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 2010

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2010	2009	**Increase**
	HK$'000	*HK$'000*	
Revenue	**3,079,118**	2,076,173	**48.3%**
EBITDA	**820,521**	419,661	**95.5%**
Profit before taxation	**573,846**	200,800	**185.8%**
Profit attributable to owners of the Company	**483,868**	134,445	**259.9%**
Basic earnings per share attributable to owners of the Company	**HK 39.8 cents**	HK11.2 cents	**255.4%**

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 2010 and the comparative figures for the corresponding period in 2009 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2010

		Six months ended 30 June	
		2010	2009
		(Unaudited)	(Unaudited)
	Notes	*HK$'000*	*HK$'000*
Revenue	3	**3,079,118**	2,076,173
Cost of sales		**(1,829,795)**	(1,334,096)
Gross profit		**1,249,323**	742,077
Other income	4	**22,419**	13,200
Selling and distribution costs		**(482,131)**	(349,909)
Administrative expenses		**(151,115)**	(126,844)
Other expenses		**(15,316)**	(27,652)
Finance costs	5	**(49,334)**	(50,072)
Profit before taxation		**573,846**	200,800
Taxation	6	**(89,978)**	(66,355)
Profit for the period attributable to owners of the Company	7	**483,868**	134,445
Other comprehensive income			
Exchange differences arising on translation to presentation currency		**45,511**	13,135
Total comprehensive income for the period attributable to the owners of the Company		**529,379**	147,580
Earnings per share – Basic	9	**HK39.8 cents**	HK11.2 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010

	Notes	30 June 2010 (Unaudited) *HK$'000*	31 December 2009 (Audited and restated) *HK$'000*
Non-current assets			
Property, plant and equipment	10	**4,272,801**	4,009,768
Prepaid lease payments		**106,662**	106,687
Goodwill		**3,486**	3,437
Intangible assets		**7,240**	5,450
Deposits for leasehold land		**3,450**	3,409
Deposits for acquisition of property, plant and machinery		**85,904**	92,541
Available-for-sale investment		**-**	-
Deferred tax assets		**31,029**	18,580
		4,510,572	4,239,872
Current assets			
Inventories		**1,074,143**	884,723
Trade and bills receivables, deposits and prepayments	11	**2,234,583**	1,851,785
Derivative financial instrument		**284**	-
Prepaid lease payments		**2,511**	2,482
Pledged bank deposits		**492,100**	288,645
Bank balances and cash		**388,784**	192,489
		4,192,405	3,220,124
Current liabilities			
Trade and bills payables and accrued charges	12	**1,987,183**	1,924,104
Tax payables		**67,660**	68,697
Borrowings	13	**2,080,303**	1,347,365
		4,135,146	3,340,166
Net current assets / (liabilities)		**57,259**	(120,042)
Total assets less current liabilities		**4,567,831**	4,119,830
Non-current liabilities			
Borrowings	13	**573,519**	857,919
Deferred tax liabilities		**93,369**	68,884
		666,888	926,803
		3,900,943	3,193,027
Capital and reserves			
Share capital	14	**12,500**	12,000
Reserves		**3,888,443**	3,181,027
Equity attributable to owners of the Company		**3,900,943**	3,193,027

NOTES:

1. BASIS OF PRESENTATION

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, except for certain financial instruments, which are measured at fair value.

The accounting policies used 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 2009, except as described below.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA.

HKFRSs (Amendments)	Amendment to HKFRS 5 included in Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK (IFRIC) - Int 17	Distributions of Non-cash Assets to Owners

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

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

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

As part of Improvements to HKFRSs issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, lessees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the condensed 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.

In accordance with the transitional provision of HKAS17, the Group reassessed the classification of land elements of unexpired leases at 1 January 2010 based on information which existed at the inception of these leases. Leasehold lands which met finance lease classification have been reclassified from prepaid lease payment to property, plant and equipment retrospectively, resulting in a reclassification of prepaid lease payment with previous carrying amount of HK$21,724,000 as at 1 January 2010 as property, plant and equipment that are measured at cost model. The adoption of the Improvements to HKAS 17 has no impact on the results for the current or prior accounting periods.

The effect of adoption of Improvements to HKAS 17 on the financial position of the Group is as follows:

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

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

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

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKAS 24 (Revised)	Related Party Disclosures[4]
HKAS 32 (Amendment)	Classification of Rights Issues[2]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[3]
HKFRS 9	Financial Instruments[5]
HK (IFRIC) - Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[4]
HK (IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments[3]

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

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

3. REVENUE AND SEGMENT INFORMATION

Revenue 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	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Sales of goods	**3,079,118**	2,076,173

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

The following is an analysis of the Group's revenue and result by operating segment for the period under review:

For the six months ended 30 June 2010

	Intermediate products	Bulk medicine	Finished products	Segment total	Elimination	Combined
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER						
External sales	**745,697**	**1,429,956**	**903,465**	**3,079,118**	**-**	**3,079,118**
Inter-segment sales	**643,456**	**121,898**	**-**	**765,354**	**(765,354)**	**-**
	1,389,153	**1,551,854**	**903,465**	**3,844,472**	**(765,354)**	**3,079,118**
Segment profit	**279,020**	**161,944**	**196,473**			**637,437**
Unrealised profit elimination	**(7,781)**	**(499)**	**-**			**(8,280)**
	271,239	**161,445**	**196,473**			**629,157**
Unallocated other income						**7,841**
Unallocated corporate expenses						**(13,818)**
Finance costs						**(49,334)**
Profit before taxation						**573,846**

For the six months ended 30 June 2009

	Intermediate products *HK$'000*	Bulk medicine *HK$'000*	Finished products *HK$'000*	Segment total *HK$'000*	Elimination *HK$'000*	Combined *HK$'000*
TURNOVER						
External sales	340,713	992,027	743,433	2,076,173	-	2,076,173
Inter-segment sales	556,675	90,670	-	647,345	(647,345)	-
	897,388	1,082,697	743,433	2,723,518	(647,345)	2,076,173
Segment profit	40,817	64,327	183,362			288,506
Unrealised profit elimination	(10,777)	2,060	-			(8,717)
	30,040	66,387	183,362			279,789
Unallocated other income						2,297
Unallocated corporate expenses						(31,214)
Finance costs						(50,072)
Profit before taxation						200,800

The accounting policies of the operating segments are the same as the Group's accounting policies in the preparation of the Group's annual financial statements. The performance assessment of the Group 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 and profit or loss of the Group are allocated based on the operations of the segments.

Intersegment turnover is charged at prevailing market rates.

Operating segment profit represents the profit earned by each segment without allocation of bank interest income, sundry income of head office, corporate expenses and staff costs, and finance costs.

4. OTHER INCOME

	Six months ended 30 June 2010 (Unaudited) *HK$'000*	2009 (Unaudited) *HK$'000*
Bank interest income	**5,975**	1,177
Sales of raw materials	**865**	8,004
Subsidy income	**13,713**	2,899
Sundry income	**1,866**	1,120
	22,419	13,200

5. FINANCE COSTS

The finance costs represent the interest on bank borrowings wholly repayable within five years.

Borrowing costs of approximately HK$6,200,000 (six months ended 30 June 2009: nil) were capitalised as part of the cost of a manufacturing plant in current period.

6. TAXATION

	Six months ended 30 June 2010 (Unaudited) *HK$'000*	2009 (Unaudited) *HK$'000*
The charge comprises:		
Current tax		
Hong Kong Profits Tax	**8,346**	7,268
The People's Republic of China (the "PRC") enterprise income tax	**73,110**	44,531
Overprovision of PRC enterprise income tax in respect of prior year	**(3,524)**	(3,284)
Change of applicable tax rate of a subsidiary (Note)	**-**	15,327
	77,932	63,842
Deferred tax	**12,046**	2,513
	89,978	66,355

Hong Kong Profits Tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used is 16.5% for the periods under review. Taxation arising in the PRC is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used is 25% for the six months ended 30 June 2010 (for the six months ended 30 June 2009: 25%).

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 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 from the State of Administration of Taxation ("SAT") 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 for the six months ended 30 June 2009.

7. PROFIT FOR THE PERIOD

	Six months ended 30 June 2010 (Unaudited) *HK$'000*	2009 (Unaudited) *HK$'000*
Profit for the period has been arrived at after charging (crediting):		
Provision of / (reversal) of allowance for inventories	**1,136**	(7,665)
(Reversal of) / allowance for bad and doubtful debts	**(308)**	1,606
Depreciation and amortization		
Depreciation of property, plant and equipment	**194,684**	166,389
Amortisation:		
- intangible assets	**1,353**	1,025
- prepaid lease payments	**1,304**	1,375
	197,341	168,789

8. DIVIDEND

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Final dividend paid in respect of the year ended 31 December 2009 of 19 HK cents (year ended 31 December 2008: 15 HK cents) per ordinary share	**237,500**	180,000

The Board declares the payment of an interim dividend of HK12 cents per share for the six months ended 30 June 2010 (six months ended 30 June 2009: nil).

9. BASIC EARNINGS PER SHARE

The calculation of the basic earnings per share for the six months ended 30 June 2010 is based on the profit attributable to the owners of the Company and the weighted average number of approximately 1,215,193,000 (for the six months ended 30 June 2009: 1,200,000,000) shares.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

The Group incurred HK$410,619,000 (for the six months ended 30 June 2009: HK$503,996,000) on property, plant and equipment during the six months ended 30 June 2010.

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 bills receivables have average maturity period of 90 days to 180 days.

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

	30 June 2010	31 December 2009
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Trade receivables		
0 to 30 days	**530,764**	420,350
31 to 60 days	**220,986**	261,758
61 to 90 days	**53,271**	17,054
91 to 120 days	**17,200**	439
121 to 180 days	**547**	1,219
Over 180 days	**379**	470
	823,147	701,290
Bills receivables		
0 to 30 days	**245,112**	101,866
31 to 60 days	**162,161**	114,198
61 to 90 days	**245,446**	145,990
91 to 120 days	**182,857**	266,189
121 to 180 days	**151,101**	335,154
Over 180 days	**1,380**	4,096
	988,057	967,493
Deposits and prepayments	**423,379**	183,002
	2,234,583	1,851,785

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 analysis of the trade and bills payables by age, presented based on the invoice date at the end of the reporting periods:

	30 June 2010 (Unaudited) *HK$'000*	31 December 2009 (Audited) *HK$'000*
Trade payables		
0 to 90 days	**840,943**	824,096
91 to 180 days	**332,858**	328,748
Over 180 days	**68,073**	40,101
	1,241,874	1,192,945
Bills payables		
0 to 90 days	**82,978**	41,656
91 to 180 days	**190,134**	184,305
	273,112	225,961
Other payables and accruals	**472,197**	505,198
	1,987,183	1,924,104

Included in trade payables and other payables above are HK$372,362,000 and HK$11,152,000 respectively (31 December 2009: HK$710,089,000 and HK$102,719,000) that has been paid by endorsed bills for which the maturity date has not yet due as at the end of the reporting period.

13. BORROWINGS

	30 June 2010 (Unaudited) *HK$'000*	31 December 2009 (Audited) *HK$'000*
Bank loans	**1,637,329**	1,505,740
Discounted bills with recourse	**1,016,493**	698,436
Trust receipt bills	**-**	1,108
	2,653,822	2,205,284
Analysed as:		
Secured	**873,706**	900,622
Unsecured	**1,780,116**	1,304,662
	2,653,822	2,205,284
The borrowings are repayable as follows:		
On demand or within one year	**2,080,303**	1,347,365
More than one year, but not exceeding two years	**509,833**	647,731
More than two years, but not exceeding five years	**63,686**	210,188
	2,653,822	2,205,284
Less: Amount due within one year shown under current liabilities	**(2,080,303)**	(1,347,365)
Amount due after one year	**573,519**	857,919

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.

14. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.01 each		
At 1 January 2009 and 31 December 2009	1,200,000,000	12,000
Issue of shares	50,000,000	500
At 30 June 2010	**1,250,000,000**	**12,500**

Pursuant to the Placing and Subscription Agreement entered into among the Company, its parent company and the placing agent dated 29 April 2010, the parent company of the Company agreed to sell 100,000,000 shares in the Company by placing to independent placees. At the same time, the parent company of the Company agreed to subscribe 50,000,000 new ordinary shares of HK$0.01 each in the Company at HK$8.50. The net proceeds to be received by the Company from the subscription amounting to approximately HK$416 million will be applied the expansion of the Group's existing production facilities and other capital expenditures. Details of the placing and subscription are set out in the Company's announcement dated 29 April 2010.

15. CAPITAL COMMITMENTS

As at 30 June 2010, the Group had commitments for capital expenditure of HK$169,895,000 (31 December 2009: HK$122,222,000) in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements.

16. PLEDGE OF ASSETS

As at 30 June 2010, the Group had pledged the following assets to banks as securities against banking facilities granted to the Group:

	30 June 2010 (Unaudited)	31 December 2009 (Audited and restated)
	HK$'000	*HK$'000*
Property, plant and equipment	**1,500,940**	1,384,294
Prepaid lease payments	**108,434**	109,169
Bills receivables	**95,605**	58,371
Pledged bank deposits	**492,100**	288,645
	2,197,079	1,840,479

17. RELATED PARTY TRANSACTION

The Group's key management personnel are all directors and the remuneration of the directors of the Company during the period is as follows:

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Fees	**840**	735
Salaries and other benefits	**6,740**	2,790
Retirement benefits scheme contribution	**18**	34
	7,598	3,559

MANAGEMENT DISCUSSION AND ANALYSIS

Business review for the first half of 2010

For the six months ended 30 June 2010, the Group's revenue was increased by 48.3% to HK$3,079.1 million as compared with the same period in the preceding year of HK$2,076.2 million. The Group's profit for the period attributable to shareholders was approximately HK$483.9 million (2009: HK$134.4 million), representing an increase of 259.9%, as compared with the same period in the preceding year. Segmental turnover (including inter-segment sales) of intermediate products, bulk medicine and finished products were increased by 54.8%, 43.3% and 21.5% respectively for the six months ended 30 June 2010, as compared with the same period in preceding year. Segmental profit of intermediate products, bulk medicine and finished products increased by 802.9%, 143.2% and 7.2% respectively.

Review to the first half year of 2010, the Group still maintained fast growth despite the slowdown in the PRC economy. Our operating performance of the interim period showed a better result than the second half year of 2009, breaking its historical records. Benefited from the strong demand for premium medicines attributable to the implementation of the medical reform by the government and the increase in the people's living standards in the PRC, the Group achieved satisfactory results during the first half year of 2010, with the following factors contributing to the growth:

Increasing demand for intermediate products and bulk medicine products

With the growth momentum of the second half year of 2009 stayed strong in the first half year of 2010, the turnover of intermediate products and bulk medicine products marked new highs due to the stabilized prices and increased market demands for the Group's intermediate products and bulk medicine products. On-going expansion of medicine market size in the PRC led to increasing demand for medicines. As a major manufacturer of intermediate products 6-APA and amoxicillin bulk products in the PRC and around the world, coupled with increasing demand for medicines from various finished products plants and manufacturers in the market, the Group reaped the benefits with a strong growth in terms of its sales of intermediate products and bulk medicine products.

Drop in cost of intermediate products due to the upgrade of the production capacity of Inner Mongolia plant

Gross profit margin of intermediate products was improved significantly thanks to the operation of Inner Mongolia plant at full capacity. In current period, intermediate products contributed more profits to the Group as compared to last year. We continued to fully leverage the synergy arising from the comprehensive vertically integrated production model among five large production bases. With the expansion of the finished products plant in Hong Kong, the finished products plant in Zhongshan and the bulk medicine plant in Zhuhai, the comprehensive integrated intermediate products plant in Inner Mongolia further upgraded its production capacity, along with a higher profit at lower cost due to the strengthened cooperation with the intermediate products plant in Chengdu. During the period under review, the leading position of the Group in the industry was consolidated by virtue of the vertically integrated production model, which will continue to support us considerably to grow further and stronger. All plants were granted with GMP of the PRC, and some of them have additionally got ISO9001 and ISO14001 certifications. Certain main products even have received certifications or acceptance of FDA from the US, COS from Europe and GMP from Japan, thus making the client base more international and establishing our leading position.

Strengthening the sales team of finished products

During the period, rural markets remained as the Group's priority for sales of its finished products. With our successful sales strategies, the Group's turnover and profits of finished products recorded new highs. Our sales personnel of finished products increases to over 3,000 members of employees, and several of our main products captured additional market share and enhanced coverage.

Industry consolidation with survival of the fittest

The industry underwent mergers and acquisitions during the financial tsunami, leading to the survival of the fittest, which benefited the Group to a large extent. In addition, the management's leadership and ability to respond to the crisis during the financial tsunami became more mature by taking decisive and efficient measures to cut cost, increase efficiency and capture market, which contributed to our reinforced solid foundation and improved profitability and results as compared to last year.

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

Liquidity and Financial Resources

As at 30 June 2010, the Group had bank deposits, cash and bank balances amounted to HK$880.9 million (31 December 2009: HK$481.1 million).

As at 30 June 2010, the Group had interest-bearing bank borrowings of approximately HK$2,653.8 million (31 December 2009: HK$2,205.3 million), which were denominated in Hong Kong dollars and Reminbi with maturity within five years. Bank borrowings of approximately HK$403.1 million are fixed rate loans while the remaining balance of approximately HK$2,250.7 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 2010, current assets of the Group amounted to approximately HK$4,192.4 million (31 December 2009: HK$3,220.1 million). The Group's current ratio was approximately 1.01 as at 30 June 2010 as compared with 0.96 as at 31 December 2009. As at 30 June 2010, the Group had total assets of approximately HK$8,703.0 million (31 December 2009: HK$7,460.0 million) and total liabilities of approximately HK$4,802.0 million (31 December 2009: HK$4,267.0 million), representing a net gearing ratio (calculated as total borrowings less cash and bank balances and pledged bank deposits to total equity) of 45.4% as at 30 June 2010, as compared with 54.0% as at 31 December 2009.

Use of Proceeds from issue of new shares

Pursuant to the Placing and Subscription Agreement entered into among the Company, its parent company and the placing agent dated 29 April 2010, the parent company of the Company agreed to sell 100,000,000 shares in the Company by placing to independent placees. At the same time, the parent company of the Company agreed to subscribe 50,000,000 new ordinary shares of HK$0.01 each in the Company at HK$8.50. The net proceeds to be received by the Company from the subscription amounting to approximately HK$416 million will be applied the expansion of the Group's existing production facilities and other capital expenditures.

As at 30 June 2010, net proceeds of approximately HK$241,000,000 has been applied as the expansion of the Group's existing production facilities and other capital expenditures and the remaining of the net proceeds has been deposited into banks and qualified financial institution, and will be applied in accordance with the plans disclosed in the Company's announcement dated 29 April 2010.

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 currency exchange rates.

Contingent Liabilities

At 30 June 2010 and 31 December 2009, the Group had no material contingent liabilities.

Outlook for second half of 2010

Looking forward to the second half of 2010, we feel optimistic. As the PRC enforced the pharmaceutical reform, and imposed polices to bolster rural market, it is believed that demand for pharmaceutical sector will be stimulated. In fact, there is a relatively huge distance between the medical expenditure per capita in China and the ones in developed countries, by virtue of which the Group foresees the room for market growth is ample. Being a major industry player, the Group will, on the basis of economic scale, further reduce the costs, leverage its efficiency, and expand its sales network and team. We believe these efforts will bring about new brilliants.

Alongside the further implementation of favorable polices in the PRC, and the natural selection in all sectors, the Group expects the market demands for intermediate products and bulk medicines will increase after their respective supply integration. As a result, their average selling prices will experience a stable upturn, which reveals that a new growth cycle may approach. Furthermore, after recognitions accredited by European and American institutions towards the Group's several major products, overseas pharmaceutical enterprises started to purchase more our products, so the export sales, which commands relatively high gross profit margin, are seen to improve with constant pace, and will certainly help to drive the overall gross profit margin. At the same time, the five principal production bases within the Group are expanding, integrating and supporting each other, so that our cost of production is likely to decline again and the production efficiency will go up accordingly.

The management estimates the sales of our finished products will achieve promising growth, and our revenue will scale new heights. The sales team has over 3,000 members, who are dispatched all over China. As anticipated in our last annual report, sales for our finished products will step into a harvest period in this year, and this long waited prosperity shall persist. In reliance upon our powerful sales network and the close relationship with our distributors and medical institutions, we project that our market expansion will accelerate, and hence our sales will escalate. After exploring rural markets and communities with little competition but high growth rate in the past years, the Group has now secured its position as a pioneer in the market, and embraced momentum for its future growth.

In the second half, the Group will stay focused on recombinant human insulin finished products, and will speed up their promotion and tendering in every province and every city. The Group will also strengthen the approval of every type of insulin finished products, so as to diversify its products and improve their competitiveness. Meanwhile, it will invest RMB300 million to expand related production lines as scheduled, so it is expected that the Group will gain an ideal market share in the coming years. Apart from that, as the Group's related products has equivalent effect to the imported insulin products, considering about their competitive price, currently the market feedback towards our products is positive. There are more than 100 million diabetes patients in China, which is increasing over time. So the recombinant insulin has a market with RMB4 billion, and will embark a high growth rate from 20% to 30% annually. In addition, the Group will continue to invest in its research and development capacity, in a bid to launch competitive and profitable finished products as soon as possible.

Looking ahead, the Group will stride towards our objective to become a matchless pharmaceutical enterprise in the world. We will further enhance our brand awareness and exploration capacity, so that the Group can enjoy the great opportunities brought about by preferential policy treatments, market growth and new products' contribution. The Group believes that, with our solid foundation, analysts and investors will endorse the long-term growth strategy that we purse, and they will therefore grant a higher valuation upon us. We are looking forward to see growth both in our results and the returns to our shareholders, because by that time a good stead for our future growth will be laid.

Employees and Remuneration

As at 30 June 2010, the Group had approximately 10,500 (31 December 2009: 9,100) members of 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

Save for issue of 50,000,000 new shares at HK$8.5 per share as set out in note 14 above, 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 2010.

DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board declares an interim dividend of HK12 cents per share (for the six months ended 30 June 2009:Nil) to be payable to the shareholders whose names appear in the register of members of the Company on 27 August 2010. The register of members will be closed from 25 August 2010 to 27 August 2010 (both days inclusive), during which period no transfer of shares will be registered.

In order to qualify for the interim 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 24 August 2010.

The dividend warrants are expected to be dispatched to the shareholders on about 3 September 2010.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the six months ended 30 June 2010.

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 results announcement.

AUDIT COMMITTEE

The Audit Committee consists of three independent non-executive directors, namely Mr. Chong Peng Oon, Mr. Huang Bao Guang and Mr. Song Ming. The Audit Committee and the Company's external auditor have reviewed and discussed matters relating to internal control and financial statements, including review of the unaudited financial statements for the six months ended 30 June 2010.

BOARD OF DIRECTORS

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

On behalf of the Board

CHOY KAM LOK
Chairman

Hong Kong, 5 August 2010