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)

2009 ANNUAL RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

	2009	2008	**Increase**
	HK$'000	*HK$'000*	**%**
Turnover	**4,643,177**	3,755,856	**23.6%**
EBITDA	**1,120,378**	902,876	**24.1%**
Profit before taxation	**693,370**	532,530	**30.2%**
Profit for the year attributable to owners of the Company	**541,443**	430,169	**25.9%**
Basic earnings per share (HK cents)	**HK45.1cents**	HK35.8cents	**26.0%**

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board") of The United Laboratories International Holdings Limited ("United Laboratories" or the "Group"), I am pleased to present to all shareholders the annual results of the Group for the year ended 31 December 2009.

Impacts of the 2008 financial tsunami upon the whole world remained in the first half year of 2009. Thanks to the national economic stimulus policies, China's economy revived rapidly in the second half of 2009. Meanwhile, in view of the rare opportunity emerged during the period of financial tsunami, the management of the Group implemented a series of measures for cost reduction, efficiency upgrade, market expansion and R&D enhancement resolutely. Coupled with all staff's great support and effort, we achieved remarkable results in 2009.

In retrospect of 2009, the Group's overall sales volume, turnover and profit all scaled new heights in its history. During the year, the Group recorded a turnover of HK$4,643 million, an increase of 23.6% over that of last year, while its EBITDA and profit before taxation grew by 24.1% and 30.2% to approximate HK$1,120 million and HK$693 million respectively. Despite the low profit in the first half year, the Group's yearly profit broke the historical record of approximate HK$541 million, representing an approximately 25.9% growth as compared to that of last year. It witnessed that the Group was strong enough in coping with the market changes and enhancing its profitability. In the second half of 2009, the prices of intermediate products and bulk medicine returned to normal. The restoration of the gross profit margins to a double digit and a growth in the sales volume contributed noticeable profit to the Group. The turnover and profit of finished products beat the previous record again and again. It was mainly due to the strong brand effect of "United Laboratories" and the increase of trained sales force for finished products up to 2,700, which helped enlarge our market coverage.

The Group has large production bases to support its front-line sales activities, including the finished products plant in Hong Kong, the finished products plant in Zhongshan, the bulk medicine plant in Zhuhai, intermediate products plant in Chengdu, and the comprehensive integrated intermediate products plant in Inner Mongolia. These five bases, in cooperation with each other, fully carry out the comprehensive integrated production model. They will expand the production in sync with the market demand so as to lower cost, elevate efficiency and, in turn, strengthen their leading advantages in the industry. All plants have been granted the national GMP certifications and some of them have additionally got ISO9001 and ISO14001 certifications. Certain products even have received certifications or acceptance of FDA from the US, COS from Europe and GMP from Japan, which enable them exporting to the enormous overseas market.

The responsibility of corporate citizenship and the care for staff are emphasized in the Group. During the year, in addition to a Caring Hospital donated in a disaster area in Sichuan, the Group continued to provide the United Laboratories medical scholarships as educational support, and made several donations for various medical researches. Besides, in the belief that the staff is our most significant asset, the Group stuck to the "no suspension, no layoff, no wage cut" policy during the spreading of financial tsunami effect in the first half year of 2009. Hence, the morale of staff was further raised, which enabled the Group to survive the unfavorable market environment successfully and now deliver outstanding results.

Outlook for 2010

Turning to 2010, the Group is well prepared and sanguine about the prospect. The tide of financial tsunami has been retreating. Meanwhile, with the gradual investment of the RMB850 billion in medical reform, China has promulgated The Essential Drugs (for the Fundamental Medical and Health Institutions), and strengthened its aid to rural markets. All of them will certainly boost the growth of drug demand. The Group is a leading enterprise in the industry with economy of scale and vast, well-established sales network and personnel, we are confident of acquiring a larger market share which, in turn, will be reflected in the operating results.

<u>Prospect of intermediate products and bulk medicine businesses</u>

Given that the country made policies to push medical reform through investment and promulgated The Essential Drugs List (for the Fundamental Medical and Health Institutions), the market demand for intermediate products and bulk medicine is expected to increase. In addition, since certain major products of the Group received various certifications from Europe and the US, we will see the rising export turnover with higher gross profit margin. So, the management believes that the average sales prices of intermediate products and bulk medicine will rally, while the gross profit margin will become stable. At the same time, the measures for cost reduction cost and efficiency enhancement proactively implemented by the Group saw the preliminary achievement. With the Phase II of Inner Mongolia plant put in operation and the completion of production expansion work in Zhuhai plant, the synergy for five production bases became more apparent, which further reduced our production cost.

The financial tsunami and thrust of State's favorable policies speeded up the industry integration and the process of survival of the fittest. Being a leading enterprise in the industry, the Group expects to benefit from it with larger market share. Therefore, the management anticipates that the businesses of intermediate products and bulk medicine will have a steady growth and contribute to the operating results continuously.

Prospect of finished products business

The management forecasts that the sales of finished products will increase rapidly, probably making the largest contribution of profit on a sustainable basis. After the training for two years, the cost-effectiveness of the sales team was greatly enhanced. It is believed that fruitful sales performance will be delivered from 2010 onwards. The Group will continue to strengthen the sales team's capability of development, and recruit more sales personnel in the proper order. Moreover, the cooperative relationship with distributors and medical institutions will be improved for higher sales volume. The Group will incessantly capitalize on the opportunities arising from the State's policies and develop its business in the communities and rural markets proactively. As such, we can seize the market share of this sector with less competition and high growth and, as a market pioneer, gain profits. In fact, the Group has a wide coverage in areas of western China, such as Yunnan, which become the regions of the fastest profit growth.

For the purpose of enhancing the brand effect of "United Laboratories", the management will invest more in advertising OTC drugs. It is expected that such investment will drive up the sales volume and increase the benefit of brand recognition. The Group will build reputation on good quality and brand awareness on marketing strategies. To coordinate with the advertisement, the Group has significantly increased the points of drug retail nationwide so that our OTC drugs can be reached by all consumers in every market across the country.

In addition, the Group will keep on making investments to upgrade its R&D capability so that more competitive and profitable finished products may come into market earlier. An amount of RMB300 million will be invested to establish the product line of recombinant human insulin finished products, which will be launched into the market within this year. It is known that there are more than 100 million diabetic patients in China, and an annual market demand for recombinant human insulin in the amount of approximately RMB4 billion with a 20-30% growth year-on-year. According to some evidences of scientific research, such new products have the same medical effect as those of imported human insulin, and a more competitive and attractive price and quality. Undoubtedly the products will seize certain market share quickly and become a new growth point for our results.

Looking ahead, the Group is well prepared to capture the foreseeable benefits from the national medical reform and agricultural assistance policy. Coupled with the favorable brand effect upon our sales, it is sure to see Group become a top pharmaceutical brand enterprise in the world. We will further strengthen our internal management control and external sales promotion, so as to leverage myriads of opportunities brought by the State's policies, market integration and new products. We expect to take this advantage to reinforce our long-term growth and make the most satisfactory results for shareholders.

We operated as an industrial company many years ago and now have developed into a pharmaceutical group running business under our own brand after ongoing reform and growth. It is believed that investors will soon raise their valuation on United Laboratories and our shareholders will gain returns on both operating results and share price.

2009 ANNUAL RESULTS

The Board of the Company is pleased to announce the consolidated results of the Group for the year ended 31 December 2009 and the comparative figures for the year 2008 as follows:

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2009

	Notes	**2009** **HK$'000**	2008 HK$'000
Turnover	4	**4,643,177**	3,755,856
Cost of sales		**(2,829,159)**	(2,326,256)
Gross profit		**1,814,018**	1,429,600
Other income	5	**22,573**	63,038
Other gains and losses	6	**(274)**	(6,781)
Selling and distribution expenses		**(718,022)**	(554,479)
Administrative expenses		**(291,582)**	(240,780)
Other expenses		**(44,853)**	(40,887)
Finance costs	7	**(88,490)**	(117,181)
Profit before taxation		**693,370**	532,530
Taxation	8	**(151,927)**	(102,361)
Profit for the year attributable to owners of the Company	9	**541,443**	430,169
Other comprehensive income			
Exchange differences arising on translation to presentation currency		**15,089**	137,794
Total comprehensive income for the year attributable to owners of the Company		**556,532**	567,963
Basic earnings per share (HK cents)	11	**45.1**	35.8

Consolidated Statement of Financial Position
At 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	12	**3,988,044**	3,466,393
Prepaid lease payments		**127,833**	131,921
Goodwill		**3,437**	3,428
Intangible assets		**5,450**	3,935
Deposit for leasehold land		**3,409**	-
Deposits for acquisition of property, plant and machinery		**92,541**	128,319
Available-for-sale investment		**-**	-
Deferred tax asset		**18,580**	6,249
		4,239,294	3,740,245
Current assets			
Inventories		**884,723**	773,991
Trade and bills receivables, deposits and prepayments	13	**1,851,785**	1,198,190
Derivative financial instrument		**-**	3,240
Prepaid lease payments		**3,060**	3,073
Pledged bank deposits		**288,645**	286,045
Bank balances and cash		**192,489**	165,474
		3,220,702	2,430,013
Current liabilities			
Trade and bills payables and accrued charges	14	**1,924,104**	1,509,928
Tax payables		**68,697**	32,836
Borrowings		**1,347,365**	1,350,850
		3,340,166	2,893,614
Net current liabilities		**(119,464)**	(463,601)
Total assets less current liabilities		**4,119,830**	3,276,644
Non-current liabilities			
Borrowings		**857,919**	424,692
Deferred tax liabilities		**68,884**	35,457
		926,803	460,149
		3,193,027	2,816,495
Capital and reserves			
Share Capital		**12,000**	12,000
Reserves		**3,181,027**	2,804,495
Equity attributable to owners of the Company		**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 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 dollar 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 2009, the Group had net current liabilities of HK$119,464,000 which included borrowings of HK$1,347,365,000. The directors of the Company believe the existing revolving bank borrowings of HK$542,535,000 included in current liabilities at the end of the reporting period could be successfully renewed on renewal date. In addition, the Group had undrawn borrowing facilities of HK$556,738,000 at 31 December 2009 which will be subject to review in year of 2010. The directors of the Company are of the opinion that there is a good track record and relationship with banks which enhance the Group's ability to renew the borrowing facilities upon expiry.

Taking into account of the presently available banking facilities and internally generated funds of the Group, the directors of the Company are of the view that the Group has sufficient working capital for its present requirements for the next twelve months from the end of the reporting period and accordingly, the consolidated financial statements have been prepared on a going concern basis.

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

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are effective for the current accounting period.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) - Int 13	Customer Loyalty Programmes
HK(IFRIC) - Int 15	Agreements for the Construction of Real Estate

HK(IFRIC) - Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) - Int 18	Transfer of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

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

HKAS 1 (Revised 2007) "Presentation of Financial Statements"

HKAS 1 (Revised 2007) has introduced terminology changes, including revised titles for the consolidated financial statements, and changes the format and content of the consolidated financial statements. The Group has applied changes to its accounting policies of borrowing costs. However, the changes to its accounting policies have no impact on the consolidated statement of financial position as at 1 January 2008 and accordingly such statement is not presented.

HKFRS 8 "Operating Segments"

HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 "Segment Reporting" (see note 4).

HKAS 23 (Revised 2007) "Borrowing Costs"

In previous years, the Group expensed all borrowing costs that were directly attributable to the acquisition, construction or production of a qualifying asset when they were incurred. HKAS 23 (Revised 2007) removes the option previously available to expense all borrowing costs when incurred. The adoption of HKAS 23 (Revised 2007) has resulted in the Group changing its accounting policy to capitalise all such borrowing costs as part of the cost of the qualifying asset. The Group has applied the revised accounting policy to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009 in accordance with the transitional provisions in HKAS 23 (Revised 2007). As the revised accounting policy has been applied prospectively from 1 January 2009, this change in accounting policy has not resulted in restatement of amounts reported in respect of prior accounting periods.

In the current year, borrowing costs of HK$17,280,000 were capitalised as part of the cost of property, plant and equipment. The profit for the year ended 31 December 2009 has therefore been increased by HK$17,280,000. The effect of the change in accounting policy have resulted the Group's basic earnings per share for the year ended 31 December 2009 from HK43.7 cents to HK45.1 cents.

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)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]

HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[5]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK (IFRIC) - Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
HK (IFRIC) - Int 17	Distributions of Non-cash Assets to Owners[1]
HK (IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

1 Effective for annual periods beginning on or after 1 July 2009
2 Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate
3 Effective for annual periods beginning on or after 1 January 2010
4 Effective for annual periods beginning on or after 1 February 2010
5 Effective for annual periods beginning on or after 1 July 2010
6 Effective for annual periods beginning on or after 1 January 2011
7 Effective for annual periods beginning on or after 1 January 2013

The application of HKFRS 3 (Revised) may affect the Group’s accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

HKFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

In addition, as part of Improvements to HKFRSs issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, lessees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments 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 are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

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.

	2009	2008
	HK$'000	*HK$'000*
Sales of pharmaceutical products	**4,643,177**	3,755,856

Segment information

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 revenue streams are the basis on which the Group reports its primary segment information.

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1 January 2009. HKFRS 8 is a disclosure standard that 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. In contrast, the predecessor standard, HKAS 14 "Segment Reporting", required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14, nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss and segment assets and liabilities.

(a) Segment turnover and results:

Income Statement for the year ended 31 December 2009

	Intermediate products	**Bulk medicine**	**Finished products**	**Elimination**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
TURNOVER					
External sales	**808,086**	**2,248,934**	**1,586,157**	**-**	**4,643,177**
Inter-segment sales	**1,210,948**	**189,549**	**-**	**(1,400,497)**	**-**
	2,019,034	**2,438,483**	**1,586,157**	**(1,400,497)**	**4,643,177**
RESULT					
Segment profit	**189,982**	**305,402**	**424,645**	**(69,430)**	**850,599**
Unallocated other income					**5,816**
Corporate expenses					**(74,555)**
Finance costs					**(88,490)**
Profit before taxation					**693,370**

Income Statement for the year ended 31 December 2008

	Intermediate products *HK$'000*	Bulk medicine *HK$'000*	Finished products *HK$'000*	Elimination *HK$'000*	Consolidated *HK$'000*
TURNOVER					
External sales	742,386	1,712,200	1,301,270	-	3,755,856
Inter-segment sales	680,319	175,757	-	(856,076)	-
	1,422,705	1,887,957	1,301,270	(856,076)	3,755,856
RESULT					
Segment profit	111,730	235,549	348,851	(8,911)	687,219
Unallocated other income					21,568
Corporate expenses					(59,076)
Finance costs					(117,181)
Profit before taxation					532,530

Measurement

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. 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 unallocated bank interest income, sundry income of head office, corporate expenses and staff costs, and finance costs.

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

For the year ended 31 December 2009

	Intermediate products *HK$'000*	Bulk medicine *HK$'000*	Finished products *HK$'000*	Consolidated *HK$'000*
Reportable segment assets	**3,630,580**	**2,430,137**	**899,565**	**6,960,282**
Reportable segment liabilities	**961,567**	**796,018**	**166,519**	**1,924,104**
Amounts included in the measure of segment profit or loss or segment assets:				
- Depreciation and amortisation	**266,556**	**38,303**	**33,659**	**338,518**
- Allowances for inventories	**-**	**940**	**1,489**	**2,429**
- Gain on disposal of property, plant and equipment	**-**	**-**	**576**	**576**
- Additions to non-current assets during the year	**647,190**	**44,729**	**150,673**	**842,592**

For the year ended 31 December 2008

	Intermediate products *HK$'000*	Bulk medicine *HK$'000*	Finished products *HK$'000*	Consolidated *HK$'000*
Reportable segment assets	3,320,394	1,583,824	805,032	5,709,250
Reportable segment liabilities	785,826	522,336	201,766	1,509,928
Amounts included in the measure of segment profit or loss or segment assets:				
- Depreciation and amortisation	185,426	31,641	36,098	253,165
- (Reversal of) allowances for inventories	(6,978)	-	83	(6,895)
- Loss on disposal of property, plant and equipment	-	2,769	1,137	3,906
- Additions to non-current assets during the year	944,956	240,225	62,619	1,247,800

Measurement

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

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

Non-current assets excluded financial instruments and deferred tax assets.

(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:

	2009	2008
	HK$'000	*HK$'000*
Assets		
Reportable segment assets	**6,960,282**	5,709,250
Unallocated assets:		
- Deferred tax asset	**18,580**	6,249
- Derivative financial instrument	**-**	3,240
- Pledged bank deposits	**288,645**	286,045
- Bank balances and cash	**192,489**	165,474
Total assets per consolidated statement of financial position	**7,459,996**	6,170,258
Liabilities		
Reportable segment liabilities	**1,924,104**	1,509,928
Unallocated liabilities:		
- Tax payables	**68,697**	32,836
- Borrowings	**2,205,284**	1,775,542
- Deferred tax liabilities	**68,884**	35,457
Total liabilities per consolidated statement of financial position	**4,266,969**	3,353,763

(d) 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	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
PRC	**3,626,392**	2,919,420	**4,078,483**	3,578,183
Europe	**234,711**	166,184	**-**	-
India	**383,999**	301,137	**-**	-
Hong Kong	**43,217**	9,729	**142,231**	155,813
Other Asian regions	**255,097**	301,745	**-**	-
Other regions	**99,761**	57,641	**-**	-
	4,643,177	3,755,856	**4,220,714**	3,733,996

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 excluded financial instruments and deferred tax assets.

(e) Information about major customers

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

5. Other income

	2009	2008
	HK$'000	*HK$'000*
Bank interest income	**3,588**	9,594
Sales of raw materials	**9,565**	13,107
Subsidy income	**7,367**	15,685
Sundry income	**2,053**	2,160
Tax incentive for re-investing the profit distribution in a subsidiary in accordance with relevant jurisdiction in the PRC	**-**	8,734
Fair value change on foreign currency forward contract	**-**	3,240
Insurance compensation	**-**	10,518
	22,573	63,038

6. Other gains and losses

	2009	2008
	HK$'000	*HK$'000*
Net foreign exchange loss	**850**	2,875
Net (gain) loss on disposal of property, plant and equipment	**(576)**	3,906
	274	6,781

7. Finance costs

	2009	2008
	HK$'000	*HK$'000*
Interest on borrowings wholly repayable within five years	**105,770**	117,181
Less : amounts capitalised in property, plant and equipment	**(17,280)**	-
	88,490	117,181

Borrowing costs capitalized during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 6.88% (2008: Nil) per annum to expenditure on qualifying assets.

8. Taxation

	2009	2008
	HK$'000	*HK$'000*
The charge comprises:		
Current tax		
Hong Kong Profits Tax	**19,040**	10,633
PRC enterprise income tax	**98,628**	71,161
(Over) underprovision in prior years		
Hong Kong	**(526)**	1,050
PRC	**(1,638)**	(5,105)
Change of applicable tax rate of a subsidiary (note)	**15,327**	-
	130,831	77,739
Deferred tax		
Current year	**21,096**	25,016
Attributable to a change in tax rate	**-**	(394)
	151,927	102,361

Note: The Company's subsidiary, 珠海市萬邦藥業有限公司 ("萬邦藥業"), has 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 current year.

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%. Deferred tax is recognised based on the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

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$34,632,000 (2008: HK$22,432,000) on the undistributed earnings has been charged to the consolidated statement of comprehensive income for the year ended 31 December 2009.

9. Profit for the year

	2009 *HK$'000*	2008 *HK$'000*
Profit for the year had been arrived at after charging (crediting):		
Provision of (Reversal of) allowances for inventories	**2,429**	(6,895)
Provision of (Reversal of) allowances for doubtful debts, net	**1,264**	(12,650)
Auditor's remuneration		
- Current year	**3,300**	2,800
- Under provision in prior years	**300**	-
	3,600	2,800
Depreciation and amortisation		
Depreciation of property, plant and equipment	**333,238**	248,249
Amortisation		
- intangible assets (included in administrative expenses)	**1,859**	1,843
- prepaid lease payments	**3,421**	3,073
	338,518	253,165
Less: amount included in research and development expenditures	**(481)**	(1,094)
	338,037	252,071
Operating lease payments in respect of rented premises	**1,381**	2,700
Staff costs, including directors' emoluments		
Salaries and other benefits costs	**356,461**	267,546
Retirement benefit costs	**24,637**	17,966
	381,098	285,512
Less: amount included in research and development expenditures	**(3,122)**	(2,626)
	377,976	282,886
Loss on production suspension (included in other expenses)	**23,078**	25,028
Research and development expenditures (included in other expenses)	**13,831**	15,436

10. Dividend

In June 2009, the final dividend in respect of the financial year ended 31 December 2008 of HK15 cents (year ended 31 December 2007: HK17 cents) per share totaling HK$180,000,000 (year ended 31 December 2007: HK$204,000,000) was paid to shareholders during the year.

A final dividend for the year ended 31 December 2009 of HK19 cents (2008:HK15 cents) per share has been proposed by the directors and is subject to the approval by the shareholders in the forthcoming annual general meeting.

11. Earnings per share

The calculation of the basic earnings per share for the year ended 31 December 2009 is based on the profit attributable to the equity holders of the Company and the weighted average number of 1,200,000,000 (2008: 1,200,000,000) shares.

12. Movements in property, plant and equipment

During the year, the Group spent approximately HK$839,238,000 (2008: HK$1,216,877,000) on the construction of factory premises and manufacturing plant, in order to upgrade its manufacturing capabilities.

13. Trade and bills receivables, deposits and prepayments

The Group normally allows an average credit period of 30 days to 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 average maturity period of 90 days to 180 days.

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

	2009	2008
	HK$'000	*HK$'000*
Trade receivables		
0 to 30 days	**420,350**	217,571
31 to 60 days	**261,758**	162,033
61 to 90 days	**17,054**	59,459
91 to 120 days	**439**	3,440
121 to 180 days	**1,219**	3,246
Over 180 days	**470**	1,288
	701,290	447,037
Bills receivables		
0 to 30 days	**101,866**	93,362
31 to 60 days	**114,198**	75,233
61 to 90 days	**145,990**	125,347
91 to 120 days	**266,189**	122,536
121 to 180 days	**335,154**	225,019
Over 180 days	**4,096**	2,658
	967,493	644,155
Deposits and prepayments	**183,002**	106,998
	1,851,785	1,198,190

14. Trade and bills payables and accrued charges

The Group normally receives credit terms of 0 days to 120 days from its suppliers. The following is an aged analysis of the trade and bills payables at the respective balance sheet dates:

	2009	2008
	HK$'000	*HK$'000*
Trade payables		
0 to 90 days	**824,096**	475,476
91 to 180 days	**328,748**	256,842
Over 180 days	**40,101**	17,210
	1,192,945	749,528
Bills payables		
0 to 90 days	**41,656**	145,466
91 to 180 days	**184,305**	159,551
	225,961	305,017
Other payables and accruals	**505,198**	455,383
	1,924,104	1,509,928

15. Capital commitments

At 31 December 2009, the Group had commitments for capital expenditure of HK$122,222,000 (2008: HK$471,189,000) 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

Financial Performance

For the year ended 31 December 2009, the Group achieved excellent results and recorded a turnover of approximately HK$4,643 million, an increase of 23.6% as compared to last year. The profit attributable to shareholders was approximately HK$541 million, representing an increase of 25.9% as compared to last year. The increase in net profit for the year is mainly due to the increase in sales of bulk machine products and finished products and the overall gross profit margin level was kept at the same level compared with last year although the average selling price of intermediate products and bulk medicine products were decreased in the current year as compared with last year. The Group's overall gross profit margin and net profit margin had increased by 1.0% and 0.21% respectively, as compared with last year. For the year ended 31 December 2009, segmental turnover of intermediate products, bulk medicine and finished products increased by 8.8%, 31.3% and 21.9% respectively, as compared with last year.

The Group has successfully established long and stable business relationships with its customers, hospitals and distributors that resulted in continuing increase in the Group's turnover in the PRC markets. During the year, the overseas sales were approximately HK$1,017 million, representing an increase of 21.6% as compared with last year and contributed approximately 21.9% of the Group's total turnover. The Group has adopted a vertically integrated production operation which in turn maximized the economies of scales and enhanced the Group's profitability.

Business Review

2009 proved to be a challenging year. The global economic environment suffered much from the 2008 financial tsunami during the first half year with decreasing business activities. Though less impact than other markets, China's economic condition remained inactive. In the second half year of 2009, business activities began to increase along with the economic revival. Coupled with various measures for more income and less cost put into practice by the management of the Group, we achieved remarkable results and created added value for shareholders with both turnover and net profit breaking the historical record in 2009. The best results of the Group in 2009 are attributable to the management's resolute measures, all staff's effort and support as well as the following factors contributing to the growth:

<u>Increasing demand for intermediate products and bulk medicine</u>

During the first half year of 2009, the prices of intermediate products and bulk medicine dropped continuously amid a hesitant market, which made unfavorable impact upon the Group's results for the same period. However, dawn was breaking over the global economy throughout the second half year of 2009. Effects of the financial tsunami diminished while market demands for all kinds of products gradually increased. The economy restored from the adversity in the first half year. The sales volume and demand of intermediate products and bulk medicine in the second half year of 2009 was higher than the first one mainly because of the increased market demand. Such increase resulted from the Essential Drugs List has promulgated lead to increase the market size, and the replenishment of raw materials by finished product manufacturers in light of decreasing inventory level. Hence, the sales volume of these two products marked new highs in 2009.

Drop in production cost due to the operation of Inner Mongolia plant at full capacity

The Group's plant in Inner Mongolia operated well in the second half year. The benefit of vertically integrated production was maximized, which enabled the further reduction of production cost and thereby enhanced our competitiveness. Through reforming the production process and putting the plant in Inner Mongolia into operation, the management of the Group upgraded the production capacity, further lowered the production cost, and made our products competitive when the price was low. Even though the average prices of our intermediate products and bulk medicine decreased as compared to last year, the gross profit margins of the Group for this year maintained at the same levels as the previous year, and thus our net profit for the year scaled new height.

Our strategy to strengthen the brand effect, expand the sales network nationwide and improve the sales team

During the year, the Group speeded up the expansion of sales network nationwide, employed more sales personnel and strengthened the training program, under which our finished products captured additional market share in the communities and rural markets. As such, for the year ended 31 December 2009, the turnover of finished products reached HK$1,586,157,000, a 21.9% increase over that of last year. The Group's brand name was further developed through more advertisements and promotional activities in order to support our product penetration and expansion in rural markets.

All these factors conduced to the outstanding results of the Group for the year.

Liquidity and Financial Resources

As at 31 December 2009, the Group had pledged bank deposits, cash and bank balances amounted to HK$481 million (2008: HK$452 million).

As at 31 December 2009, the Group had interest-bearing bank borrowings of approximately HK$2,205 million (2008: HK$1,776 million), which were denominated in Hong Kong dollars and Reminbi with maturity within five years. Bank borrowings of approximately HK$139 million are fixed rate loans while the remaining balance of approximately HK$2,066 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 2009, the Group had pledged the following assets to banks as securities against banking facilities granted to the Group:

	2009	2008
	HK$'000	*HK$'000*
Property, plant and equipment	**1,364,327**	897,499
Prepaid lease payments	**129,136**	120,942
Bills receivables	**58,371**	122,249
Pledged bank deposits	**288,645**	286,045
	1,840,479	1,426,735

Certain banking facilities are secured by the charge over all assets of certain subsidiaries of the Group. The trust receipt loans are secured by the Group's leasehold land and buildings and bank deposits.

As at 31 December 2009, current assets of the Group amounted to approximately HK$3,221 million (2008: HK$2,430 million). The Group's current ratio was approximately 0.96 as at 31 December 2009, as compared with 0.84 as at 31 December 2008. As at 31 December 2009, the Group had total assets of approximately HK$7,460 million (2008: HK$6,170 million) and total liabilities of approximately HK$4,267 million (2008: HK$3,354 million), representing a net gearing ratio (calculated as total borrowings less pledged deposits and cash and bank balances to total equity) of 54.0% as at 31 December 2009, as compared with 47.0% as at 31 December 2008.

Use of Proceeds from Global Offering

On 4 June 2007, the Company issued 300,000,000 ordinary shares at an offer price of HK$2.75 per share through international placing and public offer, the net proceeds after deducting the professional fees and all related expenses were approximately HK$780,500,000. As at 31 December 2009, all proceeds had been applied in accordance with the plans disclosed in the Prospectus.

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 2008 and 2009, the Group had no material contingent liabilities.

Outlook for 2010

With the weakening effects of financial tsunami upon the economic activities in the second half year of 2009, our management expects that such negative impact will disappear in 2010, and is sanguine about the prospect. The market demand for our products will continue to grow. Besides, in addition to RMB850 billion investments in medical reform, our country has promulgated The Essential Drugs List (for the Fundamental Medical and Health Institutions), and strengthened its aid to rural markets. All of them will certainly boost the growth of drug demand. Apart from the PRC market, the Group's products have received a number of international production certification. The management of the Group anticipates that our overseas sales will see a rise in 2010.

Prospect of intermediate and bulk medicine products

In the process of survival of the fittest after the financial tsunami, our management foresees that the manufacturers of intermediate and bulk medicine products will be integrated and restructured and the enterprises with well-prepared on environmental system will objectively lead the market. Therefore, the Group will then benefit from fewer suppliers in the market.

The management of the Group expects that both the average sales prices and gross profit margins of intermediate products and bulk medicine will be rather stable in 2010. With the Phase II 6APA production line of Inner Mongolia plant gradually put into operation and the completion of expansion construction of amoxicillin production line in Zhuhai plant, the synergy effect for six production bases became more apparent, which further reduced our production cost.

Prospect of finished products

After receiving the production permit for a number of new finished products developed by the Group in 2009, the Group will accelerate the launch of these new products and strengthen the promotion in order to increase the awareness of these products. Thus, our sales performance will be boosted by these products, which will be new driving forces to the Group's results in the future.

Our new, major products are detailed as follows:

1. "Uslin (優思靈)" series: It is a product of recombinant human insulin mainly for clinical use for Type I and Type II diabetes mellitus. It is usually a lifelong medicine for such kinds of patients.
2. "Bendazac Lysine Eye Drops (達賴氨酸滴眼液)": It is a product of eyewash mainly for prevention of and cure for senile cataract at early stage.
3. "Compound Chondroitin Sulfate Eye Drops (複方硫酸軟骨素滴眼液)": It is a product of eyewash mainly for prevention of and cure for eyestrain and dry eyes.

The Group will focus on the investment in the expansion of production line for recombinant human insulin product and put more effort at the promotion of this series of products for higher sales volume and amount. In light of more than 100 million diabetic patients in China, there is strong market demand for recombinant human insulin every year with a rapid growth year-on-year. According to some evidences of scientific research, our self-developed recombinant human insulin products have the same medical effect as such kinds of products in other countries. Given that our price and quality are so competitive and attractive, undoubtedly the product will seize certain market share quickly and become a new growth point for the Group's results.

Turning to 2010, the Group will adhere to allocating resources to strengthen the advertisement and promotion of its brand and products for higher brand awareness and larger market share in rural markets. Our sales team has been well developed since its expansion in 2007, and become a crucial factor of market share growth. The Group will continue to enhance the training and expansion of sales personnel by recruitment so as to capture more market share and develop our business in rural markets proactively.

Employees and Remuneration

As at 31 December 2009, the Group had approximately 9,100 (2008: 7,300) 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.

DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board proposed a final dividend of HK19 cents per share (2008: HK15 cents) to be payable to shareholders whose names appear in the register of members of the Company on 20 May 2010. The register of members will be closed from 18 May 2010 to 20 May 2010 (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 17 May 2010.

The dividend warrants are expected to be dispatched to shareholders on about 26 May 2010.

CORPORATE GOVERNANCE

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

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 2009.

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 2009.

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 and Mr. Tsoi Hoi Shan as executive directors; (2) Ms. Choy Siu Chit as a non-executive director; and (3) Messrs. Huang Bao Guang, Song Ming and Chong Peng Oon as independent non-executive directors.

On behalf of the Board
Choy Kam Lok
Chairman

Hong Kong, 22 March 2010