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 2015

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2015	2014	**Increase/**
	HK$'000	*HK$'000*	**(Decrease)**
Revenue	**4,062,365**	3,701,221	**9.8%**
EBITDA	**803,364**	1,283,137	**(37.4%)**
Profit before taxation	**259,380**	790,413	**(67.2%)**
Profit for the period attributable to owners of the Company	**280,279**	709,906	**(60.5%)**
Earnings per share	**HK cents**	HK cents	
- Basic	**17.23**	43.64	**(60.5%)**
- Diluted	**17.23**	43.64	**(60.5%)**

The Board of Directors (the "Board") of The United Laboratories International Holdings Limited (the "Company") announces the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2015 together with the comparative figures for the corresponding period in 2014 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2015

		Six months ended 30 June	
		2015	2014
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	3	**4,062,365**	3,701,221
Cost of sales		**(2,424,283)**	(2,160,269)
Gross profit		**1,638,082**	1,540,952
Other income	4	**55,202**	467,882
Other gains and losses	5	**63,123**	(15,752)
Selling and distribution expenses		**(661,086)**	(627,777)
Administrative expenses		**(370,052)**	(292,206)
Research and development expenditures		**(33,990)**	(62,794)
Other expenses		**(42,230)**	(14,850)
Impairment loss recognised in respect of property, plant and equipment	11	**-**	(28,747)
Impairment loss recognised in respect of investment properties	11	**(30,131)**	-
Fair value change on investment properties	11	**(174,733)**	1,258
Loss on fair value change of embedded derivative components of convertible bonds		**(5,474)**	(13,001)
Finance costs	6	**(179,331)**	(164,552)
Profit before taxation		**259,380**	790,413
Taxation	7	**20,899**	(80,507)
Profit for the period attributable to owners of the Company	8	**280,279**	709,906
Other comprehensive income:			
Items that will not be subsequently reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		**(13,511)**	(242,456)
Total comprehensive income for the period attributable to the owners of the Company		**266,768**	467,450
		HK cents	HK cents
Earnings per share	9		
- Basic		**17.23**	43.64
- Diluted		**17.23**	43.64

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015

	Notes	**30 June 2015 (Unaudited) *HK$'000***	31 December 2014 (Audited) *HK$'000*
Non-current assets			
Property, plant and equipment	11	**9,600,848**	9,616,785
Investment properties	11	**1,441,417**	1,634,245
Properties held for development for sale	11	**302,811**	318,707
Prepaid lease payments		**264,759**	268,271
Goodwill		**3,770**	3,777
Intangible assets		**79,589**	54,517
Deposit for land use rights		**7,589**	7,602
Deposits for acquisition of property, plant and equipment		**239,766**	186,572
Pledged deposits against finance leases		**124,410**	162,019
Deferred tax assets		**50,529**	41,929
		12,115,488	12,294,424
Current assets			
Inventories		**1,645,556**	1,417,886
Trade and bills receivables, other receivables, deposits and prepayments	12	**2,638,756**	2,981,580
Derivative financial instruments		**5,320**	227
Prepaid lease payments		**6,297**	6,307
Pledged bank deposits		**1,536,993**	1,214,683
Bank balances and cash		**855,088**	1,003,079
		6,688,010	6,623,762
Current liabilities			
Trade and bills payables and accrued charges	13	**3,711,706**	3,570,047
Derivative financial instruments		**6,487**	27,590
Obligations under finance leases - due within one year		**607,041**	696,019
Tax payables		**75,233**	62,831
Borrowings - due within one year		**4,661,346**	4,557,651
		9,061,813	8,914,138
Net current liabilities		**(2,373,803)**	(2,290,376)
Total assets less current liabilities		**9,741,685**	10,004,048
Non-current liabilities			
Deferred tax liabilities		**661,953**	768,120
Deferred income in respect of government grants	13	**103,236**	103,315
Obligations under finance leases - due after one year		**388,082**	704,960
Borrowings - due after one year		**1,222,270**	1,335,013
Convertible bonds		**130,259**	123,523
		2,505,800	3,034,931
		7,235,885	6,969,117
Capital and reserves			
Share capital		**16,269**	16,269
Reserves		**7,219,616**	6,952,848
Equity attributable to owners of the Company		**7,235,885**	6,969,117

NOTES:

1. BASIS OF PRESENTATION

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

As at 30 June 2015, the Group had net current liabilities of approximately HK$2,373,803,000. The directors of the Company are of the opinion that, taking into account the available banking facilities and internal financial resources of the Group, the Group has sufficient working capital for its present requirements that is for at least the next twelve months commencing from the end of the reporting period. Hence, the condensed consolidated financial statements have been prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis other than certain financial instruments measured at fair value through profit or loss and investment properties measured at fair value.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014.

In the current interim period, the Group has adopted and applied, for the first time, certain amendments to the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are mandatorily effective for the current interim period.

The application of these amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in the condensed consolidated financial statements and/or disclosures set out in the condensed consolidated financial statements.

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	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Sales of goods	**4,062,365**	**3,701,221**

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

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

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

For the six months ended 30 June 2015 (unaudited)

	Intermediate products	Bulk medicine	Finished products	Segments total	Elimination	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE						
External sales	**962,681**	**1,766,549**	**1,333,135**	**4,062,365**	**-**	**4,062,365**
Inter-segment sales	**776,007**	**140,277**	**-**	**916,284**	**(916,284)**	**-**
	1,738,688	**1,906,826**	**1,333,135**	**4,978,649**	**(916,284)**	**4,062,365**
RESULT						
Segment profit	**251,999**	**136,103**	**263,887**			**651,989**
Unrealised profit elimination	**(2,801)**	**(5,985)**	**(10,869)**			**(19,655)**
	249,198	**130,118**	**253,018**			**632,334**
Unallocated other income						**35,148**
Other gains and losses						**63,123**
Unallocated corporate expenses						**(81,556)**
Impairment loss recognised in respect of investment properties						**(30,131)**
Fair value change on investment properties						**(174,733)**
Loss on fair value change of embedded derivative components of convertible bonds						**(5,474)**
Finance costs						**(179,331)**
Profit before taxation						**259,380**

For the six months ended 30 June 2014 (unaudited)

	Intermediate products HK$'000	Bulk medicine HK$'000	Finished products HK$'000	Segments total HK$'000	Elimination HK$'000	Consolidated HK$'000
REVENUE						
External sales	497,773	1,914,528	1,288,920	3,701,221	-	3,701,221
Inter-segment sales	808,435	301,218	-	1,109,653	(1,109,653)	-
	1,306,208	2,215,746	1,288,920	4,810,874	(1,109,653)	3,701,221
RESULT						
Segment profit	169,421	195,471	279,144			644,036
Unrealised profit elimination	(11,726)	(19,775)	(11,563)			(43,064)
	157,695	175,696	267,581			600,972
Unallocated other income						446,902
Other gains and losses						(15,752)
Unallocated corporate expenses						(36,667)
Impairment loss recognised in respect of property, plant and equipment						(28,747)
Fair value change on investment properties						1,258
Loss on fair value change of embedded derivative components of convertible bonds						(13,001)
Finance costs						(164,552)
Profit before taxation						790,413

The performance of the Group is measured based on segment profit that is used by the CODM for the purposes of resource allocation and assessment of segment performance.

Inter-segment revenue is charged at prevailing market rates.

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

Total assets and liabilities for reportable segments are not presented in the condensed consolidated financial statements, as the information is not regularly provided to the CODM. Accordingly, the Group has not included total assets or liabilities information as part of segment information.

4. OTHER INCOME

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Bank interest income	**24,295**	15,022
Sales of raw materials	**16,175**	11,070
Subsidy income (Note)	**3,879**	429,946
Sundry income	**10,853**	11,844
	55,202	467,882

Note: Included in the amount for the six months ended 30 June 2015 mainly consists of approximately HK$2,483,000 grants for the purpose of financing certain expenditure on new products development.

Included in the amount for the six months ended 30 June 2014 mainly consists of (i) approximately HK$392,375,000 representing incentives received by a group entity in Chengdu which is for compensating losses incurred in relation to cessation of production in 2013 in Chengdu; (ii) approximately HK$34,721,000 incentives as immediate financial support with no future related costs expected to be incurred nor related to any assets; and (iii) approximately HK$566,000 grants for the purpose of financing certain expenditures on new products development.

5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Exchange gains (losses), net	**22,665**	(21,027)
Investment income on forward contracts	**13,860**	9,601
Fair value change on derivative financial instruments	**26,576**	(3,979)
Others	**22**	(347)
	63,123	(15,752)

6. FINANCE COSTS

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on borrowings wholly repayable within five years	**166,006**	175,527
Interest on convertible bonds wholly repayable within five years	**8,044**	7,640
Interest on finance leases wholly repayable within five years	**24,947**	57,899
	198,997	241,066
Less: amounts capitalised in property, plant and equipment	**(19,666)**	(76,514)
	179,331	164,552

7. TAXATION

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
The charge comprises:		
Current tax		
Hong Kong Profits Tax	**2,102**	8,622
People's Republic of China ("PRC") Enterprise Income Tax ("EIT")	**86,181**	74,914
PRC withholding tax	**10,767**	16,132
	99,050	99,668
Deferred tax	**(119,949)**	(19,161)
	(20,899)	80,507

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 June 2014: 16.5%) of the estimated assessable profit for the period. PRC EIT is calculated at the applicable rates of tax prevailing in the areas in which the Group operates, based on the existing legislation, interpretations and practices.

Pursuant to the PRC Enterprise Income Tax law and its detailed implementation rules promulgated on 16 March 2007 and 6 December 2007 respectively, the tax rate for domestic and foreign enterprises is unified at 25% and is effective from 1 January 2008. Besides, with effect from 1 January 2008, if the subsidiaries are qualified as high-technology companies (under the new PRC Enterprise Income Tax Law), the subsidiaries will be entitled a reduced rate of 15% and such qualification is subject to renewal for every three years. Certain of group entities in the PRC are entitled to the reduced tax rate of 15% for 2015 and 2014.

The taxation charge for current PRC EIT for the current interim period is calculated after taking into account the utilisation of unused tax losses amounting to approximately HK$18,744,000 for which no deferred tax asset was previously recognised.

Deferred tax liabilities of approximately HK$116,702,000 has been reversed in respect of the impairment loss of HK$30,131,000 and fair value loss of HK$174,733,000 of the investment properties as disclosed in note 11.

8. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit for the period has been arrived at after charging (crediting):		
Staff costs, including directors' emoluments:		
- Salaries and other benefits costs	**498,545**	445,263
- Retirement benefit costs	**28,852**	25,604
	527,397	470,867
Less : amount included in research and development expenditures	**(19,040)**	(19,209)
Less : amount included in temporary production suspension costs in other expenses	**(47)**	(3)
	508,310	451,655
Depreciation and amortisation:		
Depreciation of property, plant and equipment	**360,256**	325,907
Amortisation		
- intangible assets	**2,232**	147
- prepaid lease payments	**2,165**	2,118
	364,653	328,172
Provision of (reversal of) allowance of doubtful debts	**5,179**	(1,211)
Reversal of allowance for inventories	**-**	(5,907)
Amounts included in other expenses:		
- written down of deposits for acquisition of property, plant and equipment	**4,514**	9,938

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
Earnings	***HK$'000***	*HK$'000*
Earnings for the purposes of basic and diluted earnings per share, being profit for the period attributable to owners of the Company	**280,279**	709,906
Number of shares	**'000**	'000
Number of ordinary shares for the purposes of basic and diluted earnings per share	**1,626,875**	1,626,875

The computation of diluted earnings per share for the period ended 30 June 2015 and 2014 does not assume the conversion of the Company's outstanding convertible bonds since their exercise would result in an increase in earnings per share for the period.

10. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: nil).

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND PROPERTIES HELD FOR DEVELOPMENT FOR SALE

The Group acquired approximately HK$366,066,000 (six months ended 30 June 2014: HK$520,773,000) on property, plant and equipment to expand and upgrade certain production plants primarily in Inner Mongolia, the PRC, during the six months ended 30 June 2015.

Following the cessation of operations in the Group's production facilities in Chengdu ("Chengdu Production Plant") during the year ended 31 December 2013, the directors of the Company further re-assessed the recoverable amounts of the property, plant and equipment items in the Chengdu Production Plant based on the management's latest revised estimates of their state and condition as at 30 June 2014 and determined that an additional impairment loss of approximately HK$28,747,000 was to be recognised in the profit or loss for the period ended 30 June 2014 (30 June 2015: HK$nil).

An impairment loss of HK$30,131,000 was made on investment property located at Chengdu during the period ended 30 June 2015 as the Group had donated an investment property to the local government at nil consideration during the period.

The fair value of the Group's investment properties as at 30 June 2015 has been arrived at based on a valuation carried out on that date by Roma Appraisals Limited ("ROMA"), an independent qualified professional valuer. There was no comparable recent sales transactions of lands available in the relevant markets and accordingly the valuation of the Chengdu Lands was determined using the residual method, i.e. discounted cash flows of expected gross development value of the Chengdu Lands and deducting therefrom, inter alia, the development costs to be incurred to arrive at the residual value. The discounted cash flows involve the use of a number of unobservable inputs, such as expected selling price of completed units, construction period, finance cost, construction cost, developer’s profit margin and commercial/residential portion, which would expose the Group to fair value measurement risks.

The decrease in fair value of investment properties of approximately HK$174,733,000 has been recognised directly in the profit or loss for the six months ended 30 June 2015 (six months ended 30 June 2014: increased by HK$1,258,000). The decrease in fair value is due to a longer construction period from 4-6 years estimated as at 31 December 2014 to 4-7 years estimated as at 30 June 2015 and decrease in expected selling price of completed units from an average of RMB9,651 per square meter as at 31 December 2014 to RMB9,209 per square meter as at 30 June 2015. The expected selling price per square meter upon completion of construction and the construction periods have been revisited by the directors of the Company taking into account the market conditions and construction complexity as at the valuation date.

Pursuant to the Group’s development plan as at 30 June 2015, certain lands will be developed into residential properties for sale, the respective portion of lands have been reclassified from investment properties to “Properties held for development for sale” carried at the deemed costs equivalent to the fair value measured at 30 June 2015 immediately prior to its reclassification.

12. TRADE AND BILLS RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 June 2015	31 December 2014
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Trade and bills receivables	**2,237,450**	2,596,814
Value-added tax receivables	**106,789**	166,667
Other receivables, deposits and prepayments	**337,064**	255,526
Less: allowance for doubtful receivables		
- trade	**(11,539)**	(11,435)
- non-trade	**(31,008)**	(25,992)
	2,638,756	2,981,580

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

The increase in other receivables, deposits and prepayments is resulted by the increase in prepayment for inventories comprising raw materials and consumables and expenditure on development stage for product testing included in research and development expenditures.

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

	30 June 2015	31 December 2014
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Trade receivables		
0 to 30 days	**518,428**	613,416
31 to 60 days	**282,175**	324,225
61 to 90 days	**127,469**	128,787
91 to 120 days	**66,250**	83,821
121 to 180 days	**27,238**	19,198
Over 180 days	**27,510**	5,028
	1,049,070	1,174,475
Bills receivables		
0 to 30 days	**182,540**	295,838
31 to 60 days	**193,825**	187,496
61 to 90 days	**158,934**	298,977
91 to 120 days	**237,040**	244,937
121 to 180 days	**396,689**	376,216
Over 180 days	**7,813**	7,440
	1,176,841	1,410,904

At 30 June 2015, the Group had HK$1,523,099,000 (31 December 2014: HK$1,100,872,000) of bills receivables discounted to several banks with recourse by providing a credit guarantee over the expected losses of those receivables, of which HK$254,862,000 (31 December 2014: HK$216,233,000) bills receivables were issued by the Group's external debtors, and the remaining HK$1,268,237,000 (31 December 2014: HK$884,639,000) were issued by certain subsidiaries of the Company for the purposes of settlement or prepayment of inter-group purchase. Accordingly, the Group continues to recognise the full carrying amount of Group's receivables from the external debtors and has recognised the cash received on such discounted bills receivables as secured borrowings of HK$1,523,099,000 (31 December 2014: HK$1,100,872,000). In addition, as at 30 June 2015, the Group continues to recognise an amount of HK$538,243,000 (31 December 2014: HK$569,957,000) representing bills receivables issued by the Group's external debtors which had been endorsed to the Group's creditors for settlement (see note 13).

13. TRADE AND BILLS PAYABLES AND ACCRUED CHARGES

The Group normally receives credit terms of up to 120 days and 180 days for trade payables and bills payables, respectively, from its suppliers. The following is an analysis of the trade and bills payables by age, presented based on the invoice date at the end of the reporting period:

	30 June 2015	31 December 2014
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Trade payables		
0 to 90 days	**925,609**	818,640
91 to 180 days	**302,622**	306,048
Over 180 days	**72,701**	162,965
	1,300,932	1,287,653
Bills payables		
0 to 90 days	**333,970**	510,420
91 to 180 days	**550,206**	271,693
	884,176	782,113
Other payables and accruals	**431,744**	442,497
Deferred income in respect of government grants	**186,272**	174,199
Payables in respect of the acquisition of property, plant and equipment	**1,011,818**	986,900
	3,814,942	3,673,362
Less : Amount due within one year shown under current liabilities	**(3,711,706)**	(3,570,047)
Deferred income in respect of government grants shown under non-current liabilities	**103,236**	103,315

Included in the trade payables and other payables above are HK$538,243,000 and HK$nil (31 December 2014: HK$550,765,000 and HK$19,192,000), respectively which had been settled by endorsed bills for which the maturity dates of the bills have not yet fallen due as at the end of the reporting period (see note 12).

14. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had commitments for capital expenditure of approximately HK$845,543,000 (31 December 2014: HK$995,247,000) in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements.

15. PLEDGE OF ASSETS

a. Other than deposits made to financing leasing companies disclosed elsewhere in the condensed consolidated financial statements, the Group had also pledged the following assets to banks as securities against banking facilities granted to the Group at the end of the reporting period:

	30 June 2015	31 December 2014
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Property, plant and equipment	**114,504**	196,957
Land use rights	**31,899**	38,747
Bills receivables	**1,523,099**	1,100,872
Pledged bank deposits	**1,536,993**	1,214,683
	3,206,495	2,551,259

b. At 30 June 2015, the carrying value of plant and machinery included an amount of HK$2,204,950,000 (31 December 2014: HK$2,384,288,000) in respect of assets held under finance leases.

16. RELATED PARTY TRANSACTION

The Group's key management personnel are all directors of the Company, also included chief executives, and the remuneration to the directors of the Company during the period is as follows:

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Fees	**480**	480
Salaries and other benefits	**9,756**	9,970
Retirement benefits scheme contribution	**71**	67
	10,307	10,517

MANAGEMENT DISCUSSION AND ANALYSIS

Business review for the first half of 2015

For the six months ended 30 June 2015, the Group's revenue was increased by 9.8% to HK$4,062.4 million as compared with the same period in the preceding year of HK$3,701.2 million. The Group's profit for the period attributable to shareholders was approximately HK$280.3 million, representing a decrease of 60.5%, as compared with the same period in the preceding year of HK$709.9 million. Segmental turnover (including inter-segment sales) of intermediate products and finished products were increased by 33.1% and 3.4% respectively, and segmental turnover (including inter-segment sales) of bulk medicine was decreased by 13.9% for the six months ended 30 June 2015, as compared with the same period in preceding year. Segmental profit margin of intermediate products, bulk medicine and finished products were 14.3%, 6.8% and 19.0% respectively for the current period, as compared with segmental profit margin of intermediate products, bulk medicine and finished products were 12.1%, 7.9% and 20.8% respectively for the corresponding period in last year.

In the first half of 2015, the global economic growth was imbalanced, and the economic recovery process continued to diverge. In particular, while the economic recovery of the United States slowed down despite a moderate economic recovery in Europe, the global financial market fluctuated due to the impact of the debt crisis in Greece. In addition, the Japanese economy remained hovering at a relatively lower level. In China, despite of the steady slowdown of the economic growth, the government was resolved to implement various economic reform policies, consolidate the industry context and continue to drive the domestic demand and local consumption. Furthermore, the expedited ageing population, the significant growth of nationals' disposable income and the remarkable enhancement of healthcare awareness of the general public have helped the government to improve the healthcare and hygiene system. According to an announcement published by the State Council in May 2015, 2015 plays a critical role in comprehensively deepening the reform of the pharmaceutical and healthcare system. In this year, the government will continue to focus on improvement of the universal medical insurance system and provide strong support to the procurement, distribution and delivery of pharmaceuticals and equipment of hospitals. Such moves will better cater to the considerable demand for quality healthcare arising from the improving lifestyle quality of the people and the expanding coverage of medical insurances. The Group is optimistic about the business environment as these initials will help drive the long-term and sustainable development of the pharmaceutical industry and provide impetus to the future growth of the Group.

Upon review the current period result, after being deducted one-off governmental subsidies of approximately HK$392,375,000 arising from the change of the land use of Chengdu plant, the profit attributable to owners of the Company decreased as compared to the results of the same period of 2014.

The performance of the Group for the current period is analyzed as below:

Decrease in fair value of investment properties in Chengdu
The fair value of the investment properties located in Chengdu as at 30 June 2015 decreased as compared to the same period of the last year because the domestic real estate market in China continued to be sluggish during the period.

Stable production costs of intermediate products and bulk medicine products
Sales of intermediate products and bulk medicine products of the Group achieved good performance during the period. As demand for antibiotics products continued to grow steadily, the selling price of 6-APA, an intermediate product, demonstrated steadily volatile momentum. The price of corn, the primary raw material of our intermediate products, remained stable, effectively controlling the production costs of our products. During the period, the significant promotion in the production capacity utilization rate of 6-APA of the Group's Inner Mongolia plant as compared to that in the corresponding period of the last year helped achieve larger scale of economy and further effectively lower production costs. Sales of intermediate products achieved a synchronized growth and the profits from sales of 6-APA improved substantially.

Sales of finished products driven by insulin and memantine hydrochloride tablets products

As the Chinese Government continued to explore new work direction for pharmaceuticals industry under clearer new medical reform policies, it is necessary to implement the centralized procurement of pharmaceuticals. The promotion and bidding work finished products of the Group continued to steadily advance under the adjustments to the procurement of pharmaceuticals in provinces. In the first half of 2015, the products, such as the recombinant human insulin products, and the memantine hydrochloride products which is used for the treatment of Alzheimer's disease, successfully won the tenders in Zhejiang, Hunan, Anhui, Sichuan and other provinces, further expanding the sales market and better taking the advantages of the sales team in medical institutions at lower levels and the services provided. During the period, apart from winning tenders, the recombinant human insulin product of Group continued to receive orders from private hospitals, clinics and pharmacies, with sales being especially prominent in Henan, Shandong, Guangdong, Jilin and Heilongjiang provinces.

Research and development, sales and development of new products

During the period, the Group has always proactively expanded the market for the memantine hydrochloride product, a new product for treatment of the Alzheimer's disease. At present, this product has been marketed to 19 provinces across the country and won tenders in 7 provinces and cities such as Shangdong, Chongqing and Hubei. In addition, the Group continued to specialize in developing new specifications and formulations of this series in order to further expand its market presence and steadily increase sales contribution.

For other new products business, in March this year, the Group further launched Vitamin C effervescent tablets (blackcurrant), a new product in the Vitamin C family, on the basis of its existing Vitamin C effervescent tablets (orange), providing consumers with more choices of flavor. With the onset of the big health era and the concept of "Internet Plus" being put forward, in order to better market and promote our brands and excellent products via Internet, official flagship stores of United Laboratories has successfully penetrated into a number of e-commerce platforms, such as www.sunning.com, www.jd.com and www.yhd.com, and the Group plans to gradually conduct an Internet sales model in the future and further expand the market coverage.

The Group has always been dedicated to the research and development of pharmaceuticals. The United Laboratories Limited Zhuhai, a subsidiary of the Group, was awarded the "2015 Best Industrial Enterprise in terms of Pharmaceutical Product R&D and Production Line in China" (二零一五年中國醫藥研發產品線最佳工業企業) by the PRC Pharmaceutical Industry Information Centre in July 2015, and ranked 23rd among Top 100 Enterprises in the PRC Pharmaceutical Industry, demonstrating its strong capability highly recognized by the government and the industry. Currently, the Group has 52 new products being developed. In the first half of 2015, one approval document for production and one for clinical trial, and a total of 18 patent registration applications have been approved, respectively. In addition, 9 applications are pending approvals., It is expected that we will further expand our finished products business. The Group hires a strong sales team of nearly 3,000 employees, effectively shortening the time for new products to enter the market and also provides the strongest driving force for the Group's new products on the market.

For the research and development of biological preparations, the Group has applied to process pre-approval inspection of registered production site for insulin glargine (third generation insulin), and it is expected that the Group will obtain the production approval for insulin glargine (third generation insulin) during the year. Clinical trial for insulin aspart (third generation insulin) 30 injection products was completed successfully at the end of last year, and we are currently preparing to apply for the production approval, which further optimizes the Group's insulin product line. Meanwhile, the Group is researching various biological preparations, including the third generation insulin aspart, insulin Degludec, and liraglutide. In the future, such products will be gradually launched to the market to benefit more diabetics.

For the research and development of chemical pharmaceuticals, levetiracetam, which is classified under class 3.1 of State Class New Medicine and is used for the treatment of epilepsy, was granted the production approval and the new pharmaceutical certificate from China Food and Drug Administration in May 2015. It is expected that the Group will become the fourth enterprise in China with the manufacturing license for such product. With good clinic efficacy and high safety, the levetiracetam tablets are suitable for adult and children epileptics above the age of four. We believe that this kind of pharmaceuticals will contribute considerable economic benefits to the Group after being approved for production and more epileptics will benefit from them. In addition, the Group is also conducting research and development on new pharmaceuticals such as anti-AIDS and anti-hepatitis B drugs, and is dedicated to diversify its preparation products.

Liquidity and Financial Resources

As at 30 June 2015, the Group had pledged bank deposits, cash and bank balances amounted to HK$2,392.1 million (31 December 2014: HK$2,217.8 million).

As at 30 June 2015, the Group had interest-bearing borrowings of approximately HK$5,883.6 million (31 December 2014: HK$5,892.7 million), which were denominated in Hong Kong dollars and Reminbi with maturity within five years. Borrowings of approximately HK$3,246.3 million are fixed rates loans while the remaining balance of approximately HK$2,637.3 million is at floating rates. The directors expect that all such 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 2015, current assets of the Group amounted to approximately HK$6,688.0 million (31 December 2014: HK$6,623.8 million). The Group's current ratio was approximately 0.74 as at 30 June 2015 as compared with 0.74 as at 31 December 2014. As at 30 June 2015, the Group had total assets of approximately HK$18,803.5 million (31 December 2014: HK$18,918.2 million) and total liabilities of approximately HK$11,567.6 million (31 December 2014: HK$11,949.1 million), representing a net gearing ratio (calculated as total borrowings, obligations under finance leases and convertible bonds less cash and bank balances, pledged deposits against finance leases and pledged bank deposits to total equity) of 62.1% as at 30 June 2015, as compared with 72.3% as at 31 December 2014.

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 2015 and 31 December 2014, the Group had no material contingent liabilities.

Outlook for second half of 2015

Looking forward, the Group will adhere to its business development strategy, constantly maximize scientific research and cost advantages, and cooperate with renowned universities and colleges, institutes, laboratories, etc. to implement cooperative schemes. In addition, the Group will strive to develop new products with high gross profits and high demand, while continuing to diversify the products of the Group. In particular, we will continue to regard the recombinant human insulin products as the key products of the Group, undertake the tenders won in Zhejiang, Hunan, Anhui and Sichuan provinces, and continue to invest substantial resources in more provinces to capture a larger market share. Apart from insulin, memantine hydrochloride used for the treatment of Alzheimer's disease and levetiracetam used for the treatment of epilepsy, the Group has also proactively expanded the sales of OTC products, Chinese medicine and healthcare products in chain pharmacies. It is expected to further drive the growth of finished products, increase the proportion of sales, and contribute more profits to the Group.

According to the report of Frost & Sullivan, the compound annual growth rate of China's pharmaceutical market for 2014 to 2018 will be 14.0%. Notwithstanding the fast development of China's medical market, according to the estimates for 2014, the amount of China's medical expending as a percentage of the gross domestic product and the proportion of the expenditure per capita on medical expending remain lower than the majority of other major countries. Therefore, there is still huge development space in the future. Moreover, the Chinese government pointed out that by 2020, there will be seven major projects in the medical system amounting to RMB400 billion, with annual average investments of RMB50 billion, and it will strengthen the industrial regulation. The Group believes it will benefit from the rising expenditure on pharmaceuticals and the expedited consolidation of the industry in the future by leading the pack in the pharmaceuticals industry.

On the other hand, the Inner Mongolia Plant commenced its full operation, and the vertical integration resulted in higher production efficiency to satisfy the growth pace in exports and the market expansion of domestic sales. In addition, production and processing techniques continued improving. As a result, production costs were further reduced, increasing the gross profit margin of the Group. By reinforcing its own advantages, United Laboratories will capitalize on the competitive pricing advantages and extensive sales networks to penetrate into the rural markets and grass-roots level medical organizations, while capturing potential opportunities arising from the enormous medical market in China. Meanwhile, the Group will continue exploring and increasing overseas sales, including promotion of products with international standards (including recombinant human insulin products) to overseas markets. Through the dual development of domestic and overseas sales, the Group will realize higher growth rate.

Amidst deepened medical reforms and industrial upgrades, we are confident that we can seize market opportunities. By utilizing many years of experience and well-established scale of advantages, we will improve our innovation and scientific research capacities to consolidate our competitive strength, while maintaining the Group's sustainable growth momentum, hence creating the highest value for our shareholders, clients and stakeholders.

Employees and Remuneration

As at 30 June 2015, the Group had approximately 12,000 (31 December 2014: 12,000) 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 2015.

CORPORATE GOVERNANCE

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

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

- Code Provision A.2.1

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. During the six months ended 30 June 2015, the Company did not have a chief executive officer. The Company will make appointment to fill the post as appropriate.

- Code Provision A.6.7

Code provision A.6.7 of the CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings. An independent non-executive director was unable to attend the annual general meeting of the Company held on 3 June 2015 due to other important engagement.

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 Board. Following a specific enquiry, all directors confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2015.

AUDIT COMMITTEE

The Audit Committee comprises of four independent non-executive directors, namely Mr. Chong Peng Oon, Mr. Huang Bao Guang, Prof. Song Ming and Ms. Fu Xiao Nan. The Audit Committee has reviewed the unaudited condensed consolidated financial statements for the six months ended 30 June 2015. The Audit Committee has relied on a review conducted by the Company's external auditor in accordance with Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA and representations from the management.

BOARD OF DIRECTORS

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

On behalf of the Board

TSOI HOI SHAN
Chairman

Hong Kong, 17 August 2015