity, sought for opportunities amidst such a changing situation, with a view to realizing consistent growth of business. During the year, the Group’s turnover amounted to approximately HK$7,648.4 million, an increase of approximately 8.9% over that of 2012. EBITDA and profit before taxation were approximately HK$1,677.0 million and HK$901.3 million respectively, representing an increase of approximately 67.2% and 263.0% over the same period in the previous year, respectively. The profit attributable to owners of the Company was approximately HK$48.0 million, representing a decrease of 70.3% over the same period in the previous year. Earnings per share amounted to HK2.95 cents. The Board does not recommend payment of final dividend for the year ended 31 December 2013.

During the year, the Group recorded consistent increase in sales. As the demand for antibiotics became more stable, the selling price of 6-APA, the Group’s intermediate product, rebounded from the bottom as prices grew steadily since the second half of 2013 and maintained its increasing trend in the beginning of 2014. The price of corn, the primary raw material of our intermediate product, remained stable during the year, effectively maintained production cost of products. Phase IV of the Group’s Inner Mongolia plant commenced production during the year and reached 60% capacity by the end of 2013, while phase V of the plant commenced trial productions at the end of 2013. With the first three phases of the Inner Mongolia plant nearing full capacity and the Group actively researching and implementing enzymatic amoxicillin production technologies in new production capacities, vertical integration is further strengthened, thus effectively lowering production cost. The re-allocation plan of the Chengdu 6-APA production line was successfully completed and has already been integrated into the Inner Mongolia factories which help the group in optimising resource allocation to achieve higher cost efficiency.

For finished products, the Group’s recombinant human insulin products was officially included in the Essential Drugs List (2012 edition), which accelerated the Group’s promotion and bidding work in various levels of medical institutions across the country. During the year, the Group received orders from private hospitals, clinics and pharmacies, with sales being especially prominent in Shandong and Henan provinces. During the year, sales revenue from recombinant human insulin products successfully achieved sales targets set at the beginning of the year, bringing encouraging results.

The Group continued to strengthen its research and development of finished products. In 2012, clinical trials for insulin glargine (third generation insulin) were completed and the Group has also applied to process clinical trials for insulin detemir. Clinical trials for insulin aspart, the third generation insulin, is underway, which further optimises the Group's insulin product line. Also, the Group is developing raw materials, oral solutions and tablets for new memantine hydrochloride, which is used in treating Alzheimer's disease. On 16 July 2013, the China Food and Drug Administration issued the registration documents for the drug, making United Laboratories the first manufacturer in China to receive approval documents to replicate memantine hydrochloride products, thus further expanding the finished products business. The Group possesses a strong sales team of nearly 3,000 employees, effectively shortening the time for a product to enter the market and also provides the strongest driving force for the Group's new products on the market. The Group is currently developing 44 new products. As at 31 December 2013, 13 patents have been granted, while 7 are currently under review.

For overseas sales, the Group focused on expanding its export business. Overseas sales expansion progressed smoothly as export sales for 2013 were approximately HK$2,704.9 million, maintaining stability. Since 2013, all drugs imported into the EU must be produced by factories with EU or GMP certification. The Group has already obtained EU-CEP certification, FDA certification, and GMP certification from Japan and official certification from Mexico. With internationally approved production capabilities and products possessing significant price advantage, the Group is confident that export sales will continue to bring satisfactory contributions to the Group.

For financial strategy, the Group seized market opportunities and optimised the financial structure during the year through measures such as three-year financing leases to ensure adequate working capital. In June 2013, the Group entered into an agreement with the China Development Bank Hong Kong Branch and was granted a loan of HK$800 million over a period of years. The net proceeds will mainly be used in business expansion and repaying bank loans. In October 2013, Zhuhai United Laboratories Co., Ltd.(珠海聯邦製藥股份有限公司), a wholly-owned subsidiary of the Group, issued the second tranche of one-year corporate bonds with principal up to RMB600 million.

China's pharmaceutical market possesses great potential. The Chinese Ministry of Health released a report in September 2012 which pointed out a total of RMB 400 billion will be used in the seven major medical system projects before 2020 with an average investment amount of RMB 50 billion. With population ageing growing more severe and increased occurrence of chronic disease due to urbanization, and improved living standard and larger medical insurance coverage, market demand for medical and healthcare also leverages significantly, and expenses relating to medical are destined to increase in future. On the other hand, with the government's increasingly stringent regulation on the pharmaceutical manufacturing industry, the entry barrier of the pharmaceutical industry has continuously increased and integration of the industry is accelerated. The Group is one of the few players which can meet the most stringent standards while capable to maintain stable production and increase output, and therefore it will benefit from the integration of the industry.

2014 is a drug tender year, provinces in the PRC will release their basic drugs and non-basic drugs bidding programs. When we compared between the new tender program and the original tender program, the principle of the new tender is more preferable on the quality of products with reasonable profit margin rather than lower prices, which is fully consideration with manufacture enterprise's scale, its quality level, new GMP standard, brands and intellectual property, etc. It is good news for the Group as we will obtain the tender more easily through the PRC's provinces tender program and it will keep increasing in sales of the Group's finished products steadily.

Also, the government has already stated it will continue to input more resources to support medical industries, especially leading domestic industries. It is expected that United Laboratories will benefit from such policies and further increase market shares. The Essential Drugs List (2012 edition) implemented on 1 May 2013 increases drug coverage to 520 types, of which 317 are chemical/biological drugs, which includes the Group's insulin and amoxicillin products. Leveraging on competitive prices and an extensive sales network, the Group has already taken an early advantage and penetrated the rural market and grass-roots level medical organizations. The new drugs list will further enhance the sales of related products, promoting business growth. Also, the Group has made greater effort to expand the sale of OTC products, Chinese medicine and health products, driving the growth of finished products.

For new production capacities, phase V of the Inner Mongolia plant is already completed and is in trial productions in the end of 2013. Not only does the expansion of production capacity of the Inner Mongolia plant lower production cost and raise efficiency, it is also expected that planned production can meet future development needs to effectively accommodate the rate of expansion of the export and domestic markets.

In the future, the Group shall continue to implement its existing business development strategies. We will continue to expand sales networks, strengthen penetration in domestic rural markets and communities, put great efforts to increase overseas sales, and actively explore new markets with growth potentials. The Group will continue to bring its cutting edge in research and development into play to develop products with high margin and demand. At the same time, we will continue to regard the recombinant human insulin products as the key product of the Group and invest substantial resources to capture a larger market share. We will consider promoting the sales of related products to overseas markets as the Group's insulin products have reached international standards in terms of quality and production technology. Also, the Group will focus on driving the sales of the newly packaged large-sized amoxicillin and ampicillin, with a view to turning them into new growth engines for finished products sales.

United Laboratories was founded by its former chairman Mr. Choy Kam Lok. Through 20 years of his hard work and leadership, the Group was able to flourish and develop into a leading pharmaceutical company within China, contributing greatly to the Group. I succeeded Mr. Choy Kam Lok as chairman during the year and have undertaken a great responsibility, promising to continue with his legacy and contribute to the Chinese pharmaceutical industry. Leveraging on the Group's advantages in economies of scale, we are confident that we can seize market opportunities and maintain the Group's sustainable growth momentum, hence creating the highest value for our shareholders, clients and stakeholders.

On behalf of the Board, I would like to take this opportunity to thank our shareholders, customers and business partners for their full trust and support during the past year, as well as all staff for their persistent efforts. I hope we can join hands and create a better future together.

2013 ANNUAL RESULTS

The Board of the Company hereby announces the consolidated results of the Group for the year ended 31 December 2013 together with the comparative figures for the year 2012 as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2013

	Notes	**2013** *HK$'000*	2012 *HK$'000*
Turnover	4	**7,648,443**	7,021,624
Cost of sales		**(5,010,782)**	(4,904,338)
Gross profit		**2,637,661**	2,117,286
Other income	5	**78,253**	73,650
Other gains and losses	6a	**14,573**	(874)
Selling and distribution expenses		**(1,231,296)**	(1,081,691)
Administrative expenses		**(556,073)**	(590,305)
Other expenses	6b	**(387,146)**	(110,907)
Impairment loss recognised in respect of property, plant and equipment		**(808,363)**	-
Fair value change on investment properties		**1,355,261**	-
(Loss) gain on fair value change of embedded derivative components of convertible bonds		**(376)**	56,085
Finance costs	7	**(201,146)**	(214,931)
Profit before taxation		**901,348**	248,313
Taxation	8	**(853,311)**	(86,336)
Profit for the year attributable to owners of the Company	9	**48,037**	161,977
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Exchange differences arising on translation to presentation currency		**217,135**	55,604
Fair value change upon transfer of land use rights to investment properties		**318,852**	-
Taxation relating to fair value change upon transfer of land use rights to investment properties		**(196,884)**	-
Total comprehensive income for the year attributable to owners of the Company		**387,140**	217,581
Earnings per share	11		
Basic		**HK 2.95 cents**	HK 10.7 cents
Diluted		**HK 2.95 cents**	HK 10.7 cents

Consolidated Statement of Financial Position
As at 31 December 2013

	Notes	**2013** **HK$'000**	2012 HK$'000
Non-current assets			
Property, plant and equipment	12	**9,807,079**	8,379,224
Investment properties		**2,320,316**	-
Prepaid lease payments		**114,275**	144,488
Goodwill		**3,866**	3,770
Intangible assets		**60,674**	2,774
Deposit for leasehold land		**169,094**	164,532
Deposits for acquisition of property, plant and machinery		**464,635**	803,810
Pledged deposit against finance leases		**100,772**	-
Available-for-sale investment		**-**	-
Deferred tax asset		**17,911**	32,211
		13,058,622	9,530,809
Current assets			
Inventories		**1,271,855**	1,813,609
Trade and bills receivables, other receivables, deposits and prepayments	13	**3,290,653**	2,896,789
Derivative financial instruments		**7,917**	4,426
Prepaid lease payments		**3,632**	3,542
Pledged bank deposits		**886,824**	1,246,403
Bank balances and cash		**1,080,713**	646,125
		6,541,594	6,610,894
Current liabilities			
Trade and bills payables and accrued charges	14	**4,274,793**	3,312,789
Derivative financial instruments		**7,364**	4,669
Convertible bonds	15	**-**	943,431
Obligations under finance leases - due within one year		**549,357**	238,950
Tax payables		**32,870**	33,026
Borrowings - due within one year		**4,998,359**	4,322,486
		9,862,743	8,855,351
Net current liabilities		**(3,321,149)**	(2,244,457)
Total assets less current liabilities		**9,737,473**	7,286,352

	Notes	**2013**	2012
		HK$'000	HK$'000
Non-current liabilities			
Deferred tax liabilities		**983,132**	64,899
Deferred income in respect of government grants		**107,271**	103,827
Obligations under finance leases - due after one year		**669,145**	421,950
Borrowings - due after one year		**1,381,240**	600,987
Convertible bonds	15	**114,856**	-
		3,255,644	1,191,663
		6,481,829	6,094,689
Capital and reserves			
Share Capital	16	**16,269**	16,269
Reserves		**6,465,560**	6,078,420
Equity attributable to owners of the Company		**6,481,829**	6,094,689

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 Company and its subsidiaries (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. Basis of preparation of consolidated financial statements

As at 31 December 2013, the Group had net current liabilities of HK$3,321,149,000 which included borrowings due within one year of HK$4,998,359,000. The directors believe the existing bank borrowings included in current liabilities at the end of the reporting period could be successfully renewed on maturity date. In addition, the Group had available unutilised borrowing facilities of HK$6,124,222,000 at 31 December 2013 which can be utilised before maturity of the facilities and will be subject to renewal upon maturity on an annual basis. The directors are of the opinion that the Group has a good track record and maintains good relationship with banks which enhance the Group's ability to renew the borrowing facilities upon expiry.

In view of these circumstances, the directors of the Company have given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

Taking into account the Group's cash flow projection, including the Group's unutilised bank facilities, ability to renew or refinance the banking facilities upon maturity and the Group's future capital expenditure in respect of its non-cancellable capital commitments, the directors of the Company consider that it has sufficient working capital to meet in full its financial obligations as they fall due for the next twelve months from the end of the reporting period and accordingly, the financial statements have been prepared on a going concern basis.

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

For the purpose of preparing and presenting the consolidated financial statements, the Group has consistently adopted the Hong Kong Accounting Standards ("HKASs"), Hong Kong Financial Reporting Standards ("HKFRSs"), amendments and interpretations ("HK(IFRIC) - Int"), which are effective for the accounting period beginning on 1 January 2013.

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's consolidated financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively.

The Group has not early adopted the following new or revised standards, amendments and interpretations that have been issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") but are not yet effective:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2010 - 2012 cycle[4]
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 - 2013 cycle[2]
HKFRS 9	Financial Instruments[3]
HKFRS 14	Regulatory Deferral Accounts[5]
HK(IFRIC) - Int 21	Levies[1]

[1] Effective for annual periods beginning on or after 1 January 2014
[2] Effective for annual periods beginning on or after 1 July 2014
[3] Available for application - the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised
[4] Effective for annual periods beginning on or after1 July 2014, with limited exceptions
[5] Effective for first annual HKFRS financial statements beginning on or after1 January 2016

The directors of the Company anticipate that the application of these new or revised standards, amendments and interpretations will have no material impact on the Group.

4. 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.

	2013	2012
	HK$'000	*HK$'000*
Sales of pharmaceutical products	**7,648,443**	7,021,624

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 2013

	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	**1,652,920**	**3,466,638**	**2,528,885**	**7,648,443**	**-**	**7,648,443**
Inter-segment sales	**1,718,358**	**360,898**	**-**	**2,079,256**	**(2,079,256)**	**-**
	3,371,278	**3,827,536**	**2,528,885**	**9,727,699**	**(2,079,256)**	**7,648,443**
RESULT						
Segment profit	**78,527**	**63,879**	**537,073**			**679,479**
Unrealised profit elimination	**(18,181)**	**(25,989)**	**(21,121)**			**(65,291)**
	60,346	**37,890**	**515,952**			**614,188**
Unallocated other income						**59,461**
Unallocated corporate expenses						**(132,250)**
Other gains and losses						**14,573**
Impairment loss recognised in respect of property, plant and equipment						**(808,363)**
Gain on fair value change of embedded derivative components of convertible bonds						**(376)**
Fair value on investment properties						**1,355,261**
Finance costs						**(201,146)**
Profit before taxation						**901,348**

Year ended 31 December 2012

	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	1,571,494	3,297,839	2,152,291	7,021,624	-	7,021,624
Inter-segment sales	1,274,164	266,593	-	1,540,757	(1,540,757)	-
	2,845,658	3,564,432	2,152,291	8,562,381	(1,540,757)	7,021,624
RESULT						
Segment profit	22,058	55,594	426,771			504,423
Unrealised profit elimination	6,720	(9,758)	(2,538)			(5,576)
	28,778	45,836	424,233			498,847
Unallocated other income						23,291
Unallocated corporate expenses						(114,105)
Other gains and losses						(874)
Gain on fair value change of embedded derivative components of convertible bonds						56,085
Finance costs						(214,931)
Profit before taxation						248,313

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 (the "CODM") for the purposes of resource allocation and assessment of segment performance. Taxation is not allocated to reportable segments.

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

Total assets and liabilities for reportable segments are no longer provided to the CODM. Accordingly, the Group has not included total assets or liabilities information as part of segment information.

Intersegment turnover is charged at prevailing market rates.

Reportable segment profit represents the profit earned by each segment without allocation of certain other income, impairment loss recognised in respect of property, plant and equipment, gain on fair value change of embedded derivative components of convertible bonds, fair value on investment properties, sundry income, other gains and losses, corporate expenses and staff costs, and finance costs.

(b) Other segment information

Amounts included in the measure of segment profit or loss or segment assets:

For the year ended 31 December 2013

	Intermediate products *HK$'000*	Bulk medicine *HK$'000*	Finished goods *HK$'000*	Consolidated *HK$'000*
Amortisation of prepaid lease payments	**2,860**	**1,317**	**386**	**4,563**
Amortisation of intangible assets	**-**	**-**	**2,221**	**2,221**
Depreciation of property, plant and equipment	**398,279**	**111,916**	**57,576**	**567,771**
Loss on disposal of property, plant and equipment	**18,396**	**2,894**	**-**	**21,290**
Written down of long aged deposits and prepayments	**6,291**	**14,837**	**-**	**21,128**
Impairment loss recognised in respect of property, plant and equipment	**808,363**	**-**	**-**	**808,363**

For the year ended 31 December 2012

	Intermediate products *HK$'000*	Bulk medicine *HK$'000*	Finished goods *HK$'000*	Consolidated *HK$'000*
Amortisation of prepaid lease payments	2,002	1,173	378	3,553
Amortisation of intangible assets	-	-	1,432	1,432
Depreciation of property, plant and equipment	403,266	77,791	53,921	534,978
Loss on disposal of property, plant and equipment	296	2,493	203	2,992

(c) Geographical information

The turnover by geographical market, (irrespective of the origin of the goods) based on the location of the customers are presented below:

	Turnover from external customers	
	2013	2012
	HK$'000	*HK$'000*
PRC (Country of domicile)	**4,943,565**	4,538,721
Europe	**837,008**	682,436
India	**654,311**	772,564
Hong Kong	**24,401**	36,215
Middle East	**87,331**	170,449
South America	**437,921**	350,701
Other Asian regions	**529,345**	389,865
Other regions	**134,561**	80,673
	7,648,443	7,021,624

Note:
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.

(d) Information about major customers

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

5. Other income

	2013	2012
	HK$’000	*HK$’000*
Bank interest income	**25,196**	19,734
Sales of raw materials	**32,884**	30,230
Subsidy income	**18,030**	20,129
Sundry income	**2,143**	3,557
	78,253	73,650

6. Other gains and losses / other expenses

	2013	2012
	HK$'000	*HK$'000*
a. Other gains and losses		
Investment income on forwards contracts	**24,971**	-
Net foreign exchange gain (loss)	**12,480**	(1,121)
Loss on disposal of property, plant and equipment	**(21,290)**	(2,992)
(Loss) gain on fair value change on derivative financial instruments	**(1,588)**	3,239
	14,573	(874)
b. Other expenses		
Research and development expenditures	**138,545**	90,946
Staff redundancy costs and removal costs upon cessation of production in Chengdu	**64,961**	-
Temporary production suspension costs	**160,664**	13,963
Written-down of long aged deposits and prepayments	**21,128**	-
Others	**1,848**	5,998
	387,146	110,907

7. Finance costs

	2013	2012
	HK$'000	*HK$'000*
Interest on borrowings wholly repayable within five years	**317,466**	216,063
Interest on convertible bonds wholly repayable within five years	**105,618**	110,852
Interest on finance leases wholly repayable within five years	**48,237**	22,797
	471,321	349,712
Less: amounts capitalised in property, plant and equipment	**(270,175)**	(134,781)
	201,146	214,931

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 6.68% (2012: 7.38%) per annum to expenditure on qualifying assets.

8. Taxation

	2013	2012
	HK$'000	*HK$'000*
The charge comprises:		
Current tax		
Hong Kong Profits Tax	**7,119**	4,393
PRC enterprise income tax	**86,300**	83,398
PRC withholding tax	**24,149**	19,693
	117,568	107,484
Over-provision in prior years		
Hong Kong	**(1,461)**	(3,015)
PRC	**619**	396
	(842)	(2,619)
Sub-total	**116,726**	104,865
Deferred tax	**736,585**	(18,529)
	853,311	86,336

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

PRC Enterprise Income Taxes ("EIT") 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 PRC Enterprise Income Tax law and its detailed implementation rules promulgated on 16 March 2007 and 6 December 2007 respectively, the new tax rate for domestic and foreign enterprises is unified at 25% and is effective from 1 January 2008. 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 reduced rate of 15% and such qualification is subject to renew for every three years. Certain of group entities in the PRC are entitled to the reduced tax rate of 15% for 2013 and 2012.

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 by the PRC entity to non-PRC tax resident 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.

9. Profit for the year

	2013	2012
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Provision of allowances for inventories (included in cost of sales)	**3,841**	-
Provision (reversal) of allowances for doubtful debts, net	**7,510**	(4,767)
Auditor's remuneration	**5,503**	3,880
Amortisation of prepaid lease payments	**4,563**	3,553
Depreciation and amortisation		
Depreciation of property, plant and equipment	**567,771**	534,978
Amortisation of intangible assets (included in administrative expenses)	**2,221**	1,432
	569,992	536,410
Less: amount included in temporary production suspension costs in other expenses	**(37,327)**	(3,824)
Less: amount included in research and development expenditures in other expenses	**(27,075)**	(26,580)
	505,590	506,006
Operating lease payments in respect of rented premises	**1,851**	1,920
Staff costs, including directors' emoluments		
Salaries and other benefits costs	**782,181**	745,787
Retirement benefit costs	**79,209**	71,247
	861,390	817,034
Less: amount included in research and development expenditures in other expenses	**(19,928)**	(16,780)
Less: amount include in temporary production suspension costs in other expenses	**(18,270)**	-
	823,192	800,254

10. Dividend

The Board does not recommend payment of final dividend for the year ended 31 December 2013 (2012:Nil).

11. Earnings per share

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

Earnings

	2013	2012
	HK$'000	*HK$'000*
Earnings for the purposes of basic and diluted earnings per share being profit for the year attributable to owners of the Company	**48,037**	161,977

Number of shares

	2013	2012
Basic and diluted	***'000***	*'000*
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**1,626,875**	1,513,083

The weighted average number of ordinary shares outstanding during the year ended 31 December 2012 had been adjusted for the bonus effect of rights issue of shares in May 2012.

The computation of diluted earnings per share does not assume the conversion of the Company's outstanding convertible bonds since their exercise would result in an increase in earning per share for both years.

12. Property, plant and equipment

During the year, the Group spent approximately HK$2,645,212,000 (2012: HK$3,231,943,000) on the acquisition of factory premises and manufacturing plant, in order to upgrade its manufacturing capabilities.

13. Trade and bills receivables, other receivables, deposits and prepayments

	2013	2012
	HK$'000	*HK$'000*
Trade and bills receivables	**2,751,998**	2,183,560
Value added tax receivables	**286,076**	306,123
Other receivables, deposits and prepayments	**273,636**	420,216
Less : allowance for doubtful receivables	**(21,057)**	(13,110)
	3,290,653	2,896,789

The Group normally allows a credit period of between 30 days and 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 between 90 days and 180 days.

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

	2013	2012
	HK$'000	*HK$'000*
Trade receivables		
0 to 30 days	**607,924**	545,606
31 to 60 days	**393,976**	379,839
61 to 90 days	**198,875**	161,392
91 to 120 days	**46,645**	59,461
121 to 180 days	**41,075**	24,570
Over 180 days	**11,052**	21,530
	1,299,547	1,192,398
Bills receivables		
0 to 30 days	**248,973**	78,869
31 to 60 days	**253,352**	146,205
61 to 90 days	**279,729**	126,045
91 to 120 days	**380,413**	212,707
121 to 180 days	**280,262**	425,651
Over 180 days	**2,360**	618
	1,445,089	990,095

14. Trade and bills payables and accrued charges

The Group normally receives credit terms of up to 120 days and 180 days of trade payables and bills payables, respectively, 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:

	2013	2012
	HK$'000	*HK$'000*
Trade payables		
0 to 90 days	**962,289**	692,371
91 to 180 days	**45,015**	547,085
Over 180 days	**33,258**	29,865
	1,040,562	1,269,321
Bills payables		
0 to 90 days	**710,500**	277,191
91 to 180 days	**187,380**	262,033
	897,880	539,224
Other payables and accruals	**530,308**	346,357
Deferred income in respect of government grants	**147,999**	137,595
Payables in respect of the acquisition of property, plant and equipment	**1,147,861**	1,124,119
Premium payable for change of use of land in Chengdu	**617,454**	-
	4,382,064	3,416,616
Less: Amount due within one year shown under current liabilities	**(4,274,793)**	(3,312,789)
Amount shown under non-current liabilities	**107,271**	103,827

Included in the trade payables and other payables above are HK$551,736,000 and HK$22,020,000 (2012: HK$351,792,000 and HK$93,122,000) respectively that will be settled 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 for the year ended 31 December 2013 are other payables with a carrying amount of HK$39,067,000 (2012:Nil) which are denominated in United State dollars, being a foreign currency of the respective group entities.

15. Convertible bonds

On 14 November 2011, the Company issued RMB denominated US$ settled 7.5% unsecured convertible bonds at par with the aggregate principal amount of RMB790,000,000 with initial conversion price of HK$7.2 (subject to adjustments) per share at a fixed exchange rate of HK$1.00 to RMB0.8137 (the "Convertible Bonds"). An adjustment has been made to the conversion price from HK$7.2 to HK$6.4 as a result of the rights share issued during the year ended 31 December 2012. The Convertible Bonds will be settled in a fixed amount of their RMB principal amount and paid in US$ equivalent translated at the spot rate at the settlement date, together with accrued but unpaid interest. The Convertible Bonds are listed in the Singapore Exchange Securities Trading Limited.

The Convertible Bonds bears interest from (and including) the issued date at the rate of 7.5% per annum calculated by reference to the principal amount thereof and payable semi-annually in arrear on 14 November and 14 May of each year, commencing with the first interest payment date falling on 14 May 2012. The Convertible Bonds will mature on 14 November 2016 (the "Maturity Date") and shall be redeemed by the Company at par on the Maturity Date.

Conversion at the option of the bondholder may occur at any time between 25 December 2012 and 7 December 2016. The Company will, at the option of the bondholder, redeem all or some of the Convertible Bonds on 14 November 2013 at an amount equal to a fixed amount of their RMB principal amount and paid in US$ equivalent translated at the spot rate at the settlement date, together with accrued but unpaid interest.

The Company may at any time after 14 November 2013 redeem all, but not some only, of the Convertible Bonds for the time being outstanding at a fixed amount of their RMB principal amount at the settlement date and paid in US$ equivalent translated at the spot rate at the settlement date, together with interest accrued to the date fixed for redemption, provided that the closing price of the shares of the Company translated into RMB at the prevailing rate applicable to the relevant trading day, for 20 out of 30 consecutive trading days prior to the date upon which notice of such redemption is published was at least 140% of the conversion price then in effect, translated into RMB at the fixed rate of HK$1.00 = RMB$0.8137.

The Company may at any time redeem all, but not some only, of the Convertible Bonds being outstanding at a redemption price equal to a fixed amount of their RMB principal amount and paid in US$ equivalent translated at the spot rate at the settlement date, together with accrued but unpaid interest to the date fixed for redemption, if prior to the date of notice at least 90% in principal amount of the bonds originally issued has already been converted, redeemed or purchased and cancelled.

The Convertible Bonds contain liability component, conversion option derivative and early redemption option derivatives. The conversion option is classified as derivative because the conversion will be settled other than by the exchange of a fixed amount of cash or another financial assets for a fixed number of the Company's own equity instruments and it gives the Company the choice over how it is settled. The Company's and the holder's early redemption option derivatives are not closely related to the host liability component as the early redemption amount is not closed to the amortised cost of the liability on each exercise date. The conversion option derivative, the Company's and the bond holder's early redemption option derivatives are measured at fair value with change in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability, conversion option and early redemption option components in proportion to their relative fair values. Transaction costs amounting to approximately HK$10,867,000 relating to the conversion option and redemption option derivatives were charged to profit or loss immediately and included in other expenses. Transaction costs amounting to approximately HK$28,910,000 relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

On 12 November 2013, an aggregate principal amount of RMB692,600,000 (equivalent to approximately HK$883,480,000) was redeemed by bond holders. After partial redemption of the Convertible Bonds, Convertible Bonds in an aggregate principal amount of RMB97,400,000 (equivalent to approximately HK$124,243,000) remain outstanding with a maturity date of 14 November 2016 and have been reclassified to non-current liability subsequent to 14 November 2013.

The fair value of the Convertible Bonds with embedded derivatives were determined by the directors with reference to a valuation report carried out by an independent valuer on 31 December 2012 and 2013. The movement of liability component and embedded derivatives of the Convertible Bonds for the year is set out as below:

	HK$'000
At 1 January 2012	954,017
Interest charged	110,852
Gain arising on changes of fair value	(56,085)
Interest paid	(72,983)
Exchange realignment	7,630
At 31 December 2012	943,431
Interest charged	105,618
Loss arising on changes of fair value	376
Interest paid	(74,279)
Partial redemption of principal	(875,149)
Exchange realignment	14,859
At 31 December 2013	114,856

At 14 November 2012, 31 December 2012 and 2013, the fair values of the embedded derivatives are calculated using the Binominal Model. Details of the inputs and assumptions of the model are as follows:

	31 December 2013	31 December 2012
Share price of the Company	HK$2.43	HK$3.70
Exercise price	HK$6.40	HK$6.40
Remaining life	2.87 years	3.87 years
Risk-free rate	4.407%	3.557%
Expected volatility	49.41%	41.35%
Expected dividend yield	0%	0%

Expected volatility was determined by using the annualised standard deviation of the continuously compounded rate of return on the daily average adjusted share price of the Company as at each year end.

The effective interest rate of the liability component on initial recognition is 15.8% per annum.

16. Share capital

	Number of shares	Amount
	'000	*HK$'000*
Ordinary shares of HK$0.01 each:		
Authorised:		
At 1 January 2012, 31 December 2012 and 31 December 2013	3,800,000	38,000
Issued and fully paid:		
At 1 January 2012	1,301,500	13,015
Issue of shares	325,375	3,254
At 31 December 2012 and 31 December 2013	**1,626,875**	**16,269**

During the year ended 31 December 2012, the Company issued 325,375,000 rights shares at the issue price of HK$2.21 on the basis of one new share for every four ordinary shares currently held by the respective shareholder. The new shares rank pari passu with the existing shares in all respects.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Financial Results

For the year ended 31 December 2013, the Group's turnover was approximately HK$7,648.4 million, an increase of 8.9% as compared with last year. The profit attributable to shareholders was approximately HK$48.0 million, representing a decrease of 70.3% as compared with last year. The decrease is mainly due to (i) Decrease in gain on fair value change of embedded derivative components of convertible bonds as the Company repaid the convertible bonds substantially during the year; and (ii) write-off of all production facilities located in Chengdu factory to consolidate it with the production in Inner Mongolia factory in order to enhance the scale of production, reduce the cost of production and enhance efficiency as a whole. Segmental turnover (including inter-segment sales) of intermediate products, bulk medicine and finished products increased by 18.5%, 7.4% and 17.5% respectively as compared with last year. Segmental profit of bulk medicine decreased by 17.3% as compared with last year. Segmental profit of intermediate products and finished products increased by 109.7% and 21.6% respectively as compared with last year.

On 15 April 2013, Mr. Choy Kam Lok, founder and former chairman of the Group, passed away due to illness. All management and staff were deeply saddened. On 16 April 2013, Mr. Tsoi Hoi Shan, the son of Mr. Choy Kam Lok and an executive director of the Company, succeeded Mr. Choy as chairman of the Group. Mr. Tsoi Hoi Shan has assisted Mr. Choy Kam Lok in formulating the operating strategy of the Group in the past and is very familiar with the pharmaceutical market. His succession as chairman of the Group will aid the operations and future development of the Group. Mr. Tsoi Hoi Shan will continue with the operation direction and management principles of former chairman, Mr. Choy Kam Lok, and continue to strengthen the Group and create greater value for our shareholders.

Reviewing 2013, global financial markets were unstable. The US Federal Reserve's announcement to withdraw from the market triggered repercussions in global stock markets as the Eurozone sovereign debt crisis reemerged and economic growth in China slowed, bringing uncertainty to the global environment. Our sound development foundation enables us to face the changes in the Chinese pharmaceutical market with ease and handle complex market competition. The Group's operations during the year are summarized as follows:

Intermediate product and bulk medicine prices rebound

After the Chinese antibiotics pharmaceutical market has under gone policy adjustments and industry settlement in the past few years, the price of the Group's primary intermediate product 6-APA has begun to rise from its low point since the end of 2012. Prices grew steadily in the second half of the year. Due to the guidelines limiting antibiotic use issued by relevant Chines authorities gradually losing effectiveness, the market's demand for antibiotic pharmaceuticals has risen. Under the synergy effect, sale of the Group's intermediate product and bulk medicine pharmaceuticals have risen.

Sales of finished products increase

During the year, the Group's recombinant human insulin injection products and amoxicillin were officially included in the Essential Drugs List, which is beneficial to the Group's promotion and bidding work in various levels of medical institutions across the country to gain more market share. Turnover of the Group's finished products increased over last year, which was due to the increase in sales of the Group's recombinant human insulin injection products. During the year, the Group received orders from private hospitals, as well as clinics and pharmacies at various levels, with sales being especially prominent in Shandong and Henan province.

Steady increase in overseas sales

During the year, the Group's overseas sales increased from HK$2,482.9 million of last year to HK$2,704.9 million, increased by 8.9% as compared with last year, which was mainly led by increase in sales in European and Southeast Asia markets. Since 2013, all pharmaceuticals imported into the EU must be produced in a plant which has obtained certification from the EU or GMP. The Group has obtained EU-CEP certification, US-FDA certification, Japan-GMP certification and official certification from Mexico.

Reorganizing plant production lines

During the year, the Group reviewed its production lines to enhance production efficiency and lower cost in order to enhance the Group's competitiveness. Therefore, the Group has decided to move all production lines of the Chengdu plant, including production lines for 6-APA and clavulanate potassium, to the Inner Mongolia production plant for concentrated production and to further lower costs. Due to cost effectiveness reasons, the Group has also written off the 7-ACA production line of the Chengdu plant and terminated operations, switching to external purchase as a substitute. Plant facilities of the Chengdu plant which were written off due to reallocation plan to streamline production were approximately HK$808.4 million. Also, the Group has applied to relevant government authorities to change the site of the Chengdu plant into commercial purposes and service industry facilities and residential purposes.

Increased in financing sources

The Group effectively grasped market opportunities and optimised the financial structure during the year, increasing operating capital. The Group has entered into an agreement with the China Development Bank Hong Kong Branch and was granted a loan of HK$800million over a period of three years. The net proceeds will mainly be used in business expansion and repaying bank loans. In October 2013, Zhuhai United Laboratories Co., Ltd.(珠海聯邦製藥股份有限公司), a wholly-owned subsidiary of the Group, issued the second tranche of one-year corporate bonds with principal up to RMB600million. As at 31 December 2013, the Group's funding guaranteed by obligations under finance leases were approximately HK$1,218.5 million (2012: HK$660.9 million), which was used to finance working capital. During the year, the Group has repaid most of the convertible bonds within the year, therefore the gain on fair value change of embedded derivative components of convertible bonds went from a gain of approximately HK$56.1 million of last year to a loss of approximately HK$0.4 million in this year. This is also one of the main reason of profit for the year fell substantially as compared with last year. The decrease in profit does not affect the cash flow of the Group.

Liquidity and Financial Resources

As at 31 December 2013, the Group had pledged deposits, cash and bank balances amounted to HK$1,967.5 million (2012: HK$1,892.5 million).

As at 31 December 2013, the Group had interest-bearing bank borrowings of approximately HK$6,379.6 million (2012: HK$4,923.5 million), which were denominated in Hong Kong dollars and Reminbi with maturity within five years. Bank borrowings of approximately HK$2,207.7 million are fixed rate loans while the remaining balance of approximately HK$4,171.9 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 2013, current assets of the Group amounted to approximately HK$6,541.6 million (2012: HK$6,610.9 million). The Group's current ratio was approximately 0.66 as at 31 December 2013, as compared with 0.75 as at 31 December 2012. As at 31 December 2013, the Group had total assets of approximately HK$19,600.2 million (2012: HK$16,141.7 million) and total liabilities of approximately HK$13,118.4 million (2012: HK$10,047.0 million), representing a net gearing ratio (calculated as total borrowings, obligations under finance leases and convertible bonds less pledged bank deposits and cash and bank balances to total equity) of 88.6% as at 31 December 2013, as compared with 76.1% as at 31 December 2012.

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 2012 and 2013, the Group had no material contingent liabilities.

Outlook for 2014

Looking into 2014, we remain cautiously optimistic on China's economy. The Chinese government has introduced medical reform research and promoted new policies for many years, and the current policies are expected to stabilize. Therefore, some suppressed demand will be released. The Group is prepared to continue to increase its market share in China and overseas markets. Our development strategies in various aspects are as follows:

Reorganising product lines and enhance efficiency of the Inner Mongolia plant

After undergoing large scale production line reorganization in 2013, the Group will continue to implement measures to enhance production efficiency of the Inner Mongolia plant to reduce production cost and increase productivity, thereby increasing the competitiveness of the Group's intermediate and bulk medicine products on the market. Lower costs allow for more flexibility in pricing of products to gain larger market shares. Phase V of the Inner Mongolia plant will commence production in 2014 and will create synergy with the completed Phase IV of the plant, further lowering production cost and increasing efficiency.

Continuing development of the international market of intermediate and bulk medicine products

The Group's sales network in countries like Brazil, India and Dubai has matured and it is expected that overseas sales will bring considerable growth to the Group's turnover. As the Group's products obtain approval and certification for sales overseas, the Group will expedite the sales of intermediate and bulk medicine products to overseas markets through its overseas sales network.

Developing new products and expanding the sales of recombinant human insulin products

The Group will continue to bring its cutting edge in research and development into play to develop products with high margin and demand. Currently, we have 44 new products being developed, of which 13 products are applying for patent registration and 7 of them were pending approval. The recombinant human insulin products of the Group will continue to be the highlight of sales growth. More resources will be devoted to winning bids in more Chinese provinces to enhance market share. The traditional finished products of the Group include amoxicillin and ampicillin, which will undergo reforms in new packaging to enhance sales. The Group will continue to strengthen research and development in finished products. Clinical trials of Insulin glargine (third generation insulin) is completed, insulin aspart is undergoing clinical trials and insulin detemir was applied to process clinical trials, further enhancing the Group's insulin product line. Also, the Group is developing raw materials, oral solutions and tablets for new memantine hydrochloride, which is used in treating Alzheimer's disease. On 16 July 2013, the China Food and Drug Administration issued the registration documents for the drug, making United Laboratories the first manufacturer in China to receive approval documents to replicate memantine hydrochloride products, thus further expanding the finished products business.

Employees and Remuneration

As at 31 December 2013, the Group had approximately 12,000 (2012: 12,000) 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

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 2013.

CORPORATE GOVERNANCE

The Company is committed to ensure high standards of corporate governance in the interest of its shareholders.

The Company has applied and complied with the applicable code provisions set out in the Corporate Governance Code and Corporate Governance Report ("CG Code") contained in Appendix 14 of the Listing Rules, except for certain deviations which are summarised below:

- Code Provision A.1.8

Code provision A.1.8 of the CG Code stipulates that, an issuer should arrange appropriate insurance cover in respect of legal action against its directors. With regular and timely communications among the directors and the management of the Group, the Board believes that all potential claims and legal actions against the directors can be handled effectively, and the possibility of actual litigation against the directors is very low. The Company has arranged appropriate insurance cover in respect of legal action against its directors with effective from 16 July 2013.

- Code Provision A.2.1

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. During the year ended 31 December 2013, the Company did not have a chief executive officer. The Company will make appointment to fill the post as appropriate.

- Code Provision A.6.7

Code provision A.6.7 of the CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings. An independent non-executive director was unable to attend the annual general meeting of the Company held on 29 May 2013 due to other important engagement.

- Code Provision B.1.3

The terms of reference of the Remuneration Committee adopted by the Company are in compliance with the code provision B.1.2 of the CG Code except that the Remuneration Committee should review and make recommendations to the Board on the remuneration packages of executive directors only and not senior management (as opposed to 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 four independent non-executive directors, namely Mr. Chong Peng Oon, Mr. Huang Bao Guang, Mr. Song Ming and Ms. Fu Xian Nan. 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 2013.

BOARD OF DIRECTORS

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

On behalf of the Board
Tsoi Hoi Shan
Chairman

Hong Kong, 27 March 2014