



## 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)

### Interim Results Announcement

For the six months ended 30 June 2008

#### FINANCIAL HIGHLIGHT

	Six months ended 30 June		Increase
	2008 HK\$'000	2007 HK\$'000	
Turnover	1,971,720	1,215,989	62.1%
EBITDA	545,276	348,792	56.3%
Profit before taxation	367,975	209,431	75.7%
Profit attributable to equity holders of the Company	300,039	174,294	72.1%
Earnings per share attributable to equity holders of the Company	HK25.0 cents	HK18.8 cents	33.0%

The Board of Directors (the “Board”) of The United Laboratories International Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2008 and the comparative figures for the corresponding period in 2007 as follows:

#### CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June	
		2008 (Unaudited) <i>HK\$'000</i>	2007 (Unaudited) <i>HK\$'000</i>
Turnover	3	1,971,720	1,215,989
Cost of sales		<u>(1,182,808)</u>	<u>(684,838)</u>
Gross profit		788,912	531,151
Other income	4	16,248	10,211
Selling and distribution expenses		(270,603)	(190,161)
Administrative expenses		(105,980)	(68,941)
Other expenses		(8,915)	(32,443)
Finance costs	5	<u>(51,687)</u>	<u>(40,386)</u>
Profit before taxation		367,975	209,431
Taxation	6	<u>(67,936)</u>	<u>(35,137)</u>
Profit for the period attributable to equity holders of the Company	7	<u>300,039</u>	<u>174,294</u>
Distributions	8	<u>204,000</u>	<u>277,083</u>
Earnings per share – Basic	9	<u>HK25.0 cents</u>	<u>HK18.8 cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	10	2,870,800	2,349,792
Prepaid lease payments		121,265	99,495
Goodwill		3,447	3,226
Intangible assets		4,530	5,343
Deposits for acquisition of property, plant and machinery		113,843	69,145
Available-for-sale investment		-	-
Deferred tax assets		14,988	9,649
		<u>3,128,873</u>	<u>2,536,650</u>
<b>Current assets</b>			
Inventories		829,010	550,165
Trade and bills receivables, deposits and prepayments	11	1,304,432	905,461
Prepaid lease payments		2,758	2,339
Pledged bank deposits		544,918	354,211
Bank balances and cash		285,910	401,262
		<u>2,967,028</u>	<u>2,213,438</u>
<b>Current liabilities</b>			
Trade and bills payables and accrued charges	12	1,179,442	890,912
Tax payables		55,767	12,564
Borrowings		1,511,656	833,334
Trust receipt loans		3,550	3,350
Bank overdraft, secured		10,671	51
		<u>2,761,086</u>	<u>1,740,211</u>
Net current assets		<u>205,942</u>	<u>473,227</u>
Total assets less current liabilities		<u>3,334,815</u>	<u>3,009,877</u>
<b>Non-current liabilities</b>			
Borrowings		629,997	543,110
Deferred tax liabilities		29,415	14,235
		<u>659,412</u>	<u>557,345</u>
		<u>2,675,403</u>	<u>2,452,532</u>
<b>Capital and reserves</b>			
Share capital		12,000	12,000
Reserves		2,663,403	2,440,532
Equity attributable to equity holders		<u>2,675,403</u>	<u>2,452,532</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2008

1. BASIS OF PRESENTATION

The Company is a limited company incorporated in the Cayman 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 Wong Street, Yuen Long Industrial Estate, Yuen Long, New Territories. The Company is an investment holding company.

The condensed consolidated financial statements have been prepared in accordance with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis. The accounting policies adopted in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2007.

In the current interim period, the Group has applied, for the first time, the following new interpretations ("new Interpretations") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 January 2008.

HK(IFRIC) - Int 11	HKFRS 2 - Group and Treasury Share Transactions
HK(IFRIC) - Int 12	Service Concession Arrangements
HK(IFRIC) - Int 14	HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these interpretations had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

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

HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>2</sup>
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>1</sup>
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business Combinations <sup>2</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC) - Int 13	Customer Loyalty Programmes <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009.

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2009.

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2008.

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new or revised standards or interpretation will have no material impact on the results and the financial position of the Group.

### 3. TURNOVER AND SEGMENT INFORMATION

#### Turnover

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

	Six months ended 30 June	
	2008 (Unaudited) <i>HK\$'000</i>	2007 (Unaudited) <i>HK\$'000</i>
Sales of goods	<u>1,971,720</u>	<u>1,215,989</u>

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 ("Finished products"). These revenue streams are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

*For the six months ended 30 June 2008*

	<u>Intermediate products</u> <i>HK\$'000</i>	<u>Bulk medicine</u> <i>HK\$'000</i>	<u>Finished products</u> <i>HK\$'000</i>	<u>Elimination</u> <i>HK\$'000</i>	<u>Combined</u> <i>HK\$'000</i>
TURNOVER					
External sales	419,040	909,916	642,764	-	1,971,720
Inter-segment sales	801,504	120,947	-	(922,451)	-
	<u>1,220,544</u>	<u>1,030,863</u>	<u>642,764</u>	<u>(922,451)</u>	<u>1,971,720</u>

Inter-segment sales is charged at prevailing market rates.

RESULT					
Segment result	<u>113,382</u>	<u>152,706</u>	<u>156,696</u>		422,784
Unallocated other income					5,555
Unallocated corporate expenses					(8,677)
Finance costs					<u>(51,687)</u>
Profit before taxation					367,975
Taxation					<u>(67,936)</u>
Profit attributable to equity holders of the Company					<u>300,039</u>

For the six months ended 30 June 2007

	Intermediate products <i>HK\$'000</i>	Bulk medicine <i>HK\$'000</i>	Finished products <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Combined <i>HK\$'000</i>
<b>TURNOVER</b>					
External sales	57,976	707,713	450,300	-	1,215,989
Inter-segment sales	328,262	76,062	-	(404,324)	-
	<u>386,238</u>	<u>783,775</u>	<u>450,300</u>	<u>(404,324)</u>	<u>1,215,989</u>

Inter-segment sales is charged at prevailing market rates.

<b>RESULT</b>					
Segment result	<u>45,987</u>	<u>128,496</u>	<u>102,001</u>		276,484
Unallocated other income					3,257
Unallocated corporate expenses					(29,924)
Finance costs					<u>(40,386)</u>
Profit before taxation					209,431
Taxation					<u>(35,137)</u>
Profit attributable to equity holders of the Company					<u>174,294</u>

4. OTHER INCOME

	Six months ended 30 June	
	2008 (Unaudited) <i>HK\$'000</i>	2007 (Unaudited) <i>HK\$'000</i>
Bank interest income	4,911	1,680
Interest income from share subscription (note)	-	1,548
Sales of raw materials	6,910	5,052
Subsidy income	3,783	1,542
Sundry income	644	389
	<u>16,248</u>	<u>10,211</u>

Note : Interest income from share subscription represents deposit interest income arising from the Company's share application under the public offering in June 2007.

5. FINANCE COSTS

	Six months ended 30 June	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Interest on bank borrowings wholly repayable within five years	51,687	35,577
Interest on loan from a director	-	4,809
	<u>51,687</u>	<u>40,386</u>

6. TAXATION

	Six months ended 30 June	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
The charge comprises:		
Current tax		
Hong Kong Profits Tax	4,884	5,757
The People's Republic of China ("PRC") enterprise income tax	<u>53,211</u>	<u>29,961</u>
	58,095	35,718
Deferred tax		
Attributable to a change in tax rate	(813)	-
Current year	<u>10,654</u>	<u>(581)</u>
	<u>67,936</u>	<u>35,137</u>

Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the periods.

PRC enterprise income tax 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 (《外商投資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 (《外商投資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 will be effective from 1 January 2008 and for those subsidiaries enjoying a preferential tax rate, the new tax rate will increase from 15% 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 tax 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\$16,380,000 on the undistributed earnings has been charged to the consolidated income statement for the six months ended 30 June 2008.

7. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2008	2007
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Profit for the period has been arrived at after charging:		
Allowance for inventories	-	2,773
Allowance for doubtful debts	2,613	793
Listing expenses (included in other expenses)	-	27,652
Depreciation and amortization		
Property, plant and equipment	123,093	96,834
Intangible assets (included in administrative expenses)	1,150	1,220
Prepaid lease payments on land use rights	1,371	921
	<u>125,614</u>	<u>98,975</u>

8. DISTRIBUTION

In June 2008, the final dividend in respect of the financial year ended 31 December 2007 of HK17 cents (year ended 31 December 2006: nil) per share totalling HK\$204,000,000 (year ended 31 December 2006: nil) was paid to shareholders.

The directors do not recommend payment of an interim dividend for the six months ended 30 June 2008.

On 21 May 2007, The United Laboratories (Hong Kong) Holding Limited, the then holding company of the Group declared a special dividend of HK\$277,083,000 to its then sole shareholder. Such dividend was settled by way of offsetting the amount due from a director of HK\$437,183,000 and loan from a director of HK\$160,100,000.

9. BASIC EARNINGS PER SHARE

The calculation of the basic earnings per share for the six months ended 30 June 2008 is based on the profit attributable to the equity holders of the Company and the weighted average number of 1,200,000,000 (for the six months ended 30 June 2007: 926,519,337) shares.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

The Group spent approximately HK\$227,943,000 on construction of factory premises and HK\$190,175,000 on additions to manufacturing plant in the PRC, in order to upgrade its manufacturing capabilities.

## 11. 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 following is an aged analysis of trade and bills receivables at the balance sheet dates:

	30 June 2008 (Unaudited) <i>HK\$'000</i>	31 December 2007 (Audited) <i>HK\$'000</i>
Trade receivables		
0 to 30 days	309,471	257,875
31 to 60 days	113,801	109,685
61 to 90 days	37,743	40,532
91 to 120 days	13,956	17,234
121 to 180 days	5,519	7,890
Over 180 days	6,991	3,598
	<u>487,481</u>	<u>436,814</u>
Bills receivables		
0 to 30 days	67,805	59,770
31 to 60 days	128,105	64,210
61 to 90 days	127,007	47,362
91 to 120 days	166,840	67,208
121 to 180 days	209,380	135,026
Over 180 days	9,020	3,272
	<u>708,157</u>	<u>376,848</u>
Deposits and prepayments	<u>108,794</u>	<u>91,799</u>
	<u>1,304,432</u>	<u>905,461</u>

## 12. TRADE AND BILLS PAYABLES AND ACCRUED CHARGES

The Group normally receives credit terms of 0 day to 120 days from its suppliers. The followings is an aged analysis of the trade creditors at the balance sheet dates:

	30 June 2008 (Unaudited) <i>HK\$'000</i>	31 December 2007 (Audited) <i>HK\$'000</i>
Trade payables		
0 to 90 days	559,919	293,970
91 to 180 days	113,240	54,348
Over 180 days	30,988	20,334
	<u>704,147</u>	<u>368,652</u>
Bills payables		
0 to 90 days	94,538	116,782
91 to 180 days	122,207	123,886
	<u>216,745</u>	<u>240,668</u>
Other payables and accruals (note)	<u>258,550</u>	<u>281,592</u>
	<u>1,179,442</u>	<u>890,912</u>

Note: Include in other payables and accruals was an amount of HK\$58,081,000 (31 December 2007: HK\$121,326,000) payable for acquisition of property, plant and equipment.

### 13. CAPITAL COMMITMENTS

At the balance sheet date, the Group had commitments for capital expenditure of HK\$512,470,000 (31 December 2007: HK\$459,970,000) in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business review for the first half of 2008

For the six months ended 30 June 2008, the Group achieved a remarkable results with its turnover increased by 62.1% to HK\$1,972 million, as compared with the same period in the preceding year. The Group's profit attributable to shareholders was approximately HK\$300 million, representing an increase of 72.1%, as compared with the same period in the preceding year. The great increase in the Group's results was mainly due to increase in sales of the intermediate products and finished products. Segmental turnover (including inter-segment sales) of intermediate products, bulk medicine and finished products were increased by 216.0%, 31.5% and 42.7% respectively for the six months ended 30 June 2008, as compared with the same period in preceding year. Segmental results of intermediate products, bulk medicine and finished products increased by 146.6%, 18.8% and 53.6% respectively.

The results of the Group in the first half of 2008 maintain strong growth, which is mainly due to the following factors:

#### *1. China's pharmaceutical industry is in a rapid development period*

The pharmaceutical market in the PRC is rapidly developing. With the ageing population and increasing healthcare awareness of people in the PRC, there is huge demand for quality pharmaceutical products. With the acceleration of medical reforms in the PRC, medical insurance under the current basic medical insurance system for rural and urban citizens will raise the affordability of patients and thus increase the demand for medicines. The Group seizes the opportunity actively by enlarging its market presence and coverage in the urban and rural areas of the PRC during the first half of 2008, which further expanded its market share and fuel the growth in sales of intermediate products and finished products.

#### *2. Further expansion of the production capacity of bulk medicine and intermediate products to satisfy market demand*

During the first half of 2008, the demand for bulk medicine within the PRC pharmaceutical market remains strong. Market supply is extremely tight as certain bulk medicine manufacturers in the PRC were forced to cease production or close down due to environmental protection issues. The Group seizes the opportunity to expand its production scale, which further increase the sales in the first half of the year.

The Group demonstrates outstanding production efficiency of vertical integration, which helps to maintain the competitiveness of its products. Following the commencement of full production of the first phase of the Group's production plant in Inner Mongolia, the production of intermediate products in the first half of 2008 increased significantly with lower production costs, which assists the Group to expand its sales in the PRC and overseas during the first half of 2008.

Meanwhile, the production capacity of Amoxicillin bulk, a bulk medicine of the Group, has also increase, which relieves the tight market supply situation and contributed to the stable growth in sales of bulk medicine in the first half of the year comparing with the same period last year.

### *3. Export business remains strong, strengthening the development of high-end overseas market*

The turnover of overseas exports business in the first half of 2008 was remarkable and resulted that the sales of bulk medicine products were hugely increased. Upon the granting of the amoxicillin bulk medicine COS from the EDQM of the European Union, the Group has successfully opened up its market in Europe, and has become the only Chinese manufacturer who obtained both the amoxicillin bulk medicine COS and the GMP certificate issued by the European Union. This has strengthened the Group's competitiveness in the overseas market.

In the first half of 2008, a huge earthquake occurred in Sichuan Province of the PRC. The production plant of the Group in Sichuan has no severe damage, therefore our production and operation has not been affected. After the earthquake, the Group actively participated in the organization of supplies for areas affected by the disaster to ensure adequate supplies for areas with high demand, so that the majority of the Chinese citizens could receive adequate medicine support.

#### Liquidity and Financial Resources

As at 30 June 2008, the Group had bank deposits, cash and bank balances amounted to HK\$831 million (31 December 2007: HK\$755 million).

As at 30 June 2008, the Group had interest-bearing bank borrowings of approximately HK\$2,142 million (31 December 2007: HK\$1,376 million), which were denominated in Hong Kong dollars and Renminbi with maturity within five years. Bank borrowings of approximately HK\$863 million are fixed rate loans while the remaining balance of approximate HK\$1,279 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 30 June 2008, the Group had pledged the following assets to banks as securities against the banking facilities granted to the Group:

	At 30 June 2008 (Unaudited) HK\$'000	At 31 December 2007 (Audited) HK\$'000
Property, plant and equipment	815,433	557,284
Prepaid lease payments	105,467	72,025
Trade and bills receivables	290,684	150,754
Pledged bank deposits	544,918	354,211
	<u>1,756,502</u>	<u>1,134,274</u>

As at 30 June 2008, current assets of the Group amounted to approximately HK\$2,967 million (31 December 2007: HK\$2,213 million). The Group's current ratio was approximately 1.07 as at 30 June 2008 as compared with 1.27 as at 31 December 2007. As at 30 June 2008, the Group had total assets of approximately HK\$6,096 million (31 December 2007: HK\$4,750 million) and total liabilities of approximately HK\$3,420 million (31 December 2007: HK\$2,298 million), representing a gearing ratio (measured as total debts to total assets) of 35.1% as at 30 June 2008 as compared with 29.0% as at 31 December 2007.

#### Currency Exchange Exposures

The Group's purchases and sales are mainly denominated in US dollars, Hong Kong dollars and Renminbi. The operating expenses of the Group are mainly in Hong Kong dollars and Renminbi. The Group's treasury policy is in place to monitor and manage its exposure to fluctuation in interest rates.

### Contingent Liabilities

At 30 June 2008 and 31 December 2007, the Group had no material contingent liabilities.

### Outlook for second half of 2008

The Group controls its production costs effectively through a vertically-integrated product structure. With the commencement of full production at the Inner Mongolia production plant, it will help to increase production and reduce production costs, enhance our competitiveness and maximize production efficiency. The management expects the Group will maintain the first half year's robust growth in the second half year and generate remarkable results once again.

The Group will strive to maintain its leading position in the industry. While bringing better returns for its shareholders, the Group will strive to safeguard healthcare benefits of the Chinese citizens, and guarantee stable supply for the earthquake-stricken area.

### *The prospect of the pharmaceutical market*

With the acceleration of medical reform in the PRC, more capital is being injected into medical insurance. It is expected that the new rural cooperative medical insurance system and the basic medical insurance for urban citizens will generate approximately RMB 40 billion and RMB 60 billion respectively per year for the new pharmaceutical market. With the government's subsidies for grassroots level hospitals and the implementation of the basic medicine system, it is believed that the pharmaceutical manufacturers will benefit from it.

As for environmental protection measures, the Discharge Standard of Water Pollutants for Chemosynthesis Pharmaceutical Industry (化學合成類製藥工業水污染物排放標準) was implemented from 1 August 2008. It has raised the entry barrier for the pharmaceutical industry and accelerated the consolidation of the pharmaceutical market. Many enterprises with obsolete equipments and substandard management were eliminated, which helps to enhance the profitability of the entire industry and improve the profit margins of products.

The Group will expand the production capacity of intermediate products, bulk medicine and finished products according to its predetermined plan. With the increase affordability for healthcare services, the demand for medicines will continue to grow. Antibiotics, which are the most commonly used basic medicine in the PRC, will be the main profit generator in the upcoming medical reform. With the growing overseas demand for Semi-synthetic penicillin and Cephalosporin, the management expects that the sales of intermediate products, bulk medicine and finished products of the Group will continue to maintain rapid growth in the second half of 2008.

### *Growth momentum*

During the second half of 2008, the Group will continue to develop overseas mid to high-end markets, expand the sales of intermediate products to countries like India, increase the international market share of the Group's core intermediate products and to strengthen the Group's competitiveness. In addition, the management anticipates that two new products will obtain approval in the second half of the year, namely Imipenem Cilastatin Sodium, which is for injection treatment of various types of infection, and Isophane Protamine Human Insulin Injection for treatment of type I and type II diabetes. At present, 25 types of new products and generic products are under development by the Group, which mainly focuses on antibiotics, medicines for diabetes, cardiovascular, hepatitis  $\beta$  and nutrition products. In the second half of the year, the Group will continue its research and development for more than five new products, including the research and development of two insulin analogues, which will complement our insulin products and optimize the Group's product structure.

### *Expansion of production plant*

The second phase of expansion for the Group's production plant in Inner Mongolia is well underway, which occupies an area of approximately 1.3 million square metres. The second phase of the Inner Mongolia production plant will be mainly used for expanding the production capacity of intermediate products and bulk medicine, and is expected to be completed in mid-2009.

### Employees and Remuneration

As at 30 June 2008, the Group had approximately 6,900 employees in Hong Kong and Mainland China. 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 Board 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 six months ended 30 June 2008.

### **CORPORATE GOVERNANCE**

The Company is committed to ensure high standards 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 six months ended 30 June 2008.

### **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 its directors. Following a specific enquiry, all directors confirmed that they have complied with the required standards set out in the Model Code throughout the period covered by this interim report.

### **AUDIT COMMITTEE REVIEW**

The Audit Committee, consists of three independent non-executive directors, namely Messrs Heng Kwo Seng, Huang Bao Guang and Song Ming. The Audit Committee and the Company's external auditor have reviewed and discussed matters relating to internal controls and financial statement, including a review of the unaudited financial statement for the six months ended 30 June 2008.

### **BOARD OF DIRECTORS**

As at the date of this announcement, the Board comprises (1) Mr. Choy Kam Lok, Ms. Peng Wei and Mr. Leung Wing Hon as executive directors; (2) Ms. Choy Siu Chit as non-executive director; and (3) Messrs Heng Kwo Seng, Huang Bao Guang and Song Ming as independent non-executive directors.

On behalf of the Board

CHOY KAM LOK

*Chairman*

Hong Kong, 15 August 2008